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Good Urban Governance in South Asia (GUGSA)



Program Overview and Compilation of Case Documents





Good Urban Governance in South Asia (GUGSA)

DOCUMENTATION OF CASE STUDY
NEPAL

Documenting examples of Good Urban Governance in Nepal – Case Studies Pokhara and Butwal

Prepared by
TEAM NEPAL &
EPC





Nepal Case Studies

Abbreviations & Acronyms

ADDCN	:	Association of District Development Committees of Nepal
BS	:	Bikram Sambat/Era
CEO	:	Chief Executive Officer
CSCS	:	Community Savings and Credit Schemes
DIMC	:	Decentralization Implementation and Monitoring Committee
EDR	:	Eastern Development Region
FWDR	:	Far-western Development
GGES	:	Good Governance Effectiveness Scale
GUGSA	:	Good Urban Governance in South Asia
HNS	:	House Numbering System
IAPs	:	Integrated Action Plans
IDP	:	Internally Displaced People
IPGRI/APO	:	International Plant Genetic Resources Institute
LAA	:	Local Administration Act 2028
LGs	:	Local Governments
LI-BIRD	:	Local Initiatives for Biodiversity Research and Development
LSGA	:	Local Self-Governance Act 2055
LBFAR	:	Local Bodies Financial Administration Regulation 2056
LSGR	:	Local Self Governance Regulation 2056
MDG	:	Millennium Development Goal
MEDP	:	Micro-Enterprise Development Program
MoLD	:	Ministry of Local Development
MoPPW	:	Ministry of Physical Planning and Works
MPDF	:	Municipal Partnership Development Fund
MuAN	:	Municipal Association of Nepal
MWDR	:	Mid-western Development Region

NAVIN	:	National Association of Village Development Committee in Nepal
NPC	:	National Planning Commission
NPGR	:	National Population Growth Rate
PMDP	:	Participatory Management Development Program
RLL	:	Rural Labor Linkage
RMC	:	Rural Market Centres
RUDO/SA	:	Regional Urban Development Office for South Asia
RUPP	:	Rural Urban Partnership Program
SCS	:	Saving and Credit Schemes
SMC	:	Sub Metropolitan City
SWM	:	Solid Waste Management
TCGI	:	The Community Group International
TBT	:	To Be Determined
TIDP	:	Tole Infrastructure Development Program
TLO	:	Tole/Lane Organization
UGI	:	Urban Governance Initiative
UPGR	:	Urban Population Growth Rate
WC	:	Ward Committee
WDR	:	Western Development Region

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Ref. No.:

POKHARA SUB-METROPOLITAN CITY

POKHARA
2052

Our Responsibility : Make Pokhara Clean & Beauty



 : 521105 Mayor
 : 520301 Dty. Mayor
 : 525340 E.O.
 : 521104 Office
 : 521400, 527173 Office
 Fax : 520600
 E-mail : pkmsmco@fewanet.com.np

Date :

Acknowledgement

I am happy to note that the Good Urban Governance Program South Asia (GUGSA) of US Agency for International Development (USAID) has selected Pokhara SMC for documenting the good practices in the area of urban governance. Our council has been making concerted efforts for several years to improve the urban services and quality of our citizens.

The Communities Group International of USA (TCGI) and TEAM Nepal have very well documented the Shree Complex Vegetable and Fruits Market of our Municipality which we hope will be a best practice resource case study in good governance for other local authorities. We wish the GUGSA regional program the every best.

Sudarshan Prasad Dhakal

(Executive Officer)

Pokhara Sub-Metropolitan City
Pokhara, Nepal

OUR RESPONSIBILITY : MAKE POKHARA CLEAN & BEAUTY


<p>"स्वच्छ, स्वस्थ, साक्षर, सीपयुक्त, सुन्दर, हराभरा बुटवल नगरपालिका" <i>Clean, Green, Healthy, Educate, Beautiful and Skillful Butwal Municipality</i></p>	
<p>बुटवल नगरपालिका कार्यालय Butwal Municipality Office</p>	
<p>बुटवल- रुपन्देही, नेपाल <i>Butwal- Rupandehi, Nepal</i></p>	
पत्र संख्या :-	प्रतानी नं. / Ref.No
विषय / Subject :-	मिति / Date
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1 Introductory Summary

1.1 Background

Good Urban Governance in South Asia (GUGSA) is a three-year, three-location program, which the Regional Urban Development Office for South Asia (RUDO/SA) has initiated in collaboration with the region's bilateral USAID Missions, in order to promote good urban governance in South Asia. The project area, earlier limited to Nepal, Sri Lanka and Bangladesh, now also includes India, Thailand, Indonesia and Sri Lanka under the expanded scope after the tsunami disaster.

Virtually all urban areas in South Asia are subject to rapid population growth, and a rural-to-urban migration rate far beyond the national and city government's preparedness for assimilation. Demands for essential urban services are growing at a pace far greater than the ability of the government to respond in ways that are adequate and meaningful.

For South Asian citizens, the prospect of a good urban environment is grim indeed, unless local governments are empowered, and their response capacity strengthened considerably. This is where the notion and need for good urban governance assumes significance and this is the rational basis of the Project.

1.2 Objectives and Outcomes

The objective of GUGSA is to document, disseminate and demonstrate good governance practices, with a view to informing municipal government bodies to improve their response capacity in order to address the challenges of sustaining a good urban environment.

GUGSA also expects to bring together local government officials through a workshop on good urban governance. The underlying objective behind this workshop/conference is to promote constructive interaction about good urban governance practices among all three stakeholder groups – the government, private sector and civil society.

1.2.1 Nepal Case Studies' Report

This consolidated Report represents the output of the Nepal component of GUGSA. Presented in the subsequent section is a brief version of the Topical Inventory Study of Nepal's Municipalities. This was prepared in the first phase of the exercise to provide a basis for the selection and development of two case studies, which was carried out in the second phase. This section also summarizes the approach and methodology followed for selection and development of case studies.

This study was undertaken by TEAM Nepal under the supervision of The Community Group International (TCGI), Washington, USA, who is the prime contractor for this project.

2 Study Design

2.1 Approach to Selection and Development of Case Study

2.1.1 Topical Inventory Study

2.1.1.1 Development of Stakeholder List

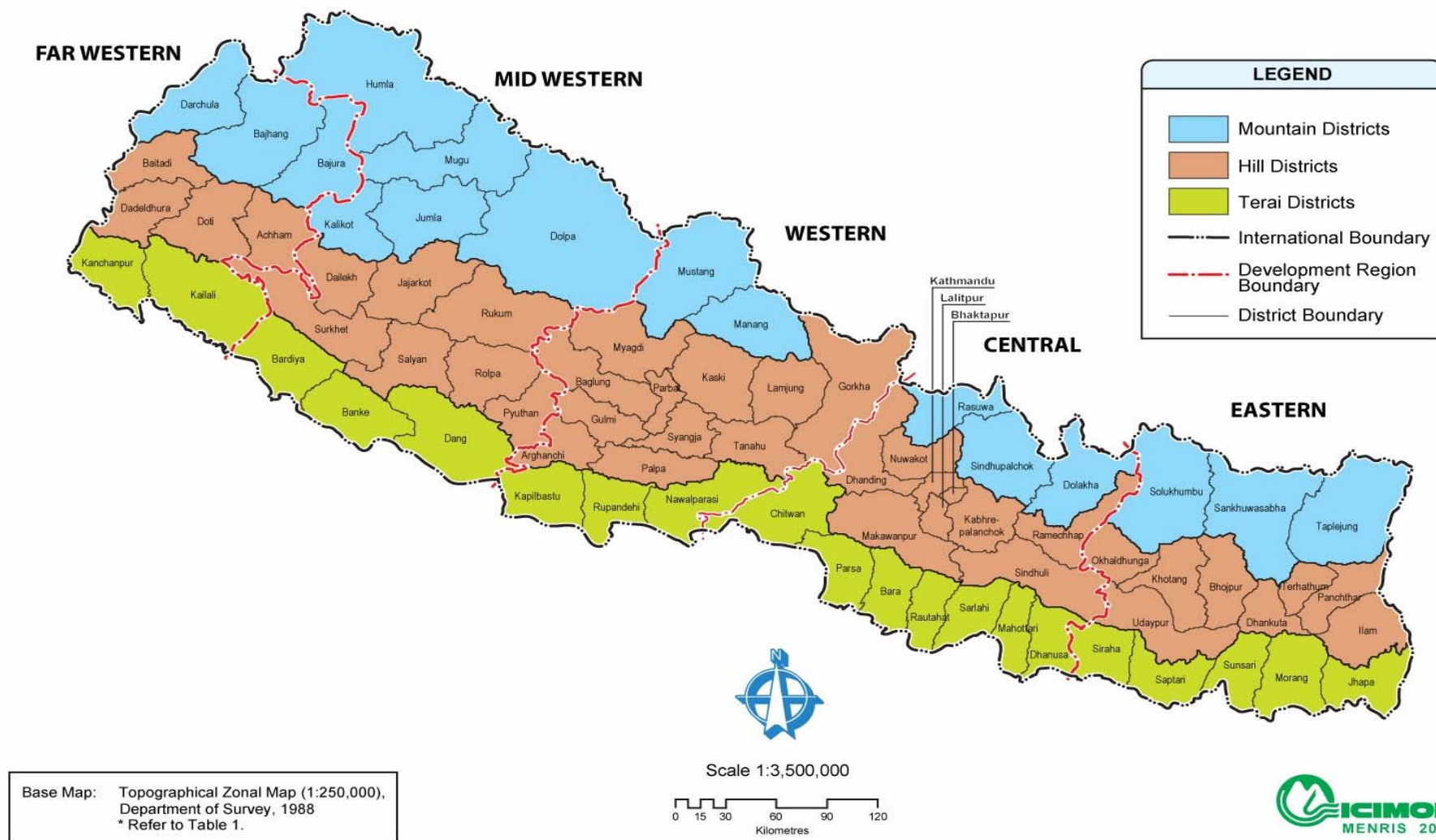
Stakeholders of good urban governance in Nepal in the public, private and civil society sectors were identified and a classified list prepared of major groups and institutions..

2.1.1.2 State of the Enabling Environment for Good Urban Governance

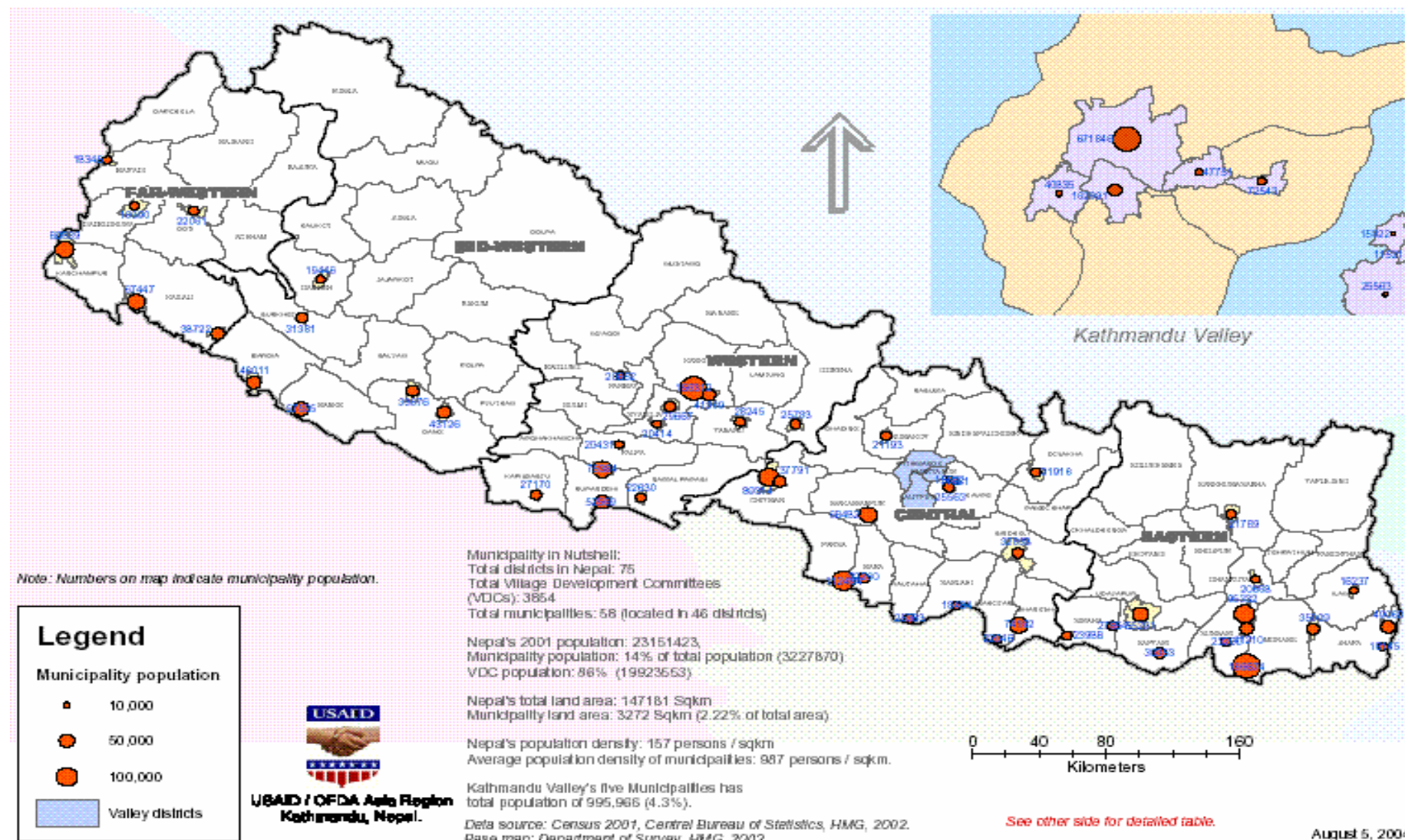
Based on geography and population, the Local Administration Act (LAA) 2032, enacted in 1971 under the then Panchayat Constitution divided Nepal into five Development Regions and seventy-five districts. Geographically, Nepal comprises of east-west belts in the form of: i) the Terai Plains and Inner Terai Valleys within the Siwalik Hills, ii) the Midland Hills and Valleys, and iii) the Mountains, from south to north. Twenty districts fall in the Terai belt, 39 in the Midland Hills belt and 16 in the Mountain belt.

The Local Self-Governance Act (LSGA), 2055 under the 2047 Constitution provides for two-tiers of local government - Villages and Municipalities at the lower level and Districts at the higher level. These are respectively called the Village Development Committee (VDC), Municipality, and District Development Committee (DDC). Interestingly and maybe significantly, these local bodies have been defined as autonomous corporate bodies rather than as local government bodies. Currently there are 3913 VDCs, 58 Municipalities and 75 DDCs in Nepal. The 58 Municipalities include 1 Metro-Municipality (Kathmandu in the Midland Hills), 4 Sub-metro Municipalities (Lalitpur and Pokhara in the Midland Hills, Biratnagar and Birgung in Terai) and 53 other Municipalities (of which 29 are in Terai, 24 in the Midland Hills region and none in the Mountain belt).

Map 2-1: Development Region and District Boundaries



Map 2-2: Municipalities of Nepal



2.1.1.3 Listing of Fifteen Municipalities

A general net was cast around the 58 Municipalities in the wider scope. Through stakeholder consultations and various secondary sources of information, 15 municipalities, which feature highlights or practices that make them stand out, were selected for further study.

Five criteria (with a scale of 1 to 5) were used for ranking the Municipalities: 1) population size 2) population growth rate 3) revenue per capita 4) capital expenditure per capita, and 5) diversity of urban development planning and management programmes undertaken in the Municipalities in cooperation with development partners.

2.1.1.4 Short-listing of Five Municipalities

The objective of the ranking exercise was to short-list five Municipalities based on the principles of good governance. This was done by:

- Contacting the Municipalities to gather more information on their management practices, as well as, on projects conducted that feature the principles of good governance; and,
- Involving a section of key stakeholders, well-informed about the Municipalities, to gather their impression on the Municipalities' performance of functions in relation to principles of good governance.

A customized matrix based on five criteria (as follows), keeping in mind the principles of good governance, was used for the purpose of evaluating the fifteen Municipalities:

1. Adoption and implementation of the Citizens Charter, as a mark of the Municipality's commitment to accountability and transparency in service delivery
2. Practice of participatory planning and management, as reflected by the practice of Integrated Action Plans (IAPs), periodic development plans and annual plans
3. Efforts at municipal capacity building (institutional/ financial) and improvements, by mobilizing donor and government agencies, technical and financial support
4. Synergy between the Municipality, Government and donor agencies, in promoting good urban governance, as indicated by the successful execution of donor-assisted programs/projects in the fields of i) urban planning, finance, and management; ii) training and human resources development; iii) rural-urban and public-private partnerships; and iv) infrastructure and the environment

5. Progress towards good urban governance in service delivery, covering the Municipality's functional domains - as perceived by residents and Municipality staff

The five Municipalities thus short-listed were Butwal, Dharan, Dhulikhel, Pokhara SMC and Bharatpur

2.1.1.5 Further Research on the Five Municipalities

Further research was carried out on the five short-listed Municipalities in order to identify one good practice from each municipality.

This process started with a survey of the Municipal staff and residents to obtain their overall perception on the quality of governance, of the various sub-sectors of municipal management and service delivery. These were ranked as "very good", "good", "medium", "poor and very poor". At the same time, the staff and residents surveyed were asked to identify what they felt were some of the good practices/ programs of the Municipalities. Programs or practices thus identified were further discussed with selected key officials of the respective Municipalities' and other knowledgeable officials of MoLD, MuAN and various donor-assisted (municipal/ urban development) projects, in terms of perceived overall impact, with respect to good governance principles and the potential for broader application of those practices. Based on these discussions, up to three good practices of each Municipality were identified, with the best practices in each sub-sector listed at the top.

Having identified these practices in all five Municipalities (Butwal, Dharan, Dhulikhel, Pokhara SMC and Bharatpur), an approach for selection was put in place to identify two case studies of the 15 short-listed ones. Once a comprehensive matrix was developed, each of the case studies were assessed on certain parameters and based on their scores, two case studies were selected.

2.1.2 Case Study Writing Methodology

2.1.2.1 Selection of Cases and Development of Outline for Study

Based on consultation with senior governance advisors (from TCGI, USAID RUDO/SA and MuAN), the following two projects/ practices were selected as case studies:

- Shree Complex Vegetable and Fruit Market: as a Public Private Partnership Good Practice in Pokhara Sub-Metro City, and
- Bamghat Tole/ Lane Organisation (TLO): as a Community Development Good Practice in the Butwal Municipality

Case study development had to be carried out under circumstances where elected representatives were absent, owing to the fact that neither the election was held nor

the term of the elected representatives extended by the government at the time, because of Maoist insurgency and political problems. As a result, new government officials were appointed as Chief or Deputy Chief Executive Officer of the Municipalities with authority to function as Mayor or Deputy Mayor. Ironically this had to be done by the first amendment to LSGA through an ordinance issued in 2060 BS. This unexpected change in the participating municipal officials naturally affected the case study development and performance to an extent.

2.1.2.2 Methodology

The tools and methods used for research, analysis and documentation of the good governance features of the cases, essentially comprised of a checklist and questionnaire, administered during individual and group interviews or discussions. The checklist was designed to assess the overall design, management and impact of the particular case, as well as lessons from experience and pointers to possible improvements. The questionnaire was used to examine adherence to the five principles of good governance. In order to rate the answers provided by respondents, a "5 point" rating scale was used; "1" for very poor to "4" for very good performance and "0" in case the respondent had "no idea" or didn't know about the indicator in question.

Respondents' perception regarding the degree of adherence to good governance principles were measured, evaluated and their implications interpreted or understood in terms of the Good Governance Effectiveness Scale (GGES) as developed and used by the UNDP's TUGI (The Urban Governance Initiative), Kuala Lumpur, Malaysia.

3 Pokhara Sub-Metropolis Municipality

Shree Complex Vegetable and Fruit Market

3.1 Background

The Pokhara sub-metropolis (PSM) in the Western Development Region is the third largest city in Nepal. As a rapidly growing urban centre it was witness to a significant rise in consumer demands for grocery, vegetables, fruits and meat products in recent years. Growth of the organized tourism sector has only increased this demand.

3.2 Pre – intervention Situation

However despite satisfactory development of basic urban infrastructure facilities (like the road network, drainage and water supply systems etc), the sub-metropolis was found lacking in well-organized, retail market centres for fruit, vegetable and meat products. The absence of such places had given rise to street vending activities. People had to buy these provisions from the morning and evening markets set up along street thoroughfares or from scattered hawkers during the daytime.

Such ad-hoc market arrangements, as a continuation of traditional practices, had created traffic and solid waste management problems for Pokhara SMC, in terms of maintaining cleanliness in the business district of the city.

Apart from this, there were also other overriding issues. The consumers were not getting quality goods at reasonable prices. They had to trudge to various locations to check the quality and commensurate prices. Moreover, a few wholesalers who brought the goods from outside markets controlled the market. The farmers were also not getting reasonable prices for their agro-products, as there was no fixed location where they could negotiate with the smaller retailers, or could directly sell to the consumers. Marketing difficulties were more serious for smaller farmers who had taken micro-credit under the various income-generating programs launched by the city government and other agencies. In the absence of systematized agricultural markets, the farmers as well as the consumers were facing unnecessary complexities and adversities.

Hence, a need was realized by the Pokhara Sub-Metropolitan City (PSMC) for an organized and well-planned retail outlet at a proper location near the city centre. Such an outlet (market complex), it was felt, would reduce and mitigate the negative externalities and environmental pollution in the city.

3.3 The Intervention

The PSMC did not have land anywhere in the city centre to develop such a facility. A private entrepreneur, who held land in the area, approached the Municipality with a business plan and the PSMC readily agreed to the idea. The entrepreneur built the facility and registered it under the Companies Act. Organized spaces were created. The vendors were initially apprehensive about the organized market activity and also had concerns of moving to a new place and its impact on their business. However, over a period of time many vendors moved in. This was made possible with the unrelenting efforts of both the entrepreneur as well as the PSMC which had agreed to not allow ad-hoc vending in the area surrounding the developed facility.

Today the market is a vibrant business place. There about 80 closed shutter shops and around 30 open shutter spaces in operation. The total design capacity of the Complex is that of 116 closed shutter shops and 30 open shutter spaces. Monthly rentals are fixed at Rs. 600 for open shutters and Rs. 1500 for closed shutters, with a security deposit of Rs. 5000. Farmers who bring in their produce for sale in *Dokays* (baskets for carrying goods) pay Rs. 6 per day for using open sheds and Rs. 3 per day for using the larger open space in the Complex.

3.4 Unique Public Private Partnership

In the general context, a PPP arrangement is understood as a variation of privatization, in which elements of a service previously run by the public sector are provided through a partnership between the government and one or more private sector companies. Unlike a full privatization scheme in which the new venture is expected to function like any other private business, the government continues to participate in some way.

However, in the case of PSMC and Shree Complex the PPP arrangements moved away from the conventional norms. A unique PPP scheme was formulated. The following were the arrangements agreed to between the PSMC and the entrepreneur:

The PSMC agreed to:

- Restrict retail sales activities (of fruits, vegetables and meat products) by stationary and mobile street vendors in the demarcated area
- Provide sweepers, waste/ garbage collection and disposal services free of charge
- Control stray cattle in the area
- Publicize the Shree Complex Market to the citizens through signboards and other audio-visual communication media
- Recommend the Shree Complex to access loan, grant and technical support from the Government, NGOs, International NGOs, financial institutions etc

- Not permit any other party to establish a similar market complex in the area during the term of agreement
- Continue the agreed upon support facilities as long as the Shree Complex operates and manages satisfactorily

The PSMC also allotted a grant of NPR 10,00,000/- to the Shree Complex. The PSMC is not expected to retain a part of the returns generated within the Shree Complex. The entrepreneur argues that the PSMC did not expect a return on its investment, since it realizes that it is not in a position to provide the service being provided by Shree Complex and hence is providing him a subsidy by not expecting a return on the money granted.

This arrangement between the PSMC and the entrepreneur has brought in a new form of PPP philosophy to the fore. It moves away from the underlying principles of a typical PPP since the service was not previously run by the government; instead, a new facility was created. The local government has provided a cash subsidy even though the facility is privately-owned, and the local government does not expect a return on its investment.¹

Although it does not fit into the conventional definition of a typical PPP, this can be considered as one since the PSMC does endorse the activity and subsidizes it through restriction of retail marketing of fruits, vegetables and meat products in the delineated area around the Shree Complex. This protects the Market from competition and helps it maintain a stable financial condition. The Municipality oversees this through a mandate provided to the Municipal Police to discourage any vendors from selling in the area.

The PSMC also provides other services, such as security personnel during the market operation period, waste/ garbage collection and its transportation to the landfill site without any cost to the entrepreneur, and allotment of sweepers to the Shree Complex without any charges. It promotes and markets the facility through mass communication channels to encourage citizens to utilize the facility, and also helps promote SCPL in harnessing funds from various sources.

Under the arrangement, the entrepreneur is bound to bear full responsibility of developing, implementing, operating and managing the market complex, as well as ownership of the associated liabilities. The entrepreneur is expected to hold full control of management and operation. He is responsible for increasing the range of products on a need basis - starting from fruits/ vegetables and other food items to livestock-based and textile-based products; as also, adjust the areas allocated to each

¹[The PSMC did provide Shree Complex with a sum of NPR 10,00,000/-. This was however channeled as a grant and not as an investment.]

product, if necessary. He is also bound to operate the market for at least five years with the option to continue or exit thereafter.

3.5 Benefits from the Project

There are many benefits that have accrued due to the establishment of the Shree Complex. These have been listed below:

- Availability of an urban amenity in the form of a one-stop fruit, vegetable and meat market service for residents and bulk consumers like hotels and restaurants
- A cleaner urban environment (less garbage, dirt, dust and noise pollution) in the main market area as a result of improved sanitation, decrease in street vendors and vehicular traffic congestion
- Business tax collection and fresh food quality inspection processes made easier for the PSMC²
- Direct urban market access to 50-60 rural farmers for selling their produce through temporary or permanent shop stalls in the market complex, thereby avoiding the cost on account of wholesalers in between
- Opportunities created for about 100 street vendors to become small shop owners, with the benefit of longer hours of business. Also, improved awareness of environmental cleanliness, hygiene, community cooperation and customer satisfaction
- Participatory decision-making in resolving issues like working hours of the market, maintaining cleanliness and security in the Complex, cooperating with the PSMC administration etc
- Employment opportunities created
- The PSMC has requested SCPL to carry out feasibility studies for other similar ventures in other parts of Pokhara

3.6 Adherence to Principles of Good Governance

3.6.1 Accountability

Given the nature and amount of problems that vendor operation on streets created, it was a responsibility of the PSMC to provide for an organized market space. Since it was not in a position to do so, due to non-availability of land, it encouraged the

² The PPP agreement period is almost over and the under the renewed contract, the entrepreneur seeks to get the business tax waived. This however, will only be decided upon the negotiations before the signing of the agreement

entrepreneur to establish such a market complex. It also remains directly accountable to the terms of the PPP by restricting ad-hoc vending in the surroundings, curbing the establishment of another facility of similar nature in the earmarked area, promoting and marketing the complex etc. This in turn allows it to remain indirectly accountable to the citizens, since it would be obliged to provide a safer and cleaner urban environment.

3.6.2 Predictability

The PSMC has requested the SCPL to undertake feasibility studies for establishing other such markets at various places in the Sub-Metropolitan area. Having realized the success of the model, the PSMC has decided to replicate it under arrangements similar to the existing one, to provide similar nature of services across various parts of the city. This proves that the PSMC is willing to be consistent in not only providing services through novel approaches, but is also determined to provide the services under the same set of rules and regulations which have worked well in a previous experiment.

3.6.3 Transparency

The PSMC and the Shree Complex are together determined to keep the process of providing services as transparent as possible. The rentals for the spaces in the Shree Complex are decided by all stakeholders viz. PSMC, Shree Complex management and the vendors themselves. This allows for a completely transparent process of deciding upon the rentals and preventing conflict at a later stage.

3.6.4 Participation

For any grievances that are unresolved between the vendors and the Shree Complex management, any of the parties are free to approach the Municipality to seek their intervention and resolve the matter.

3.6.5 Rule of Law

The PSMC upholds the clauses of the PPP agreement by providing services as are stipulated in the agreement. It provides for controlling stray vending in the vicinity of the complex through the Municipal Police.

4 Butwal Municipality

Bamghat Tole/Lane Organisation - Community Development Planning

4.1 Background

Butwal Municipality (BM) has been undertaking programs related to urban economic development and poverty alleviation within the RUPP framework since a number of years. Community mobilization in the form of grass root organizations called Tole/Lane organizations (TLOs) within the municipal wards, are the backbone of the overall program implementation strategy. Through adoption of a bottom-up planning process, the TLOs have contributed effectively to the formulation of community-level annual plans/ programs as input to the annual Municipal plans and programs - a basic requirement of the Local Self-Governance Act, 1999.

4.2 Pre – intervention Situation

The overall state of affairs in the Bamghat Area of Butwal Municipality was grim before the establishment of the Bamghat TLO in 2056 B.S. Deficiencies in basic urban services like drinking water, poor condition of roads and surface drains, poor state of sanitation and power supply, were not only affecting the lives of the inhabitants, but perpetuation of the situation would have sooner or later turned the area into an urban slum.

Only 30 households, of the total 88 in the community, had access to drinking water supply. The road conditions were very bad, especially so during the rainy season due to the lack of storm water drains. Intra-city public transportation was almost non-existent, which resulted in increased spending on travel. A large amount of the population was poor and struggling for daily survival; primarily because of the lack of employment opportunities. This could be attributed in part to the low levels of education and vocational skills and partly due to lack of entrepreneurial avenues. Those falling in this category were mostly women, people belonging to downtrodden communities like the 'dalits', particular ethnic groups and Internally Displaced Persons (IDPs). Because of unemployment and poor living conditions, the peace and harmony of the community was also in jeopardy, especially with reference to women.

The most crucial aspect prior to the TLO intervention was a sense of helplessness felt by the inhabitants in bringing about positive changes, not only in their habitat but also in their economic situation. They were not organized, and were reluctant to realize their potential strengths and avail of new opportunities through social mobilization.

4.3 The Intervention

The project is aimed at improving urban living conditions, as well as improving the livelihoods of poor and disadvantaged people utilizing the benefits of rural-urban linkage potentials through:

- Development of physical infrastructure to improve urban living conditions at the community level
- Development of community-based economic enterprises to generate employment opportunities for the urban poor, with a particular focus on women entrepreneurs
- Provision of training, technology and funding support to the TLO members for undertaking the various social, economic and physical infrastructure programs at the community level

To be able to achieve the aforementioned, the process was initiated through formulation of the "Tole" (Community) Development Plan (TDP). These are essentially neighbourhood level plans prepared by community institutions. Various kinds of Enterprise Development Plans (EDP) were developed for income and employment generation, having an impact on individuals. Also, these activities are complimented with the provision of Seed Grants, which help implement the TDPs through investments in socio-economic infrastructure at the community level, and with matching contributions from other sources, such as the community, Municipality Wards, RUPP and so on.

This project also saw the launching of Compulsory Community Savings Schemes through the creation of a savings fund ("Tole" Development Fund) to help make the TLOs sustainable and more effective towards initiating development activities.

The TLOs have covered 100% of the geographical area and 100% of households in the Municipality. Community-mobilizers are appointed by the Municipality under the RUPP office (set up within the premises of the Municipality). The community-mobilizer then carries out mass sensitization and organizes a mass meeting where the decision is taken to form a TLO. Executive members are elected during the meeting in the presence of a Municipality representative. This TLO is then registered with the Municipality.

Through a bottom-up planning process, the TLOs contribute in identifying and developing community level development plans or programs, as an input to the annual municipal plans and programs - a basic requirement of LSGA 1999. Formulated as the Tole/Lane Development Plan (TDP) and the Enterprise Development Plan (EDP), these are then forwarded to the Municipal Board for budgetary allocation. Thus the community development plans, prepared by the

community itself, are tied up with municipal planning schemes, leading to a participatory planning process.

Developing self-sustaining rural and urban economic enterprises (self-help groups, co-operatives, private enterprises, companies, associations or even clubs) is also being undertaken for the production and marketing of goods and services, leading to the generation of employment opportunities. Such enterprises are to be provided support in terms of technology transfer, skills development training, and credit assistance.

4.4 Benefits from the Project

Prior to the intervention only about 30 households had water supply provision. However with the intervention, today about 56 additional households receive water supply. Flooding was another problem that was mitigated through plans executed under the Tole Development process, since typically during the rainy season, due to absence of culverts and river training, the area often got flooded. Local transportation improved significantly as roads were built leading to better pedestrian as well as vehicular movement. Regular minibus services were made possible due to construction of internal roads. Hygiene and sanitation conditions have improved as a result of the regular Cleanliness Campaign championed by women members. Poverty alleviation, especially of the very poor is a remarkable impact felt by the participant beneficiaries of Bamghat TLO. The awareness and confidence level of Bamghat residents significantly improved as a result of the participatory and transparent TDP process and the benefits experienced from the project.

Seed grants from the RUPP/ MPDF has not only helped it take initiative for pro-poor infrastructure development activities but also unleash its resource mobilization capacity. Bamghat TLO and its micro-entrepreneur members seem to be using both external available funds as well as internal savings effectively. Similarly, micro-credit support to the Tole's micro-entrepreneurs has enhanced their financial capacity significantly.

Bamghat TLO has created a savings and credit scheme in the form of Bamghat TLO Saving Fund. The Fund collects NPR 100 per member per month, pays 12% interest on savings, charges 18% interest on credit (maximum credit amount Rs. 20,000, repayable in 20 monthly instalments). As of July 2004, deposit collection amounted to Rs. 2,50,678 and credit disbursement amounted to Rs. 2,46,800.

Buoyed by the success of its savings and credit program, the Bamghat TLO has initiated two other fund-mobilization schemes as Cooperatives since 2001, namely i) Children and Housewives Saving Fund Cooperative Company Ltd. (CHSF) and ii) Pragatishil Cooperative Saving and Loan Agency Ltd. (PCSLA). The CHSF collects

Rs. 10 to 500 and the PCSLA collects Rs. 500 from the members. The schemes pay 12% interest on deposits and charge 18% on loans.

4.5 Adherence to Principles of Good Governance

4.5.1 Accountability

Both the Tole Lane Organization and Bamghat Municipality have imbibed the principles of accountability to a great extent. For instance, the project is funded through the Participatory Municipal Development Fund (PMDF). This allows for keeping a check on the utilization of funds. Loans are then channelized through the Rural Urban Partnership Program (RUPP) section. RUPP monitors the usage of funds and ensures that there is no misappropriation. The RUPP, although set up as a separate entity, will gradually be internalized as part of the Municipality and hence the local government would remain accountable for the process at all times. Any major decisions are also constantly under public scrutiny.

4.5.2 Predictability

The greatest indicator of the local government's predictability in this case has been the fact that there are around 218-odd such TLOs that have been formulated across the Bamghat Municipality jurisdiction. The TLOs have been following similar processes across the board and these guidelines are formulated under the RUPP framework. Also, any change of rules or regulations in this regard has to be made right through for all the TLOs, which allows for consistency in decision-making.

4.5.3 Transparency

To be able to not only maintain transparency but also to decentralize the development process further, the Municipality allows the TLOs to take their own decisions for capital improvement projects. The TLO utilizes Seed Grants available through the Tole Development Fund (formed through collective contribution of the authority and people) for funding capital improvement projects in various Toles. The TLOs follow a selection process for a contractor based on the principles of competitive bidding. The TLO floats a tender. Bids are invited and then scrutinized by the RUPP section, which is more or less an integral part of the Municipality itself. Smaller projects are done through community participation. People themselves put in labour or else contribute in kind to accomplish these smaller projects.

4.5.4 Participation

Formation of the TLOs is carried out through a participatory exercise. The RUPP section appoints community-mobilizers to work with people towards constituting a TLO. The community-mobilizer carries out mass sensitization programs, first to acquaint people with the objectives of the overall program and inherent benefits.

Once this is accomplished, a large Tole (lane) level meeting is organized. Officials from RUPP and representatives from the Municipality attend this meeting, where the decision to formulate TLOs is based on and taken through consensus building. Also the programs to be carried out are further are discussed amongst the Tole members and only then are proposals prepared and submitted for approval.

4.5.5 Rule of Law

To imbibe a sense of discipline, the RUPP section and the Municipality help the TLOs form their own constitution and charter. This constitution is largely a guiding tool towards the development process. It is largely consistent in all the TLOs and the TLOs are not allowed to act upon their own felt needs outside of the constitution. The community-mobilizer plays an important role in sensitizing the people as well as TLOs members towards the importance of following the rules laid down in the constitution.

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Annexure

Definition of Good Governance

In the approach to the case study, for i) reviewing the local governance environment and the municipal activities/practices, and for ii) selecting and developing the case study, principles of good governance defined as follows have been assumed:

- **Accountability:** Public officials, both elected political leaders and civil servants must be answerable for government behaviour and accountable to the entity from which they derive their authority.
- **Transparency:** Public policies, procedures, processes, investment decisions, contracts, and appointments should be transparent. Such public information should be reliable, widely accessible and presented in user-friendly i.e. useful and understandable ways.
- **Participatory:** Governance systems and processes must be democratic or participatory i.e. they must allow wide participation by citizens in making public choices such as policies and regulations, thereby promoting the ideal of good citizenship and leadership.
- **Rule of Law:** Government laws and rules must be fair and legitimate and be applied evenly, without prejudice, to all members of the society.
- **Predictability:** The process of making and changing public policies, rules and expectations must be predictable thereby allowing stakeholders' confidence of fair treatment and stability.



Good Urban Governance in South Asia (GUGSA)

DOCUMENTATION OF CASE STUDY
NEPAL

Dhulikhel Water Supply Project – Documenting examples of Good Urban Governance

Prepared by
Darshan Parikh
(TCGI) &
TEAM NEPAL





USAID | **INDIA**
FROM THE AMERICAN PEOPLE

Dhulikhel Water Supply Project A Process Document



Prepared under:
Good Urban Governance in South Asia

Prepared by:
The Communities Group International (TCGI)
Assisted by:
Team Nepal

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I Background and Introduction

I.1 Background

I.1.1 Good Urban Governance in South Asia

Good Urban Governance in South Asia (GUGSA) aims to build the capacity of the local governments with five underlying principles of good governance viz. Transparency, Participation, Accountability, Rule of Law and Predictability. USAID's Regional Urban Development Office for South Asia (RUDO/SA), in collaboration with the region's bilateral USAID Missions, had initiated a three-year, three-location, activity in October 2001 to promote good urban governance in South Asia. The activity documents, disseminates and demonstrates best practices from local government bodies to improve the response capacity of local urban governments within the country.

In the first phase, a Topical Inventory of municipalities in Nepal has been completed followed by a detailed documentation of two Case Studies; (one in Pokhara Sub – Metropolis Municipality – Case of Shree Complex Vegetable Market and the other in Butwal Municipality – Community Development Planning in Bamghat Tole/Lane Organization (TLO).

The second phase of the project was to carry out a demonstration project. However, in consultation with local USAID mission and other prominent opinion leaders it was decided to carry out a process documentation of the Dhulikhel Water Supply project.

I.2 Need for the Study

Water has for long been a contentious issue in Nepal. Various capital improvement projects were undertaken during the past few decades to improve water accessibility. However, most of them remained just capital improvement projects and did not go beyond technical design and construction.

The world over answers are being sought to improve infrastructure service delivery in the developing countries. Infrastructure delivery is, in today's context, perceived differently where more participation, transparency and accountability are asked for. World over governments are slowly and steadily increasing their public outreach and are seeking to make service delivery more user friendly and acceptable.

Dhulikhel is perhaps one of the earliest examples of people oriented service design, construction, operation and delivery in lifeline infrastructure. The water supply system in Dhulikhel, since long, has been owned, operated and managed by the people of Dhulikhel. This was made possible at a time when the overall environment was not very conducive. However, this example has not been documented well. It is argued that Dhulikhel 'model' has its own shortcomings, but the fact that it set the stage for similar such models to draw upon it and improve, makes it worth documenting.

I.2.1 Why the Dhulikhel Case?

In the second phase of GUGSA, it was envisaged to undertake a pilot project to demonstrate application of good governance. After detailed discussions with various stakeholders, including USAID Nepal, it became apparent that Process Documenting

Dhulikhel Water Supply Project was the best way to highlight Good Governance practices. This project, as has come to light, is a paragon in terms of community participation and ownership of infrastructure provisioning and service delivery.

Following factors were considered while making a decision to process document Dhulikhel Water Supply Project:

- The Water Users Committee in Dhulikhel provides a great example of the value of transparency and accountability in local governance. Potential sources of conflict are identified early and readily resolved, usually with consensus and to the benefit of all participants
- This is an outstanding example of sustainable urban infrastructure service delivery that can be implemented and provide substantial benefits to communities
- It demonstrates the importance of good governance, community participation, and cost recovery in providing sustainable services
- It provides major cross-cutting benefits including economic, health, gender equity & environment

1.3 Methodology

The methodology used for Dhulikhel was quite simple. In the initial stages, a thorough research was carried out on the efforts (of documenting) undertaken previously. This helped develop a cursory understanding of the process. Following this several consultations were organized with the community leaders, opinion leaders, municipality officials, other knowledgeable people within Dhulikhel. This was documented extensively and a preliminary report was developed.

This report was then presented to the DWUC officials, Municipality officials in the presence of USAID Nepal officials as well. This resulted in an enhanced understanding based on which this Final Report has been prepared.

2 Dhulikhel Local Authority

2.1 Dhulikhel Municipality

2.1.1 Origin

Dhulikhel originally a village settlement was not converted to a Municipality until 1987. Dhulikhel village for long had been facing water accessibility problems and the community of Dhulikhel, especially women, faced tremendous hardships in fetching water. This had several far reaching implications wherein people could not focus fully on economic activities; there were oft occurring conflicts within the community, and women could not attend to households fully or any other activity.

While the Dhulikhel community negotiated solving its water supply issues in consultation with GTZ, the GTZ asked the community/local authority to also contribute for water supply infrastructure. Dhulikhel being a Village Panchayat could not garner funds from the central authorities. This laid the foundation for the community's initiative to attempt upgrading the status of Dhulikhel to a Municipality. A committee called the Dhulikhel Development Committee (DDC) was instituted to oversee the formalities of transferring Dhulikhel's status to a Municipality.

One of the underlying conditions for an upgrade in the status of a Village Panchayat to a Municipality was that the Panchayat had to have a population of over 10,000. This led to the Panchayat boundaries being widened to include the bordering communities. Dhulikhel's upgrade to a Municipality took longer than routine, since it was in proximity of two other neighbouring Municipalities i.e. Banepa and Panauti. Being only 4 km. away from already existing Banepa Municipality, it was difficult to justify formation of another Municipality. It is noteworthy to mention here that the people of now Ward no. 8 & 9 of Dhulikhel Municipality had applied to join with Banepa Municipality. Only after Banepa's refusal to accept them, it became possible to form Dhulikhel Municipality.

As of today, Dhulikhel Municipality is situated in Bagmati Zone of the Central Development Region. Dhulikhel Municipality was formed from the entire area of former Dhulikhel Village Panchayat, Bajrayogini Village Panchayat and wards 7, 8, and 9 of Kavre Village Panchayat. The municipality consists of the main settlements of Dhulikhel, and Shrikhandapur as well as the scattered settlements of Chhap gaun, Chhap Bhyandol, Acharya gaun, Naya gaun, Thakali gaun, Bansghari, and Subba gaun.

2.1.2 Local Government Structure

The structure of the municipal (urban) government is patterned after the concept of separation of powers. The authority is divided into three parts: the Municipal Council as legislative body, Municipality as executive body and the Arbitration Board (Judiciary) within Municipality to hear and settle the case filed in the Municipality.

To facilitate effective functioning of the municipality, the Municipal board and Municipal Council was constituted under the LSGA 1999. There are 9 wards, each represented on the board and council. The Board consists of the Mayor, Deputy Mayor and 9 ward Chairmen. The council consists of the same personnel as the board and 5 members from each ward are elected on 5 yearly term. After a short span of interim

administrative arrangement under a seven-member committee with the executive secretary exercising the power of the Mayor, the Mayor, Deputy Mayor and Ward Chairmen were nominated recently by HMG.

According to the LSGA, the council should make policy decisions at least twice a year (mainly on planning, budget and staffing), the board should make decisions once a month (for implementing council decisions) and the mayor, deputy mayor, secretary and sectional heads should make day to day administrative decisions.

2.1.3 Services

The Dhulikhel Municipality provides services to the community just as any local authority would. These Services include:

- Solid waste Management
 - Collection in tractor and open burning in temporary landfill site.
- Water Supply and Combined Sewerage
- Road Maintenance and Street Lighting
- Health Posts
- Women Empowerment Programme
- Education:
 - Deputed 5 teachers to various schools, runs Dhulikhel Technical School
 - Provides Scholarships – Kathmandu University, Sanjeevani Secondary School, Sanjeevani Higher Secondary School
- Tourist Information Centre and provision of Forest Guards
- Managing religious/cultural processions and other cultural/religious festivals
- Maintaining Public Toilets and Bus Terminals
- Sports and Youth Activities

2.1.4 Infrastructure services delivery¹

Water Supply: At present about 98% of the municipal population is served by piped water supply. Water is supplied through 814 private and 206 public stand posts. About 44% of the population have private taps, 53% have access to public taps and the remaining 2% use small springs, shallow wells and streams as their source of water.

Water supply, since the formation of Dhulikhel Municipality, has been the outlook of the Water Users' Committee formed autonomously. Dhulikhel Municipality does send a representative to this committee to ensure public good is not compromised at any stage.

Solid Waste Management: Dhulikhel Municipality collects about 1.5 tonnes of refuse daily out of a total generation of about 2 tonnes. The collection and disposal of solid waste is contracted out for Rs 2 to 2.5 lakh per year. The municipality has 2 tractors in

¹ Urban and Environmental Improvement Project, Nepal, Town Report for Dhulikhel, Vol 7, January 2002

the collection and disposal of solid waste. Ward 1 does not have the service. The municipal tractor makes a round once a day to collect waste.

Drainage & Sanitation: The main urban area of Dhulikhel (wards 5 to 9) is served by a 9 km long storm drain consisting of RCC pipes and masonry channels. The drainage serves 50% of the population.

The sanitary condition of Dhulikhel is poor and there is no sewerage system. There are 1,411 latrines in the municipality area and 10 - 20% of people practice open defecation in the fields. Some houses have illegally connected their latrine effluents to the storm drains. About 70% of houses in the urban area have toilets with septic tank or double pits (Sulav Sauchalaya). The municipality is promoting the construction of these double pit latrines.

Electricity & Telephone: These services are typically not under the purview of the Municipality. The Nepal Electricity Authority is supplying electricity to Dhulikhel. About 1,914 households are connected.

Nepal Telecommunication Corporation is operating the telephone system in Dhulikhel. There are altogether 450 telephone connections. There is one public telephone booth, and public calls can be made from numerous shops.

3 Project Genesis

3.1 Need for Water Supply System

Water supply in Dhulikhel was originally limited to 3 public taps in Adda, Tuchhen and Lachhi constructed around 1942. The supply was augmented from Dhwashhi Muhan water source located in Ward No. 3 and 5. More public taps were added in 1954. This was followed by additional improvement works tapping new near-by water sources, resulting in the number of taps being increased to 30. This was completed around 1959 with assistance from the Government of India. Before long, this too became inadequate as a result of which sanitary condition of Dhulikhel was quite appalling. The community fully appreciated the need to improve the situation and, consequently collectively tried finding a solution to the on-going problem, which were not addressed adequately in the earlier capital improvement initiatives.

With the urbanization of Dhulikhel, the shortage of water became an acute problem. Being the District Headquarter, almost all district level government agencies had offices there. Due to the water availability problems, the officials of these offices were contemplating shifting their offices. And the hardships faced by women in fetching water, also reinforced the demand for improvements to the water supply system.

3.2 Conceptualising Dhulikhel Water Supply System

The idea to initiate a community owned water supply scheme in Dhulikhel was drawn from the then successful Bhaktapur development Project being implemented by the erstwhile Ministry of Panchayat and Local Development with the financial and technical assistance from an external agency – GTZ.

It was realised that the inadequacy of the water supply conditions and the appalling sanitary conditions, were the primary driving factors behind the rise of the demand for an effective solution. The concerned authorities were approached and followed up actively by dedicated community leaders, prominent amongst who were Bel Prasad Shrestha, Durga Prasad Shastri, Ram Chandra Ghinaju, Manik Lal Shrestha, Dirgha Raj Nhasiju, Mahabir Chochhe, and Hari Bhakta Khonju. During a chance meeting, Bel Prasad Shrestha, Ex-Mayor/Community Leader of Dhulikhel Nagar Panchayat/Municipality invited Peter Espania of GTZ/Bhaktapur Development Project to visit Dhulikhel, who was given a first-hand appraisal of the hardship being faced by the residents of Dhulikhel due to the acute scarcity of water. Though in the initial stages of project conception, there was no formal mechanism for discussing the issues rather it was mainly through personal contacts and small informal groups getting together as the situation demanded. In the later stages with the interest shown by the German agency, the community got together to make commitments with respect to the creation of an operation fund and voluntary local contribution in the construction phase of the project.

A group of people from Dhulikhel went to observe the activities of the Bhaktapur Project. During the discussions, a strong case was made requesting technical and financial assistance from the German Government for implementing a water supply system to meet the long-term needs of Dhulikhel. Active community participation, including women's participation, was assured and the then Village Panchayat became

actively involved in the whole process. As a result of the demonstrated commitments, GTZ agreed to provide financial assistance to the Dhulikhel Development Project.

The main thrust of the commitments was the close involvement of the community in the development of the project, which culminated in the agreement to create maintenance and operation fund, other voluntary contribution for unskilled labour and local construction materials during the implementation phase of the project and the creation of the Dhulikhel Development Committee/Project.

3.3 Creating Institutional Platform

As per the requirements then in the case of rural communities, it was necessary to set up a users group and a committee to take up this responsibility besides providing voluntary unskilled labour and local materials for the construction work. Several studies were undertaken to formulate an appropriate modality, which resulted in the beneficiaries setting up an ad-hoc committee on the initiative of the then Dhulikhel Nagar Panchayat.

Post its constitution, the Municipality (then Nagar Panchayat) was involved actively in the inception and subsequent stages, assisting and working closely with the District Water Supply Organization to successfully commission the water supply project in 1991. The project was formally handed over to the Dhulikhel Water Users Committee for subsequent management.

3.4 Augmenting Support and Resources

3.4.1 Support from External Sources

The major external support was from a German agency – GTZ (the German Agency for Technical Assistance). As early as 1977, the then Dhulikhel Village Panchayat, initiated informal contacts with expatriate experts assigned to the Bhaktapur Development. GTZ showed some interest following visits to Dhulikhel and meetings with local bodies to initiate Dhulikhel Development Project. As a result of the demonstrated commitments, GTZ ultimately agreed to initiate action to provide financial assistance to the Dhulikhel Development Project. Finally, the Dhulikhel Development Committee was set up under the Local Development Officer of the erstwhile Dhulikhel District Panchayat for administering the Project with the Dhulikhel Village Panchayat as the Executing Agency.

3.4.2 Support from Central Government

At the Centre level, Ministry of Physical Planning & Works (MPPW) was primarily responsible for the water supply and sanitation sector, Ministry of Local Development (MoLD) was responsible for providing management support and assistance in development works at the local level, Department of Water Supply & Sanitation (DWSS) was the lead agency responsible for the implementation of Dhulikhel Water Supply Project through its Regional Directorate and District office (DWSO).

Municipal Association of Nepal (MuAN), which is a National Level Association, provided the necessary assistance and guidance to the municipality.

3.5 Design

With view of providing uninterrupted treated water supply to the residents of Dhulikhel Municipality, Dhulikhel Water Supply Project came into operation in 1991. The project was formulated in 1987 with the design period of 25 years i.e. till 2012. The total population during base year was 6,840 and the population projection in the design year 2012 was 14,317 with the average growth rate of 3% per annum. The Federal Republic of Germany provided the technical and financial assistance through GTZ.

The Dhulikhel Water Supply Scheme is a gravity flow system serving seven wards of the municipality. The source is Kharkhola which is about 13.5 km. from the distribution reservoir. The present safe yield at source is about 13.5 lps. The treatment plant has two roughening filters, two slow sand filters and a chlorination unit. The capacity of the clear water reservoir is 500 cum. The number of private connections at the end of year 2001/2002 has reached 877. The total cost of the project at the time of handover was calculated at Rs. 36.7 million. The project was initially operated by the Department of Water Supply and Sewerage and handed over to the Dhulikhel Water Users Committee (DWUC) in the year 1993.

3.6 Implementation Method

The implementation of the DWSP can be detailed out as follows:

- **Declaring Dhulikhel as a Municipality:** After the discussion between GTZ and local bodies, Dhulikhel Development Committee was set up under the Local Development Officer of the erstwhile Dhulikhel District Panchayat for administering the Project with the Dhulikhel Village Panchayat as the Executing Agency. This arrangement proved to untenable as Dhulikhel Village Panchayat was unable to spend 5 million amount provided by GTZ for the water supply project due to limited administrative and financial authority.

Hence, Dhulikhel was raised to the level of a municipality in the early years of project implementation in order to facilitate expeditious implementation of works under DWSP. This was affected in 1987 and DWSP came under its overall jurisdiction.

- **Agreement with Bhumedanda Village Panchayat:** After some discussions with Bhumedanda VP, an agreement was congenially reached permitting Dhulikhel to use Kharkhola water source. The Dhulikhel Development Committee had to provide financial assistance to Kolati Bhumedanda Panchayat for the construction of Bal Prakash Primary School as per the agreement between the then Kolati Bhumedanda and Dhulikhel Village Panchayats. This agreement did not list down the various commitments clearly and was in general terms to assist/contribute towards the development of the communities providing assistance in this process.
- **Tripartite Agreement:** As per the tripartite agreement between the Municipality, the Government and the donor agency, the Municipality was required to contribute Rs. 300,000 and arrange to take over the responsibility for managing the project after commissioning. The District Water Supply Office (DWSO) of the Department of Water Supply and Sewerage (DWSS) was responsible for the actual execution of the

water supply project. The total cost of the project at the time of handing over has been reported as Rs. 36.7 million.

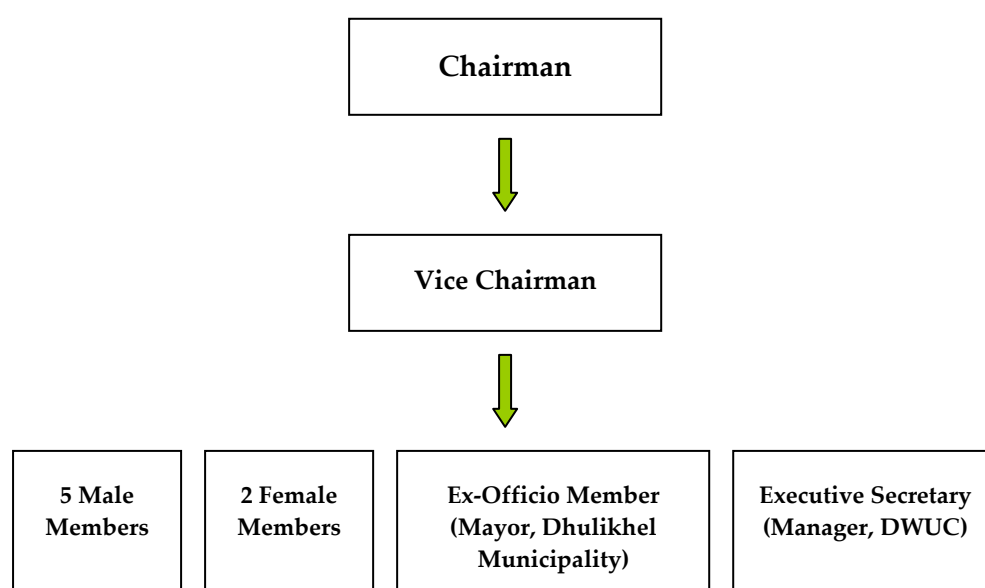
- **Detailed Design & Construction:** The actual responsibility for both the detailed design work and the construction of the project was assigned to Department of Water Supply & Sanitation (DWSS), to be carried out through the District Water Supply Office (DWSO). All major decisions were generally taken in consultation with and after obtaining the concurrence of the Municipality and GTZ - the German Technical Assistance Agency – the funding (donor) agency, supported by the UDLE – Urban Development with Local Efforts. Here, it is important to note that though formal concurrence was not mandatory, all major decisions were taken in consultation as the project was closely supervised by the Municipality and financed by GTZ. Bulk procurement of imported materials like D.I. pipes had to be from Germany and as such the donor agency was fully informed.
- **Community Involvement:** During the implementation stage of the project DWSO carried out all the procurement works and the community was only involved indirectly in so far the Municipality was consulted in all major matters ensuring that only qualitative materials would be used in project execution. During the implementation stage, the community was active in organizing meetings, collecting funds, supervising construction works and negotiating with various parties during conflict situation.
- **Formation of DWUC:** The Dhulikhel Water Users Committee (DWUC) came into existence only in October 1990. DWSO/DWSS also assisted in the operation and maintenance of the system in the initial period. The project was handed over to the DWUC in 1993.

4 Dhulikhel Water User's Committee (DWUC)

4.1 Generic Structure

DWUC was founded in 1990. The founding committee of the water user's association consisted of 11 members headed by Bel Prasad Shrestha, who was the chairman of the committee. DWUC is an autonomous body with representation from the Municipality and has been recognised as a successful venture at the local community level. The decision to maintain the autonomy of the organisation was the view of the GTZ as well as the stakeholders in the DWSP, which was basically prompted by the existing tendency of unnecessary political interference in the functioning of such organizations.

The structure of the Executive Committee is depicted in the following diagram:



Initially in the founding year of the DWUC, the Executive Officer of Dhulikhel Municipality held the post of Executive Secretary and Project Chief of DWSP was the Ex-officio Member. Municipality representation was necessary to ensure that there are no malpractices in the DWUC and that public good is always the priority of the committee. The role of the Ex-Officio Member is to clearly project the views of the Municipality and the general public during the proceedings of the Committee meetings. He has the same status and functions/responsibilities as the other members and has not been vested with any special authority.

From 1994 onwards regular elections were held to elect the members of the Executive Committee.

4.2 Functions and Obligations

The Rules and Regulations for the DWUC functioning were developed during the implementation phase of the DWSP with the assistance of external experts recruited by UDLE/GTZ, the funding agency, which were subsequently approved and enforced by

the concerned authorities. The then MPLD, DWSS/DWSO, the Dhulikhel Municipality (then NP), and DWUC were all involved in the process.

The Constitution of DWUC and its Rules and Regulations have been formulated covering administration and financial management procedures. The main duties and responsibilities of the DWUC are as follows:

- Maintain the regularity and reliability of water supply; prepare short-term and long-term plans; annual budgets and programmes for regular operation and maintenance and expansion works.
- Ensure the security and maintenance of the assets
- Monitor the quality of the water and the environment in and around the source
- Determine and collect tariffs and mobilize resources for making the organization financially sustainable
- Conduct financial and technical audit; administer the technical and financial units; conduct public hearings; approve new connections; recruit staff, fix salaries and benefits, etc.
- After the promulgation of the Water Resources Regulation 1992, DWUC was registered in the District Water Resources Committee under the amended 2000 Constitution of the DWUC without the assistance of any external support.

4.3 Tariff Fixation

Initially, the guiding principle was to set up a maintenance fund of Rs. 300,000 and to ensure proper maintenance and operation of the systems without having to payback the capital invested. DWUC is empowered to affect changes in the tariff structure but this has invariably been opposed by the beneficiaries. In order to improve on ad-hoc nature of the prevailing practice, during the course of some of the studies carried out, socio-economic aspects did cover willingness to pay and paying capacity. The need to make provisions for system improvements and expansions has also been addressed but tariff increases that would be needed from a sound financial perspective have not usually been possible.

Based on the billing records of F.Y. 2002/03, the total annual consumption was 251,827 cu.mts. (made up of domestic – 68% and institutional – 32%). Revenue from water sales amounted to Rs. 2.79 million (of which domestic was Rs. 1.02 million and institutional was Rs. 1.77 million. The average tariff for domestic use works out to Rs. 5.95 and that for institutional use varies from Rs. 18.61 to Rs. 26.56. DWUC has been generating surplus fund except in F.Y. 2001/02 and the cumulative surplus as of 2002/03 has been shown as Rs. 5,091,824.

4.4 Management

In the initial period of the project DWSO/DWSS assisted in the operation and maintenance of the system. The project was handed over to the DWUC in 1993 and since then DWUC is responsible for the management of the project. In case DWUC fails to carry out the operation and management of the system in a proper manner the Municipality would automatically be responsible for running the system in such a

situation. This is clearly mentioned in the handing-over document/agreement between DWUC, Municipality and DWSS.

It has been reported that the work of DWUC has been appreciated quite extensively. Though there have been some criticisms as well. Currently DWUC is maintaining its books of accounts on cash basis. On the general management side, the operational information and accounting are being kept manually. A computerized billing system linked with management information would be advantageous.

DWUC is updating data on population served; tap connections; and tariff structure & revenues through a private consulting firm.

In the first year of operation the numbers of connections were 441, which reached 872 in 2003. The DWUC continues to be under great pressure to extend services to adjacent areas and that an arrangement for extending services to Shrikhandapur (Khadpu) of Ward No. 8 and 9 is in the offing and is to be effective till such time as the infrastructure proposed under UEIP are commissioned and services become available.

Some of the other initiatives are underway like Dhulikhel WUC has been holding meetings with and has proposed to co-operate with Gokhureshwor Greater Dhulikhel W&SUC for jointly managing the existing and the new water supply systems. A formal Memorandum of Understanding has not been signed as yet and discussions and negotiations are on going.

5 Reflecting Good Governance

5.1 Commissioning, Functioning of DWSP and the Role of Municipality

The Municipality (then Nagar Panchayat) was involved actively in the inception and subsequent stages, assisting and working closely with the DWSO up to the successful commissioning of the project in 1991. The project was formally handed over to the Dhulikhel Water Users Committee for subsequent management.

In addition, as per the tripartite agreement between the Municipality, the Government and the donor agency, the Municipality was required to contribute Rs. 300,000 and arrange to take over the responsibility for managing the project after commissioning. The District Water Supply Office (DWSO) of the Department of Water Supply and Sewerage (DWSS) was responsible for the actual execution of the water supply project.

Once the project was executed the Municipality was instrumental in the formation of the ad hoc DWUC and ensuring that the management and operation of the system is community-based. The total cost of the project at the time of handed over has been reported as Rs. 36.7 million. The Dhulikhel Water Users Committee (DWUC) came into existence only in October 1990. DWSO/DWSS also assisted in the operation and maintenance of the system in the initial period. The project was handed over to the DWUC in 1993.

As has already been mentioned above Dhulikhel was raised to the level of Municipality in the early years of project implementation in order to expedite implementation of works under DWSP. All major decisions were taken in consultation with and after obtaining the concurrence of the Municipality and GTZ - the German Technical Assistance Agency – the funding (donor) agency, supported by the UDLE – Urban Development with Local Efforts.

Some difficulties were encountered during the time of the actual construction work at the local level. The Bhumidanda VDC within which the water source was located and en-route VDCs through which the pipeline was laid - started putting up demands for adequate compensation quite frequently, holding up the work at times. There seemed to be no limit to these demands that burgeoned with every passing year. The Municipality took on the critical role of a mediator and initiated conflict resolution measures to ensure the successful completion of the project. In such adverse situations Municipality officials, DWUC and even representatives from Donor agency took active part in the negotiations with the VDC people. In many cases their demands were fulfilled. Municipality has been pressuring DWUC to take urgent steps to resolve the conflict, and has financially assisted in developing some local sources as ad hoc solutions and invested in the procurement of a new water source (Shishakhani/Gudgude at a cost of Rs. 2 million – now being aborted by downstream riparian irrigation/agriculture users in Panauti). The Municipality has strongly been advocating the inclusion of the areas presently not served by the DWSP. However, its thin presence in the DWUC has not been very effective in making the DWUC act pro-actively and in a timely manner.

Apart from the above, the Municipality also took initiative in all phases of project implementation by co-ordinating with the concerned authorities and providing financial and logistic support within its means at the local level.

The Municipality has always played the key role in the development of the water supply system and providing assistance and advice as and when needed. Hence, its primary role as being represented in the Water Users' Association is to promote the interest of the residents of all wards and has functioned both as a mediator (as the situation demanded) and as a provider of financial and other support.

While it might be argued that the DWSP is largely an example of proactive community initiative, it is also equally noteworthy that the Municipality has been playing a crucial facilitative role which has helped the DWUC in functioning smoothly thus far.

5.2 Adherence to Good Governance Principles

5.2.1 Accountability

The Municipality remains accountable to the people in the way that the Mayor² of Dhulikhel Municipality is the Ex-Officio member of Dhulikhel Water User's Committee. The role of the Ex-Officio Member is not only to project the views of the Municipality and but also that of the general public during the proceedings of the DWUC meetings. So far the Municipality has been strongly advocating for inclusion of all the wards in water supply system. Its thin representation on the committee, however, has led to a limited impact in this context.

The constituting Regulations of the DWUC clearly lay out that if at any point in time the DWUC fails to carry out the operation and management of the system, the Municipality by default will take over the system. To this effect the representation of the Municipality allows the local authority to clearly understand the procedures of management of the system and hence if at any point in time it has to take over the operations, it will be able to do so smoothly.

5.2.2 Predictability

The DWUC for long had been resisting the provision of supplies to some wards in the Municipal jurisdiction. The Municipality had been strongly advocating the inclusion of these supplies for some time now. The DWUC was concerned that the inclusion of these wards would result in water not being available in adequate quantities for the areas currently served. As a counter to this argument, the Municipality advocated augmenting supplies from other sources of water. The VDCs along the water sources put up several demands, which the DWUC alone cannot fulfil. The Municipality has offered to provide both technical and financial assistance to the DWUC in meeting the demands of these VDCs.

² The volatile political situation in Nepal resulted in Local Authority elections not being held for a very long time. During this time the Chief Executive Officer of the Municipality served as the Ex – Officio member on the DWUC. Regulations stipulate for the Mayor to be holding this position, however in the absence of Elected Representative the Municipality officials played this role.

When the Urban Environmental Improvement Project (UEIP, an ADB funded initiative) was initiated, the Municipality insisted on looking at the feasibility of improving the water supply in Dhulikhel. Thus the Municipality has been constantly following up its actions and has been showing commitment to its duties.

5.2.3 Transparency

By allowing the formulation of Dhulikhel as an autonomous institution, the Dhulikhel Municipality has perhaps demonstrated quite clearly that it intends to remain transparent in its initiatives as far as is possible. It has ensured thus far that the DWUC does infact also remain transparent in its conduct.

5.2.4 Participation

The formation of the Municipality has itself been a result of proactive community participation in the development process. This has been carried further by the Municipality in ensuring that all its development initiatives involve community to the largest possible extent. It also ensures that people participate actively in the affairs of the DWUC so that there is no possibility of malpractices.

The Municipality has been actively involving the community in attempts to resolve the conflicts ongoing within the Dhulikhel. Besides it is also encouraging community participation in resolving conflicts with the VDCs at the new water sources.

5.2.5 Rule of law

While the Municipality has no authority over the DWUC, it does have an obligation to ensure that the DWUC does not violate its own constitution and duly follows all the rules and regulations laid out in the law pertaining to Water Users' Committee amendments. By sending a representative on the committee, the Municipality adheres to this obligation and keeps a check on the DWUC's activities.

Besides, it is also obliged to perform its own duties pertaining to the development of Dhulikhel. The Municipality has been providing various kinds of services within Dhulikhel as has been outlined earlier.

6 Conclusion

Community involvement in the development process is the new mantra. Globally, efforts are being made to seek extensive participation from the communities and make the development process as transparent as is possible. To be able to achieve the aforementioned, it is crucial that authorities govern and govern well. Good Governance, as has been proven time and again, is the foundation of any successful development project.

Dhulikhel Water Supply Project in its entirety stands out as a unique example of Community Owned Infrastructure Service Delivery. While it can be argued that the Municipality, in today's context, has a very limited role to play in this system, it is also equally important to realize that the presence of the Municipality also has an impact on the overall functioning of the system.

The Dhulikhel Municipality, which came into existence only due to this project, has been actively playing a facilitative role in the overall process. It ensures that the DWUC operates and manages the water supply system efficiently. It does not limit itself to this, but also goes further to ensure that the DWUC manages its own affairs in a transparent manner.

Good Governance has been at the heart of the success of DWSP. The Municipality's efforts have played an equally critical role in this success story. During the nascent stages of the DWUC, the Municipality allowed DWUC to achieve a firm footing by hand holding it through many difficulties. In the post – development stages, the Municipality has been facilitating the smooth functioning of the DWUC and has is also playing an active role in resolving conflicts at various levels.