

**Policy Paper
on
Civil Society Partnership**

Nepal Development Forum-2002

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1. Introduction

This paper presents the rationale and direction for a transformed relationship of partnership to be established between HMG/N and non-government development organizations (NGDOs) and international non-government organizations (INGOs) involved in development activities in Nepal. A new level of trust and collaboration is required to overcome the extreme challenges of poverty alleviation, and to bring about sustainable change in communities across the country.

The paper briefly describes the growth, nature and function of civil society organizations (CSOs) in Nepal and, particularly, the emergence of development-oriented CSOs. It highlights the significant contribution of this CSO sector to development in Nepal and some of the challenging issues that have emerged. Finally, it presents the rationale and key features of new HMG/N draft legislation and plans to streamline mechanisms for servicing CSOs, and for developing a more collaborative relationship with NGDOs and INGOs in particular.

2. Growth And Function Of Civil Society Organizations

The institutionalization of CSOs in Nepal is relatively recent, but has seen dramatic growth in a relatively short space of time. Only 15 such organizations existed at the end of the 2nd Development Plan in 1963. In the liberalized environment since the restoration of democracy in 1990, these numbers have increased a thousand fold, with 13,000 non-government organizations (NGOs) registered with the Social Welfare Council in 2001. SWC is the government body mandated under the Social Welfare Act to coordinate, monitor, evaluate, facilitate and promote non-government (NGO) activities. This number does not include CSOs, still to be enumerated, that are registered under Chief District Offices, Line Ministries and other Acts.

Civil society is defined as "the sphere of voluntary organizations and organized activities that are neither part of government, business, nor family, either delivering services or trying to influence development policies and practices of key stakeholders in society". CSOs encompass many types of organizations established for many different purposes. They include:

- non-government organizations (NGOs), involved in a wide range of community service, special interest, advocacy, cultural, religious, sports, student/youth, and professional association activities
- cooperatives
- registered and unregistered Savings and Credit Organizations (SCOs)
- community users groups (i.e. forest, water, agricultural users groups – UGs)
- community organizations (COs) or Community-Based Organizations (CBOs), including clubs and self-help groups

- non-government development organizations (NGDOs) involved in social and economic development activities, often working at a national or district level in an intermediary capacity supporting local communities.
- international non-government organizations (INGOs) which are local offices of international development NGOs, with locally hired staff and either local or foreign directors.

Some common features of CSOs are their autonomous, democratic governance structures, voluntary membership-base, non-profit status, and focus on specific issues, functions or activities. CSOs are a very important part of democratic life. They are flexible, responsive, and un-bureaucratic entities. They are able to mobilize human energy and creativity to contribute to society, address specific interests, serve community needs, undertake collective action, and provide a common voice. From the perspective of government, CSOs offer an organized means of dialogue and outreach, raising awareness, receiving and delivering services, undertaking development tasks, identifying needs, and providing feedback on policies and programs.

3. Role Of NGDOs And INGOs

Within the range of different types of CSOs in Nepal, it is the NGDOs, INGOs and associated CBOs that are the focus of this paper. This is an expanding group of organizations that are involved in implementing and facilitating development activities at national, district and local levels. INGOs receive funds through their own organization headquarters or elsewhere and implement development activities directly or through NGDOs and CBOs. A significant amount of foreign aid funds are flowing through the over 100 INGOs now operating in Nepal.

NGDOs receive funds from INGOs, other donors and local sources, and implement development initiatives directly or through CBOs. Associated CBOs are either self-started community organizations that existed prior to their relationship with these INGOs and NDGOs, or were formed in the course of project implementation. This combined group of organizations plays an important role and has made a significant contribution to the development process in Nepal. Collectively, they are seen as being effective in achieving community outreach and participation and addressing community needs. A small but growing number of national NGDOs are becoming increasingly competent, experienced and sustainable as development partners.

The government acknowledges the achievements and values the role of this group of CSOs. It wants to maintain a positive environment for their work to flourish. It also wants to build a stronger partnership and involve them as much as possible in national development efforts.

4. Issues and Challenges

The rapid growth of NGDOs and INGOs as development players and the expansion of their activities have brought about significant changes in the arena of civil society and in

the dynamics and practices of development activity. Their operations have been of great benefit to Nepal, and have also raised a number of issues that require attention. These issues include:

- a shift from a mode of volunteerism and using local community resources, once characteristic of CSOs, to the paid employment and external resources provided by foreign-funded NGDOs and INGOs. This situation has raised expectations for payment for community work and dependency on foreign funds by many NGDOs. It has also made the prospect of receiving foreign funds an incentive for the creation or activity of some NGOs. A related issue is the significant discrepancy between the INGO and NGDO staff salaries, leading to difficulties for NGDOs to hold on to their experienced, trained staff
- government budget allocations for NGDO activity. These could be a useful alternative to foreign funds, and could be used for locally determined (rather than donor-determined) development activities, but these funds are insufficient in quantity, scattered among many Ministries, and poorly utilized and dispersed
- a shift from CSOs functioning independently with self-determined mandates, to operating as implementing agents for INGOs and other donor agencies
- a lack of local ownership of development projects. INGOs operate with their own systems, methodologies and program priorities. They tend to take the lead in program/project design, preparation, management and budgeting with limited local input in these processes. This can result in inappropriate or unsustainable projects, and a lack of transfer of project development capacity to local staff, institutions and communities
- project initiatives that do not account for the institutional weaknesses in Nepal, fail to achieve targets, and yet make little effort to build independent NGDO/CBO capacity. Some INGOs implement projects directly without using local NGDOs. Some favour the same few NGDO partners rather than open up opportunities to a wider range of organizations, especially to those in more remote areas of the country. Some rely unnecessarily on foreign expertise.
- a significant unevenness in NGDO/CBO capacity across the country. Areas with the greatest need usually have the weakest local institutional capacity. Many NGDOs are under-skilled and have inadequate absorptive capacity for the implementing roles they have in INGO and donor-sponsored projects. This can negatively impact the project, the NGDO, and the participating communities.
- a proliferation of development initiatives in sectors and regions of the country that address the interests of donors and INGOs, but are not necessarily in line with government development plans and priorities. These activities are not coordinated among INGOs/NGDOS, with government, within a district, or within a sector. They are scattered in selected communities, in selected parts of districts. The result has

been fragmentation, duplication, inefficiencies and regional inequalities of development efforts.

- a tendency for INGOs and NGDOs to work in isolation from each other and from the government. There is insufficient transparency, accountability and communication concerning project objectives, activities, resources, financing, achievements and lessons learned.
- government's inadequate knowledge of the full extent and nature of CSO activity and limitations in being able to service the sector because of a lack of uniformity of CSO registration. The Societies Registration Act of 1977 and SWC was intended as the official legal space for NGO registration. It also made provision for registration under the Chief District Offices, other Line Ministries and Acts.

5. Rationale and Strategies for Reform

A major objective of HMG/N is to enhance the effectiveness of development efforts to alleviate poverty and promote growth and prosperity in Nepal. History has shown that this is a highly complex and challenging task that requires an integrated approach and the participation of all sectors of society. The efforts of civil society organizations - particularly NGDOs and CBOs, government at national and local levels, INGOs and donors are essential, but these must be well managed and coordinated.

The government's role is to strengthen, manage and coordinate the development process. Towards this end, and in the context of revising its Foreign Aid Policy, the government is formulating legislation and guidelines to transform its relationship with NGDOs and INGOs. This process will require changes on both sides. NGDOs and INGOs will be required to be more transparent and disclosing of information concerning revenues and income, projects, staffing, and progress and results of activities. They will be required to align their projects more closely with national and local government priorities.

Government, particularly at district levels, will be required to be more inclusive of NGDOs and INGOs in local planning processes. Under new legislation, all NGDOs, INGOs and other CSOs will register and receive services and liaison from the SWC. The SWC will be re-positioned and strengthened to accommodate and fulfill this role effectively.

The emphasis of these steps is to:

- foster a spirit of mutual understanding and partnership that will lead to improved development impact.
- reduce compartmentalization and improve integration, consistency and compatibility among diverse projects
- encourage INGOs and NDGOs to contribute to and strengthen the national development process rather than functioning independently and outside of government priorities.

6. Government Plan

HMG/N is in the process of introducing a Foreign Aid Policy that will guide donors as well as NGDOs and INGOs in their role as development partners. The Policy provides the foundation for the plans listed below and reinforces most of the points made in this paper.

6.1 One Window Registration and Servicing

HMG/N has recognized the need for a more efficient “One Window” location and system of registration, administration, servicing and liaison with CSOs. This is required to streamline information management on the sector, to administer tax waivers, customs and tax clearance, and to better understand, coordinate and facilitate the work of NGDOs and INGOs in Nepal. All CSOs will register and receive services and facilities from this facility which will be operated by SWC. The new legislation proposes to introduce:

- uniform, standardized formats for registration
- changes to the Article of Association requiring that standard institutional information (governance, structure, staffing, organizational policies) be furnished by all NDGOs and INGOs that are interested in working in Nepal
- revised Agreement formats (over and above the General and Project Agreement Formats) including: i) INGO legal status and credentials verified by their respective governments and Nepalese diplomatic missions, ii) a statement of programming interests and intentions in Nepal, and iii) a statement of planned financial commitments
- agreement to comply with tax laws and audit requirements, including the option of expatriots to pay income tax on their earnings in Nepal or produce tax clearance certificates from their respective countries
- ensurance that INGOs will receive no funds outside of country pledges with donors. INGOs will be discouraged from fundraising, in competition with local agencies, for bilateral and multilateral funds committed to Nepal
- requirements and procedures for the growing trend of the opening of regional offices in Nepal by INGOs. The requirements will address such issues as extent of fund flow, local employment opportunities, foreign exchange advantages, and central fund deposits.

In order to oversee the implementation of the National Development Plan, the government needs to have full information on development projects being designed and implemented by INGOs and NDGOs. It needs to be assured that initiatives are appropriate, coordinated and within the capacity of local institutions and communities to sustain. It needs to be able to track progress and achievements, particularly at the district level. HMG/N will strongly encourage and work to institutionalize the following aspects of a strengthened collaboration and partnership with NGDOs and INGOs.

6.2 Transparency and Information Sharing

Government will require increased access to information from INGOs and NGDOs at the project development and implementation stages concerning:

- consistency with national and local government priorities
- coordination, complementarity and integration with approaches at local and national levels, reducing overlap and duplication, and increasing efficiency and cost-effectiveness
- resources being brought into the country, their purpose and actual use
- budgets, including cost and source of financing project components
- information about project progress through regular project reports
- project audits and evaluations
- open, public processes for selection of experts, consultants, key project staff, and procurement

6.3 Capacity Development

Government will encourage INGOs to maximize local ownership and the building of domestic institutional and technical capacity by:

- operating programs in partnership with local NGDOs and other local bodies instead of implementing directly
- using local human resources in project design and management and for technical expertise
- transferring as much expertise and practical experience as possible to local staff and partners
- providing equal treatment of NGDOs in the selection of local partners on the basis of transparent and objective criteria
- working in rural and remote areas and strengthening the capacity of local institutions in those areas

6.4 Coordination with Local Government Agencies

Closer relationships will be expected at the local government level. The decentralization process is becoming more established. There is an increasing devolution of resources and programming. It is at this operational level that the greatest need exists for collaboration between government and NGDOs/INGOs.

Government will work to institutionalize linkage between District Development Committees (DDCs), Village Development Committees (VDCs), INGOs and NGDOs. DDCs will invite NGDOs and INGOs working in their area to be part of the district planning process and have input into District Development Plans. NGDOs will be encouraged, at a minimum, to inform DDCs of their activities and to share their reports. This liaison will extend to the relevant Line Ministries being restructured under District Technical Units (DTUs). Ideally, INGOs and NGDOs will align their activities within

District Development Plans and priorities, and aim to coordinate with other agencies operating in the area to increase overall efficiency and impact. The Local Self Governance Act of 1999 also reflects this government-civil society cooperation.

6.5 Government Funding for NGDOs

Government, through SWC, will work to consolidate and ensure full disbursement of its budget allocations to NGDOs, and will pro-actively encourage investment in NGDO activity from the private sector, INGOs and donors.

6.6 Monitoring and Evaluation

Monitoring the development activities of NGDOs and INGOs is a legitimate government function. Information on project progress, impact and critical issues is required for planning and coordination, particularly at the district level. Monitoring of NGDO/INGO projects (and evaluation at the end of projects) will be carried out at the DDC level, and undertaken as a joint exercise using a commonly agreed framework and process. Government recognizes the necessity and will take action to strengthen the local government resources and capacity to liaise with NGDOs and INGOs and to formulate, implement, and monitor development activities.

6.7 Operational Modalities

INGOs and NGDOs will be encouraged to:

- focus on sectors of priority identified in the Foreign Aid Policy
- operate in areas of need and under-servicing in line with government plans
- specify and ensure outreach to target groups, in collaboration with VDCs and DDCs
- maximize community participation, empowerment and ownership starting at the planning stage of projects; ensure transparency and accountability with communities; prepare communities for a transfer of ownership and project maintenance
- work through existing CBOs and CSOs where possible; encourage the formation of CBOs; avoid implanting CSOs from other districts
- ensure gender and caste equity in both participation and benefit

6.8 Code of Conduct

Government will encourage the development of a strengthened Code of Conduct for CSOs, to be self-monitored through umbrella organizations such as the NGO Federation. This mechanism is designed to standardize equitable, democratic values, structures and practices. The Code of Conduct could address such issues as:

- avoidance of political and religious affiliations
- gender and caste equity within the organization and its programs
- maintaining low operating costs in relation to project/program costs
- leveling of salary scales, allowances and gratuity
- roles and functions of volunteers
- roles and relations with government, and with INGOs and donors

- roles and responsibility towards constituency and beneficiaries
- transparency and accountability

7. Conclusion

The government, most NGDOs and INGOs, and their federated bodies (Association of International NGOs – AIN, and the Federation of NGOs) are aware of the issues identified in this paper. Discussions have taken place and actions already initiated to begin to address them. The legislation described here will provide a clear and institutionalized framework for the process to continue.

The legislation is in draft form. It has been developed thus far in a process of consultation with all stakeholders, and the participatory process will continue until the Bill is finalized. The intention of the government is to establish both the legal framework, and the operational capacity and environment within which the most productive relationship possible can be created with NGDOs and INGOs – in the interests of good development and governance in Nepal.