

**Implementation of Minimum Conditions and Performance Measures  
(MCPM):  
A study of Kathmandu Metropolitan City Office**

**By**

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## ***Dedication***

*To my beloved parents who are always there for me.*

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## **ABSTRACT**

Performance measurement is a very old concept both in private and public sector. The idea of performance measurement is transferred from private to public sector through New Public Management. UNCDF in its attempt to improve the local governance of LDCs propounded an innovation in performance measurement; i.e. making local bodies legally strong and then only measuring their performance to provide the grant. Even when local bodies are legally capable to handle grant, they have to bear sanctions if they perform poor and are eligible to gain rewards when they perform better. The legal strength of local bodies to handle grant is measured by Minimum Conditions (MCs) and their performance is measured by Performance Measures (PMs). The concept of MCPM arrived on 1997 and was first adopted by Uganda. It was specially designed for LDCs. MCPM is admired in several developing countries like Uganda, Tanzania, Lesotho, Somaliland, Nepal, Bhutan etc.

Performance measurement is the measurement of government ability to fulfill the responsibilities towards citizens. It is an expensive task and government performance is often difficult to measure due to difficulty in quantification of their tasks. Hence, the indicators must be chosen very carefully. A lot of initial preparation is needed to set up performance measurement system such as improved human resource and technical capacity.

MCPM is a lately adopted tool and severely impact the financing of local government. KMC has been able to better the MCPM results each year in a remarkable way. There are several ways; both legitimate and illegitimate to reflect the better performance results. Thus, it is essential to figure out core reasons due to which local bodies show tremendous performance improvement within a few time. Hence, the research was initiated.

The research was conducted at KMC. This is a micro level of study. Both quantitative and qualitative approach is used in the research. The research is carried out using both descriptive and analytical method. The field work was conducted for one month. The research has used both the primary and secondary data. The primary source of data collection is in-depth interview which was carried out with 21 informants and content analysis based on the relevant contents provided by the focal persons of MCPM at KMC. Secondary sources are

the yearly publications of government, various journals, articles, published and unpublished MCPM assessment reports etc. Data analysis is done manually.

The study came up with the findings that KMC have improved their legal performance but they do not have sufficient legal authority over the choices of indicators. All the municipalities are measured on same criterion which is irrelevant. Technical capacity of the KMC is known to be better because KMC is improving its documentation capacity. There is a conflict whether MCPM is best being process-oriented where fulfilling documentation process is sufficient or MCPM should carry impact analysis so that the impact of MCPM assessment can be known at the ground level. Financial and human resources are sufficient for performing the actual performance of KMC. They haven't been utilized to the fullest. Staffs are satisfied with MCPM assessment but they equally have shown the need for major changes in the assessment.

Executive officer and officials of KMC are content with MCPM assessment. Many of the indicators of KMC are suitable. Still major improvements are needed. The lack of impact analysis of MCPM, lack of result-orientation of MCPM, imposition vs. capacity of MCPM indicators etc. is unable to give the expected results of MCPM. KMC need more flexibility and autonomy to perform better. The implementation of MCPM is still at early stage and many other modifications are needed.

MCPM is able to improve the performance of KMC through performance audit, creation of competition, improved transparency, serving as control mechanism in absence of locally elected representatives and motivating employees. Result-orientation, impact analysis, use of scientific and practical indicators, dispute settlement between central and local government with relation to choice of indicators and other mechanism could make MCPM more effective motivating KMC to perform better.

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## **LIST OF ABBREVIATIONS**

DFDP	Decentralized Financing and Development Programme
DFID	Department for International Development
DRIP	Data Rich But Information Poor
f/y	Fiscal Year
GoN	Government of Nepal
KMC	Kathmandu Metropolitan City
LBFC	Local Bodies Fiscal Commission
LDCs	Least Developed Countries
LG	Local Government
LGCDP	Local Governance and Community Development Programme
MCs	Minimum Conditions
MCPM	Minimum Conditions and Performance Measures
MLD	Ministry of Local Development
MoFALD	Ministry of Federal Affairs and Local Development
NPM	New Public Management
NYBMR	Bureau of Municipal Research of New York
PBGS	Performance Based Grant System
PMs	Performance Measures
UNCDF	United Nations Capital Development Fund
UNDP	United Nations Development Programme
VDCs	Village Development Committees

# **CHAPTER 1**

## **INTRODUCTION**

### **1.1 Background**

“In its resolutions 2186 (XXI) of 13 December 1966, 2321 (XXII) of 15 December 1967 and 3122 (XXVIII) of 13 December 1973, the General Assembly established UNCDF with a mandate to assist developing countries, “first and foremost the least developed” amongst them, “in the development of their economies by supplementing existing sources of capital assistance by means of grants and loans”.” (UNCDF, 2012: 56) In its effort to assist least developed countries UNCDF introduced Performance Based Grant System (PBGS) in 1997. MCPM is a measurement tool used to measure performance and allocate grant in accordance with PBGS system (Steffensen& Larsen, 2005).

#### **1.1.1 Performance Based Grant System (PBGS)**

Performance Based Grant System (PBGS) is an arrangement in which grant are allocated to the local bodies on the basis of performance that are measured periodically. The concept of PBGS originated from UNDP/UNCDF in 1997 (Steffensen& Larsen, 2005) and was practiced in Least Developed Countries (LDCs) to better their local bodies’ capacity and performance (Devkota, 2009) including their self-governance (Steffensen& Larsen, 2005). Uganda was the first country to adopt PBGS. By 2003, Uganda had covered all the local bodies in the country through PBGS. By 2009, at least 15 countries adopted PBGS. The SAARC countries adopting PBGS till 2009 are Nepal, Bhutan, Bangladesh and Pakistan. There is successful implementation of PBGS. Despite that, the consciousness should be maintained as the implementation is still at early stage (Steffensen, 2009). One of the areas where consciousness is crucial is its process of performance measurement.

#### **1.1.2 Importance of Performance Based Grant System in Nepal**

The local bodies in Nepal are receiving financial resources through local revenue, grants and allocations from sectorial ministries in specific sectors (The Asia Foundation-Nepal, 2012:

61-62). The local bodies are less capable of generating development budget and thus they depend on central government's grant and revenue distribution (Government of Nepal, 2014). Local Self Governance Regulation, 1999 advocates to provide performance based grant system to local bodies (Devkota, 2009). Local bodies are able to receive grant on the basis of their measured performance after fulfilling legal conditions.

### **1.1.3 Role of Minimum Conditions and Performance Measures (MCPM) in PBGS**

Minimum Conditions and Performance Measures (MCPM), which is the performance measurement tool, plays a crucial role for making vital decisions in PBGS. MCPM are often used as a major tool by PBGS system for grant allocation. MCPM helps central government and donors to decide the proportion of grant to be allocated for local bodies of LDCs (Steffensen & Larsen, 2005). MCPM is a tool used for determining criteria for both rewards and sanctions in PBGS system (UNCDF, ND: Online). MCPM helps to set a demarcation, which when fulfilled by local bodies enables them to receive performance-based grant and when they are unable to fulfill are excluded from receiving performance-based grant completely or partially.

### **1.1.4 MCPM assessment for providing performance based grant in Nepal**

The government of Nepal has adopted MCPM for allocating performance based grant to the local government since fiscal year 2004/5, first as a pilot program in few local bodies (Devkota, 2009). MCPM assessment was initiated through team effort of bureaucrats, forum of local elected leaders and development partners in Nepal (Shiwakoti, ND: Online).

Central government may associate with development partners to provide performance based grant after carrying out MCPM assessment. MCPM is receiving technical and financial assistance from Local Governance and Community Development Programme (LGCDP)<sup>1</sup>

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<sup>1</sup> Local Governance and Community Development Programme (LGCDP) aims to improve basic service delivery by providing community prioritized and climate resilient infrastructure by capable and accountable local government and civil society. The ultimate aim is to contribute fulfillment of Millennium Development Goals (MDGs). The project has budget of around £ 70,100,000 for Nepal. LGCDP provides fund in four sectors; decentralization and support, social welfare services, environmental policy and democratic participation. Decentralization and support program is liable to receive 39.30% funding of total fund disbursed from LGCDP to Nepal (Source: DFID, 2015). (See: <http://devtracker.dfid.gov.uk/projects/GB-1-203764/> , accessed on: 9/24/2015, 6.00pm) PBGS is also one of the decentralization support program.

which is a multi-donor supported program in line with sector-wide approach (SWAp) (Government of Nepal, 2011). During the pilot period, the fund was received from Decentralized Financing and Development Programme (DFDP) which was under UNCDF and DFID. All the districts of the country started implementing MCPMs since FY 2007/8 and it was replicated to all the villages and municipalities since 2009/10 (Devkota, 2009). In the FY 2009/10, Government of Nepal (GoN) contributed 47% and development partners contributed 53% (Steffensen, 2009: Online). After 2009/10, until 2011/12, performance based grant was allocated only to top-up grants coming from donors. Since 2012/13, GoN again started allocating performance based grant both on the donor and government funds (Steffensen, 2009: Online).

In the context of Nepal, the performance measurement is annually carried out by Local Bodies Fiscal Commission (LBFC) for coming up with MCPM results. Local bodies are assessed on the predefined criteria and process. This measurement provides the basis for adjusting and recommending grants to the local bodies (Steffensen & Chapagain, 2010).

UNCDF regularly reviews MCPM results by LBFC and such results are made public through media and Ministry of Federal Affairs and Local Development (MoFALD) website and reported accordingly. Data obtained from MCPM assessment is stored on LBFC/MoFALD website and UNCDF is the responsible authority for those data (Steffensen, 2009: Online).

There are separate manuals of MCPMs for all local bodies, i.e. districts, municipalities and villages. The results of earlier two years in MCPMs assessment affects the capital grants of running fiscal year of local bodies (Devkota, 2009).

#### **1.1.5 Criteria of Minimum Conditions and Performance Measures in municipalities**

MCPM is a performance measurement system whereby two sets of indicators are measured. One is minimum conditions and the other is performance measures (Devkota, 2009). Local bodies must fulfill all the indicators of MCs to receive annual unconditional development grants. The amount of grant further depends on scores achieved in PMs. (Devkota, 2009).

Performance is measured when minimum conditions are fulfilled (Government of Nepal, 2014).

➤ **Minimum Conditions**

Minimum Conditions (MCs) refers to statutory requirements for local bodies. Such requirements must be compulsorily complied to follow the constitutional rules and regulations. These conditions are the assurances that public properties are properly utilized. MCs are intended to measure the performance capacity of local governments (LGs). MCs ensure that local governments have reached the legal conditions that they can handle grants (Steffensen, 2009: Online).

➤ **Performance Measures**

Performance Measures (PMs) are the tools for measuring performance of the organization in different functional areas. The core motive of PBGS is to provide incentives to local government on the basis of their measured performances. There are five functional areas and 40 indicators for municipalities of Nepal. Those five functional areas are local self-governance, financial management, planning and program management, organization and human resource development, and urban basic service management. The indicators of PMs evaluate procedures, result and quality of different functional areas of local bodies (Devkota, 2009 & Government of Nepal, 2014).

## **1.2 Statement of the problem**

The local bodies in Nepal are receiving financial resources through local revenue, grants and allocations from sectorial ministries in specific sectors (The Asia Foundation-Nepal, 2012: 61-62). The local bodies are less capable of generating development budget and thus they depend on central government's grant and revenue distribution (Government of Nepal, 2014). As a large and most populous and the only one metropolitan city, KMC has immense need for fund. For that purpose MCPM is a useful tool which KMC can use to generate more budgets. If there is flaw in MCPM implementation, it affects the grant receiving capacity of KMC. Thus, the study is required to find whether there is flaw in MCPM implementation or not.

There is lack of elected representative in local bodies of Nepal since 1997. Local Self Governance Act (LSGA) 1999 has served as a local government controlling mechanism by running local bodies through government appointed bureaucrats. This process has enabled decentralized development and formal participation of local stakeholders on one hand and has caused severe misrepresentation in local governance practices resulting in a culture of collusion and impunity on the other hand (The Asia Foundation, 2015).MCPM has been practiced as a control mechanism for local bodies of Nepal under LSGA 1999 (Devkota, 2009)in the absence of local elected representatives. Thus, it is very essential to understand in which direction governance tool such as MCPM is taking to local bodies; towards decentralized development or towards collusion and impunity.

When there are too many performance measures, measures which are not comprehensive, subjective measures to officials, funding uncertainties, unfair consequences from the assessment etc. decrease the effectiveness of performance measures process. To reflect better performance local government could initiate data manipulation and game playing strategies which are administrative malpractices (Mkasiwa& Gasper, 2014). MCPM has numbers of indicators to assess the performance of local bodies. Hence, it is essentially important to figure outthat the indicators measured for KMCare exactly related with the actual performance of local bodies. KMC has been bettering its performance each year and coming up with better results in MCPM than the earlier years. It is essential to be acquainted that indicators on the basis of which performance of KMC is measured is the true reflection of KMC and not the manipulation from any stakeholder.

It is essential to find out whether MCPM carried out by LBFC align with the requirement of local bodies or not. If not what are the reasons behind lack of alignment. The research aimed to figure out the same by addressing the above stated issues.

### **1.3 Scope of the study**

VDCs (Village Development Committees) and municipalities act as the linkage between central and local government in Nepal. Earlier there were 58 municipalities. On May 2014, additional 72 were formed. 61 municipalities were added in December 2014. The latest constitution was drafted at 20<sup>th</sup> September 2015, where 26 more were added making total of

217 municipalities. Those include 1 metropolitan city (Kathmandu), 12 sub metropolitan cities and 204 municipalities (Nepali List, 2014/15: Online). These additions have not effected local institutional structure during the period of research and won't be affected until the new numbers and area of new government structure remains undecided (Section 33, Sub-section 303 (i), Constitution of Nepal, 2015). As data collection was carried out before promulgation of the constitution and organizational contexts are same as earlier after the promulgation until recent, the new federal structure has not been considered by the research.

The scope of the study is local government office, Kathmandu Metropolitan City (KMC). KMC is a local body mediating between central government and the locals. According to census of 2011, Kathmandu Metropolitan city is the most crowded city with the population of more than 1.7 million. The area of KMC is 395 square Kilometers. (Central Bureau of Statistics, 2012). Being one of the smallest municipalities with highest population, it is obvious that the performance for KMC is complicated. Only around 1800 staffs (Source: KMC staffs, field visit 2015) are handling above one million population. However, the MCPM results are improving each year at KMC. Hence, as a researcher, the fact would make it obviously interesting for anyone to carry out the research at KMC. The area has been chosen on the basis of purposive sampling. The study is solely focused on KMC office. The staffs of KMC office and other officials related to MCPM helped to receive the data.

#### **1.4 Research Questions**

The question that this research topic tries to address is mentioned below:

- Is Kathmandu Metropolitan City office capable enough with respect to legal, technical and human resource factors for compliance of MCPM standards?

## **1.5 Objectives of the study**

The general and specific objectives of the study are mentioned below:

### **1.5.1 General objective**

The research aims to identify the institutional ability of KMC to adopt MCPM as a tool for performance based grant system.

### **1.5.2 Specific objectives**

1. To figure out the legal factors of KMC affecting implementation of MCPM.
2. To figure out the technical factors of KMC affecting MCPM implementation.
3. To figure out the financial and human resources ability of KMC to implement MCPM.

## **1.6 Significance of the study**

There are numerous significances of the study. First of all, there are numbers of researches related to performance measurement. However, only few studies are related to performance measurement of developing countries. In addition, there is lack of research which assesses the institutional capacity for implementation of MCPM. The research would address this issue by adding knowledge on the field. Hence, the research could add knowledge about the newer perspective of performance measurement such as MCPM in the existing literatures of performance measurement.

Secondly, the study addresses the impact of MCPM in performance of local bodies. Kathmandu metropolitan city failed compliance of Minimum Conditions (MCs) up to four consecutive years till f/y 2010/11. Only in the f/y 2011/12 it comply MC. After that KMC has always performed very well in MCPM assessment from f/y 2011/12 to f/y 2013/14. The MCPM assessment of KMC reflects the overall improvement in performance each year. There are many areas where other municipalities can learn from KMC and follow its footsteps to achieve the better performance. The research is supposed to be a support for such interested institutions.

Finally, the study will contribute to understand the challenges related to institutional capacity for implementation of MCPM. The study helps to figure out the challenges faced by KMC to attain performance as desired by MCPM indicators. If there are challenges in any indicators, the research could be a supporting hand for rectification. This would eventually turn as a learning lesson for enforcing agencies as well as implementing agencies.

The study is willing to serve the interest of local bodies, central government, donor agencies, development practitioners, academicians etc. for assessing and evaluating the impact of MCPM in performance of local bodies.

### **1.7 Limitation of the study**

The main limitation of the study is that only one municipality has been chosen for the research. Hence, the study is more focused on finding out the effectiveness of MCPM in only one local body neglecting the others. Time limitation, research cost and lack of power supply are also the constraints in carrying out the research effectively. The different understanding of different respondents for the same question may decline the generalization purpose of the research too. The major information of many contents needed for content analysis were in Nepali language which had to be translated in English by the researcher themselves posing a constraint to carry the research smoothly.

### **1.8 Organization of the study**

There are five chapters in the paper. The first chapter 'Introduction' deals with background of the study, statement of problem, scope of the study, research questions, objectives of the study, significance of the study and limitations. Background of the study has been divided into several subsections for the clearer understanding of the readers on the topic matter. This chapter provides a brief knowledge about MCPM, few of problems and prospects of MCPM and research questions have been formed on the basis of them and the objective of the research is to figure out relevant answers to those questions.

Second chapter is related to literature reviews done of national and international contexts. Introductory literatures are provided for understanding about PBGS and MCPM. Then the

experience of implementing PBGS, performance measures and specifically MCPM on national and international contexts are dealt on the later sections. The literatures are related to minimum conditions (MCs), performance measures and their origin, importance and challenges of performance measures, use of MCPM in PBGS system, application of MCPM at different countries, their experience etc. Literature review highlights important findings of several studies carried out by scholars and professionals on the topic matter. After going through various literatures, it looks onto the theoretical perspective of MCPM with NPM model and a model of policy implementation process. The analytical framework is constructed on the final section on the basis of literature reviews and theories explained.

Third chapter is related to research methodology. It explains how the research has been carried out, the procedure for validating data and the process through which data has been processed and analyzed. Fourth chapter discusses the procedure of assessing MCPM and its indicators at KMC. It comes up with data presentation and analysis where the data has been analyzed on the basis of perception of staffs regarding the capacity of KMC for MCPM implementation. Fifth chapter comes up with summary and conclusion about findings.

## **CHAPTER 2**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

There are several literatures on performance measurement and only few of them are related to PBGS. According to researcher knowledge, this would be one of the very few researches conducted on MCPM which is an essence of PBGS. Some of the earlier studies of performance measurement have focused on the advantages of performance measurement system and performance based grant system and others have focused on the challenges of their effective implementation. Hardly researches were found which studied capacity of local governments to fulfill the requirements of MCPM. This study tries to fill the gap of lack of such literatures.

The literatures related to Performance measures, PBGS, MCPM and other relevant literatures have been discussed here.

##### **2.1.1 Performance Based Grant System**

Performance Based Grant System (PBGS) is an arrangement in which grant are allocated to the local bodies on the basis of performance that are measured periodically. The concept of PBGS originated from UNDP/UNCDF in 1997 (Steffensen& Larsen, 2005) and was practiced in Least Developed Countries (LDCs) to better their local bodies' capacity and performance (Devkota, 2009) including their self-governance (Steffensen& Larsen, 2005: Online). Uganda was the first country to adopt PBGS (Steffensen& Larsen, 2005). The study of Australian Multilateral Assessment in the year 2011 rated UNCDF as highly effective for its activities on fragile states, development and promotion of innovative approaches, inclusiveness and so forth. UNCDF is rated effective for addressing local governance issues in LDCs (UNCDF, 2012).

The study of UNCDF identified the merits and demerits of PBGS. The advantages are that there are clear rules and regulations, ensure legal compliance, can cover broader area of

governance, promote transparency and ownership and so on (Steffensen, 2009: Online). Data obtained from performance measurement helps citizens to recognize government efficiency for resource allocation. It creates accountability of government. Performance measurement shall be considered essential factor for budgeting because the report obtained convince the citizens or tax payer that their tax is being used properly (Grifel, 1993).

### **2.1.2 Minimum Conditions and Performance Measures (MCPM)**

PBGS assess the potential of LGs to receive grant by conducting MCPM assessment. MCPM assessment assesses two parts; Minimum Conditions (MCs) and Performance Measures (PMs) (Government of Nepal, 2014) and they have been discussed here.

#### **2.1.2.1 Minimum Conditions (MCs)**

Minimum Conditions (MCs) is a lately adopted tool by UNCDF and very few literatures are focused on MCs. UNCDF brought forward an innovative idea of MCs where there are certain legal requirements which must be compulsorily followed by local bodies prior to getting its performance measured (Steffensen, 2009: Online). UNCDF has prioritized fulfillment of legal requirements earlier to measuring performance for public sectors.

Laws are very important for establishment and maintenance of democracy. Democracy and rule of law are pivotal for transforming the ill bureaucratic practices. Western notions of rule of law and accountability have gained importance in East Asian Bureaucracy before other ideas such as professionalism, job description, employment contracts etc. which were suppressed by respect for supervisors. One example of prioritizing rule of law is, in March 1999, Chinese government saw rule of law as one of the basic principles for governing (Berman, Moon & Choi ed., 2010). MCPM prioritized compliance of rule of law before measuring performance of LGs and the purpose of MCPM is to strengthen local governance (Devkota, 2009).

#### **2.1.2.2 Performance Measures (PMs)**

PMs are measured after legal requirements as conditioned in MCs are fulfilled in MCPM process (Government of Nepal, 2014). Actually, performance measurement is a very old

concept and not just confined to the process of MCPM. Frederick Taylor, father of scientific management stressed the importance on measuring work so that decision-making process improves(Lynch & Day, 1996). Performance measurement can be traced back to as early as 20<sup>th</sup> century when ‘officials at the Bureau of Municipal Research of New York (NYBMR) advocated the need for performance measurement and reporting to ensure cost-efficiency, effectiveness and public accountability of government during 1915(Ho, 2003).

During the start of twentieth century, there was rising demand for public services but equal rise in tax resistance. The founders of NYBMR, Henry Bruere, William H. Allen and Frederick Cleveland developed performance measurement prototype for practice from 1906 to 1912. NYBMR was the result of political activism. It served for social progress as at first needs was demonstrated, then fund was provided to such needs and lastly the utility of fund and availability of need was observed. Performance measurement was invented to carry out activities such as surveys, policy analysis, report publications and implement functional budget model<sup>2</sup> of government linking expenditures and achievements (Williams, 2002).

The idea of performance measurement took time to flourish (Ho, 2003). According to Ridley and Simon’s survey document, the performance measurement system was practiced in 1943 when the International City Management Association published performance measurements of municipal activities in U.S. (as cited in Poister&Streib, 1999). The concern for performance measurement of public sector grew when the emphasis on program budgeting rose in 1960s and program evaluation sparkled in 1970s. Harry Hatry and colleagues around 1970s started to publish materials for triggering the use of performance measurement which included instructions to “develop and use them” as well. Other authors began to emphasize their use in “larger management processes” (Poister&Streib, 1999).

The use of performance measurement faded during 1980s due to “DRIP (Data Rich but Information Poor) syndrome”. DRIP syndrome means that the cost of managing performance measurement was higher than the results it produced. Again, the necessity for performance measurement grew increasingly during 1990s when demand was pressurized for reinventing government by decreasing their responsibilities and making them more accountable. The

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<sup>2</sup>Functional budget model means functional classification of budget.

scholars started analyzing both negative and positive aspects of performance measurement and searched for strategies to remove obstacles for successful performance measurement implementation during 1990s (Poister&Streib, 1999).

The concept of performance measures grew in LDCs as well after 1997 when the UNCDF started emphasizing the performance based grant system for them (Steffensen& Larsen, 2005). But again, MCPM can be considered a reinvention to previous forms of PMs as it emphasizes the fulfillment of legal conditions before going for the actual performance measurement.

Broom et al. & Hatry (as cited in Ho, 2003) have mentioned that performance measurement refers to the use of quantitative indicators to measure the results and efficiency of public programs that clients, customers, or stakeholders expect.

Holzer & Halachmi (as cited in Glaser, 1991) mentions ‘performance measurement can improve productivity by identifying performance opportunities and problems’ which are similar to expectations related with MCPM. Performance measurement plays an important role for both the central and local government. Performance measurement helps for careful resource allocation, address citizen’s demand for accountability, help to obtain wider public opinion from across globe (Halachmi, 2002), correct past failures (Halachmi, 2002 & Glaser, 1991 ) and negotiate budget (Berman, 2002).

Performance measures should be designed such a way that it is flexible to embrace changes over time yet able to provide comparisons over those periods (Grizzle, 1982). Performance measures should be technically sound, politically neutral, credible and transparent (Steffensen, 2009: Online). Performance measures need to fulfill five criteria which are validity, legitimacy, credibility, public accessibility, and functionality (Taylor, 2006).Drongelen&Fisscher (2003) concluded that there are three basic requirements to be fulfilled by performance measurement system which are: needs to fit organizational context, circumstances and power balance; the formats such as metrics, measurements and norms of measurement procedures should be relevant and the functioning of actors involved in performance measurement should be ethical(Drongelen&Fisscher, 2003).

Quinn in 2003 (as cited in Armstrong, 2009) has given the four principles that govern the use of performance measures:

1. Measure the right things
2. Clearly communicate what will be measured.
3. Consistently apply the measures on all units of the organizations.
4. Act on the measures

Performance measurement is an expensive task. Hence, the managers must select dimensions for performance measurement consciously. There are some problems related to performance measurement such as the threat that public managers, executives, interest groups, donors etc. prefer only those indicators for performance measurement which favors them and they are able to influence and control such indicators. The other problem is that it is difficult to figure out actual responsible authority for specific performance score as responsibility is widely dispersed across government organizations (Grizzle, 1982).

“A critical aspect of performance measurement is the dependability of data. Inaccurate or misleading data can result in poor managerial, operational, and financial decisions.” (Kendrick, 2011) Sound performance measurement should be preferred more than positive results on performance measurement so that there aren't any inaccurate and misleading data and there is no manipulation of data for getting positive results. Dishonesty in data reporting must be discouraged.

There are several other issues related to performance measurement as mentioned in the study of Drongelen&Fisscher (2003). “Responsibility is delegated and authority is withheld” (Drongelen&Fisscher, 2003). When things are wrongly done, authorized persons blame those who bear responsibility. It creates difficulty to provide accountability and punish for wrong doings.

Performance measurements have problems related to design and implementation and their sustainability (Glaser, 1991) especially in public sector due to welfare orientation (Tilley & Smart, 2010&Kloby & Kim, 2004) which is difficult to measure. Political support and citizens acceptance is sought for designing performance measures (Berman & Wang, 2001).

The objectives of MCPM, when MCs and PMs are combined together, are improving local governance mechanism through incentives and penalties, to adjust grants according to performance capacity and expenditure requirement, to identify capacity gaps of local bodies and strengthen the monitoring and evaluation system. It leads to improved service delivery, accountability assurance and compliance of rules and regulations (Devkota, 2009).

MCPM indicators are process oriented rather than result oriented. Hence, these indicators must be planned correctly as development interventions are based on such indicators (UNCDF, ND: Online). During 2006, Willaert and Willems noted in their study that private institutions perceived that when performance measures of private institutions was measured on the basis of performance and not on the basis of processes it would be worrisome. The worry was that metrics were not well aligned with company's strategy and did not reflect the voice of the customer (Willaert&Willems, 2006). This opinion highlights the importance of process-oriented performance measures in private institutions. It is interesting to compare whether the same opinion exist in case of government institutions or not.

When process-orientation of performance measures is discussed in public sector, Uganda has good experience from it. The effort to make work under defined processes had ultimately led to better service delivery and thus better performances (Steffensen&Chapagain, 2010: 31)

In contrast to acceptance for process-oriented performance measures, many leaders have also shown frustration that performance measures have lots of procedures from the beginning of each meeting to forever. Outcome oriented measures are preferred because they have features such as receiving feedback from knowledgeable stakeholders. PMs should focus on why any performances are being conducted and how much has been achieved more than how they are being conducted (Kendrick, 2011).

## **2.2 International Context**

While going through several literatures related to MCPM and PBGS, it was found that there are many similarities with MCPM indicators and process of conducting assessment of MCPM in most of the LDCs. The governments are implementing PBGS in collaboration with development partners. The rewards and sanction systems are almost existent everywhere.

Some countries were providing grant on the basis of MCs such as Bhutan, Lao, East Timor etc. while other countries like Philippines, Nepal, Bangladesh, Indonesia, Solomon Islands etc. were measuring PMs as well to decide the further proportion of grant to be allocated on the basis of performance (Steffensen, 2009: Online).

A study of U.S. counties conducted by Berman & Wang (2000) mentioned that capacity for conducting performance measures is a must to realize the benefit of improved performance. In the absence of capacity to gain stakeholder support and technical ability for collecting and analyzing performance data, it is difficult to utilize performance measurement system. The study came up with a conclusion that a lot of initial preparation is needed prior to implementation of performance measurement system such as human resource and technical capacity management. When such preparations were carried out, it provided increased satisfaction due to improving impacts (Berman & Wang, 2000).

Capacity means ability to relate output to operations, collect timely data, availability of capable staffs, adequate information technology, support from department heads and elected officials (Berman & Wang, 2000). Capacity is the ability of individuals, institutions and societies to perform functions, solve problems, and set and achieve objectives in a sustainable manner (Saasa, ND: Online). Capacity as outlined by UNESCO is important in three areas; human resource; organizational; and institutional and legal framework capacity. Human resource capacity lies in equipped staffs with the understanding, skills, information, knowledge and training to perform effectively. Organizational capacity deals with the elaboration of management structure, processes and procedures and also the competent nature within and outside the organization. Institutional and legal capacity is tilted to enable legal and regulatory functions of institution (UNESCO, 2006).

Poister and Streib (1999) have studied that the motivation for using performance measures appears to be locally generated rather than centrally imposed in U.S. municipalities. The interesting fact is that municipalities are getting more support from city councils and less from line managers and employees. The study highlighted that 45% of municipalities have trouble to get line managers support and 60% do not have support from lower level employees. Despite the fact of lack of support, top managers of such cities believe that Performance

Measurement system affects the performance positively. The study comes with a note that performance measures of local bodies in U.S. can lead to improved management through rational decision making (Poister&Streib, 1999).

Uganda was the first country to carry out MCPM assessment to the local bodies. There are three criteria: size of population, size of local government territory and poverty index according to which grants are provided when local bodies pass minimum conditions. The MCPM assessment has been effective tool for intergovernmental fiscal transfer in Uganda (Steffensen, 2010).

UNCDF conducts MCPM to provide performance based funding to local government of Bangladesh too. UNCDF innovations here on this context led to considerable impact on policy level in Bangladesh. For example: Participatory principles were incorporated in Local Government Act. The country has impressively improved pro-poor investment (UNCDF, 2012).

A study conducted in Bhutan found PBGS to be satisfactory for improving efficiency and effectiveness of local government service delivery. The study figured out that the development planning and implementation activities were bettered in local governments as these units had increased their ability to utilize allocated funds. Such self-governance program had significantly reduced the poverty rate of Bhutan from 23.2% to 12% at the end of 2012. However, there were number of challenges for implementing agencies such as difficulty of using financial software, slow speed of internet, addressing important issues such as equal participation of gender in trainings and capacity development activities etc. The users perceived that merits of self-governance program superseded such challenges (Gross National Happiness Commission of Bhutan, 2013).

Similarly, Somaliland also uses MCPM for performance assessment. The country expects to benefit through self-initiation for district development processes, involvement of communities in prioritizing development needs, facilitate local development planning, implement projects and achieve sustainable development processes (Wassaradda Arrimaha Gudaha, 2010).

A study of Tanzania as carried out by Mkasiwa and Gasper in 2014 analyzed the UNCDF implemented MCPM assessment. The paper came up with the conclusion that too many performance measures, measures which were not comprehensive, subjective measures to officials, funding uncertainties, unfair consequences from the assessment etc. resulted in complication and challenges for MCPM performance measures that led to decreased effectiveness of the Tanzanian local government. The decreased effectiveness were the resulted from data manipulation and game playing strategies carried out by local government (Mkasiwa& Gasper, 2014).

The kingdom of Lesotho provides provision for null marking in case of default of local authority to provide necessary information to MCPM assessment team. Quality of assessment is ensured through appointed technical committee. If the local authority is dissatisfied with the assessment, it could complain (UNCDF & UNDP, 2013: Online).

### **2.3 National Context**

A study conducted in 2009 assessed that Nepal has a good experience from the piloted PBGS. It served as an efficient tool for improving service delivery. Local government documentation started to improve (Steffensen, 2009: Online).

Study of Asia Foundation mentions that during the transitional period<sup>3</sup> of Nepal, government authorized civil servants to perform the functions of local bodies. On the basis of research carried out in five municipalities, it was identified that there are issues limiting the effectiveness of local governments of Nepal due to the lack of local representatives. Those are: erosion of government legitimacy as local governments are being run by civil servants without public mandate, excessive formal procedural requirements are imposed on local bodies with limited capacity and resources, difficulty for local bureaucrats for balancing political interests and public interests etc. The same research identified the remedies for lack of local representatives such as bringing cost-effective interventions to improve short-term

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<sup>3</sup> Transitional period of Nepal is known as the period when Maoist insurgency came to an end and Nepal freed of decade long civil strife. After the transitional period since 2002, central government delegated all the functions of local bodies to its civil servants as there has been no provision of local election since then. [See at: <https://asiafoundation.org/resources/pdfs/ChallengesandOpportunitiesinMunicipalGovernanceinNepal.pdf> ; Accessed on: 9/26/2015, 11.10am]

efficiency in the use of fund and encourage the movement of local government towards accountable, transparent and formally competitive systems (The Asia Foundation, 2015). Such remedies can be attained by performance measurement system.

The same research delivers that despite the provision for newspapers, radio, TV etc. to share the information, the public felt that municipal offices were not performing up to the mark as they were discriminating non-elites. The study has come up with the conclusion that only local representation is able to make the local bodies representative and accountable at the local level (The Asia Foundation, 2015). The study also mentioned that municipal budget was being spent more on infrastructure and less on social development (The Asia Foundation, 2015). The research being conducted is expected to be fruitful in realizing the extent of necessity of local elected representatives in presence of performance assessment and monitoring tool, i.e., MCPM.

UNCDF related working paper of 2005 discloses the status of capacity development programme conducted for Decentralized Financing and Development Programme (DFDP) for local bodies during those years. PBGS is a part of DFDP program. UNCDF in the report mentions that until 2004, DFDP could not yield expected results because of lack of ownership by local governments. Such programs led to effective implementation of different projects but could not improve overall service delivery capacity of local bodies. In context of Nepal, the low salary of public officials, rigid personnel management etc. leads to ineffectiveness of performance. Capacity development strategy is highlighted as an important factor for improving local self-governance. There is clear synergy between capacity development strategies and performance based grant system (Haugaard, 2005: Online).

The study conducted at Dolpa and Banke Districts of Nepal concluded that the PBGS implementation is at moderate level, i.e. neither too good nor too bad despite PBGS being very useful to strengthen institutional capacity of local bodies. The study also concluded that MCPM has played a significant role to build the system that improves local governance. PBGS improved accountability, financial partnership, responsibility of local bodies, information documentation, record keeping system, financial resource mobilization and planning. On the other hand, PBGS were less able to promote compliance of rules and

regulations, implementation of job description and sustainable development (Adhikari, 2013).

There is lack of coordination among local and central government in planning and delivery of infrastructure and services. Good governance is extremely needed in Nepal at both local and central level. Such laggings are the obstacles for poor performance of Kathmandu metropolitan city. The rapid population growth, unstable political situation and lack of clearly defined urban policy are responsible for ineffective governance and complicated process of managing Kathmandu (Pant, 2012).

MCPM assessment study has come up with a suggestion that MCPM should be more action-oriented and less process-oriented. There are suggestions for improvement on MCPM from central level officials that MCPM should be designed such that they put effort to improve the scores on indicator by producing required documents rather than putting effort on improving the operating processes and systems. This is needed to ensure that the performance improve with genuine efforts and do not exist in the documents alone (Steffensen&Chapagain, 2010).

Political leaders are supporting the system of MCPM in Nepal (Steffensen&Chapagain, 2010). Steffensen and Devkota (as cited in Steffensen&Chapagain, 2010) stress that even LGs are providing support to MCPM both at policy and administrative levels. One of the several reasons LGs prefer MCPM is because it provides safeguard against political interference on their planning and program implementation. The other is that it is motivating LGs for compliance of legal factors which were less done before. There are issues of MCPM such as need of communication and dissemination of results to the staffs and citizens, need to receive feedback from them, lack of action against complaints received in MCPM assessment, few indicators of PMs need clarification, and need to change the timing of assessment to match the LG's planning and budget cycle (Steffensen&Chapagain, 2010).

KMC failed in MCPM for four consecutive years and local politicians questioned the staffs why it is failing. KMC showed improvement after being questioned. It shows that MCPM makes LGs organized, systematic and compliant. The fact defies the blaming that MCPM is unfavorable for resource poor local bodies. The study claims that MCPM indicators are drawn from existing laws, rules, guidelines and manuals and thus there should not be dispute

on the agreed performance of the LGs and those performances being measured. Thus, MCPM is a legitimate system (Steffensen&Chapagain, 2010).

It is now understood that, MCPM has been adopted to assess the performance of local bodies and provide performance based grant system in Nepal. There are several challenges related to MCPM implementation such as:

- Lack of capacity for implementation process
- Administrative issues such as ineffective implementation of reward and punishment to staffs, frequent transfer of staffs, delay of budget releases etc.
- Political instability and existing long time struggle for drafting constitution
- Lack of monitoring and evaluation from central authority, poor quality assurance and inadequate dissemination and communication of performance related results.

(Source: Devkota, 2009)

Such issues are declining the efficiency of MCPM to support decision-making processes effectively. However, the study by Devkota (2009) suggests that performance based funding system enhanced the transparency and accountability of local bodies. Also, local bodies are enthusiastic to implement MCPM and eventually improve performance. The performance based funding has improved the overall performance of local bodies in an average (Devkota, 2009). “The focus of the system in future should be on upholding the integrity of the system, and making it more credible, professional and participatory.” (Steffensen & Chapagain, 2010) Relevancy of MCPM is likely to increase in the upcoming years (Steffensen & Chapagain, 2010).

MCPM is an innovative approach to provide performance based grant initiated by UNCDF for bettering the local governance of LDCs. MCPM has been able to ensure legal compliance, improvement of local governance, promote transparency and ownership. MCPM carries demerits sometimes such as it may undermine ownership, downward accountability, create instability in results, lead to high transaction cost and provide less incentive than expected. These are the challenges of MCPM which it has to overcome to obtain full

benefits. MCs is a lately adopted tool by UNCDF, addition to performance measures which was unseen before. MCs ensure that LGs have legal capacity to handle grants before they undergo performance measures. PMs however is an old concept and used for providing grants by the central government. Some countries adopting UNCDF innovations do provide grant by looking at the MCs only and some others go through PMs as well. PMs should be technically sound, politically neutral, credible and transparent. It is difficult to measure performance of government due to welfare orientation and thus MCPM indicators must be carefully designed. It can be done so by making indicators clear, valid, legitimate, credible, flexible, relevant and sustainable. The positive aspects of MCPM are it encourages pro-poor investment and participation, and improve public service delivery. Nepal has good experience from PBGS and its measurement tool MCPM. MCPM has been able to improve transparency, accountability and overall performance of LGs. Some of the problems of MCPM implementation are lack of capacity for implementation, administrative issues, lack of monitoring and evaluation, lack of central-local government coordination etc.

As already mentioned, there are numerous studies on performance measures in public sector and PBGS but rarely on MCPM assessment. MCPM assessment is an innovative idea of performance measures adapted by UNCDF as it prioritizes fulfillment of legal conditions to be eligible to use grant before providing such grants on the basis of performance measurement. Hence, the researcher is interested to conduct research on such an innovative topic. This research aims to fill the gap of lack of literatures related to appropriateness and the capacity of local institutions to fulfill the requirements as instructed by MCPM guidelines.

## **2.4 Theoretical Perspectives**

### **2.4.1 Model of policy implementation process**

Horn and Meter (1975) came up with conceptual framework of policy implementation process to ease the challenge of recognizing the linkage between policy initiated and the performance of policy at ground level. The policy implementation is defined as set of performance to achieve objectives of policy decisions.

Smith delivers that there are problems in policy implementation because of the assumption that as soon as the policy is made and implemented, the expected results by policy-makers are obtained (as cited in Horn & Meter, 1975). The lack of study on impact of performance creates the trouble in learning about the implications of policies. In order to compensate this trouble, Horn and Meter (1975) made a conceptual framework for defining policy implementation process.

The diagram of the model is given below:

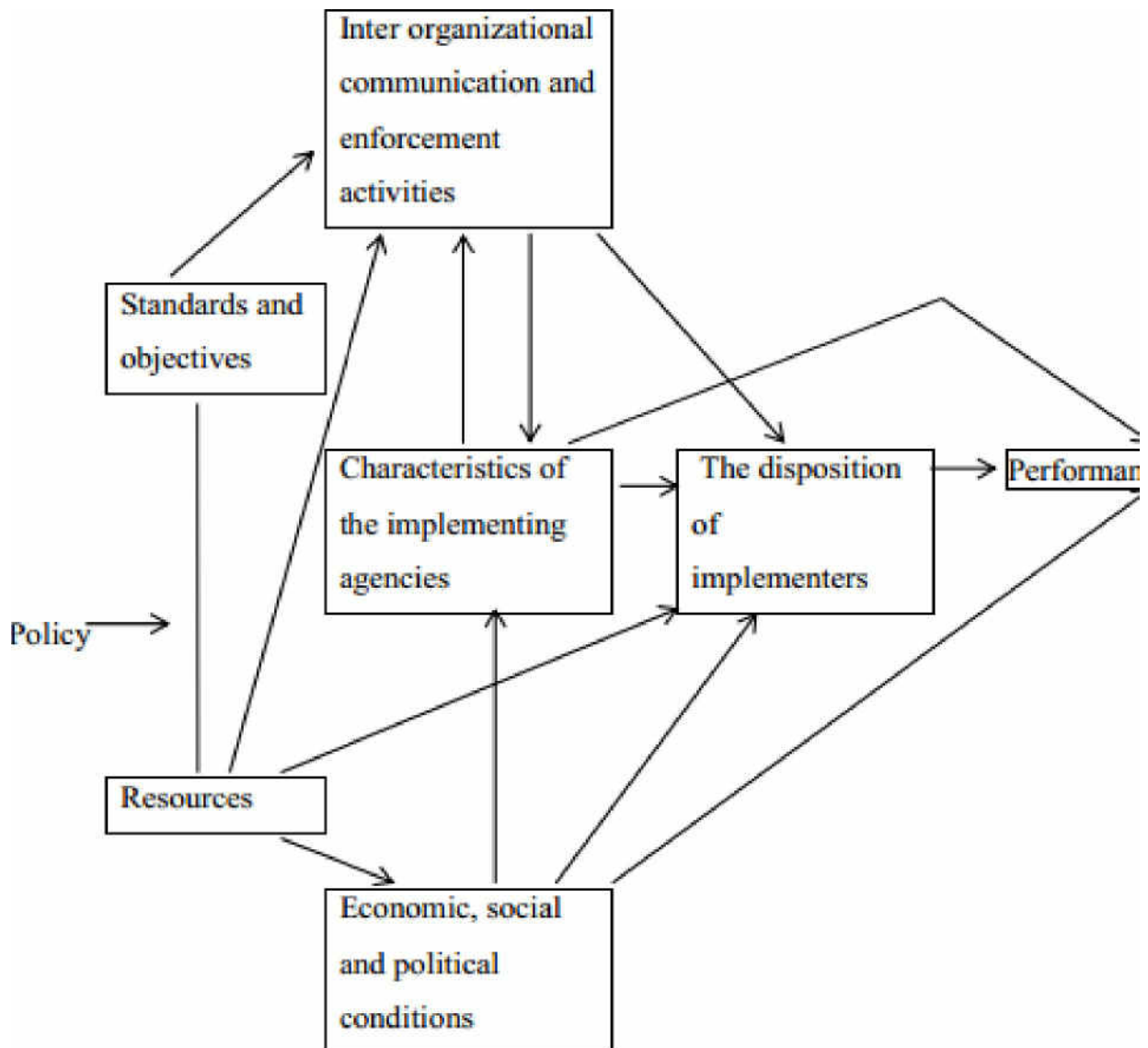


Figure 1: A model of the policy implementation process (Source: Meter & Horn, 1975)

The model of the policy implementation process as presented in figure 1 states that there must be proper policy standards and objectives. Identifying performance indicators is considered to be the crucial stage of analysis. It is very difficult to measure performance. Policy makers can deliberately create ambiguity in standards and objectives so that they are favored with good scores in the judgment of performances. Evaluation criteria for performance may be provided by clientele groups to avoid ambiguity. The performance

indicators may be chosen on the basis of program regulation and guideline as well to omit uncertainty of performance measures(Meter &Horn, 1975).

Resources are also an important aspect so that organizations perform well and there is good implementation of policy. The resources may be funds or other incentives. Mostly, public administration lack fund and incentives could be provided to them (Meter &Horn, 1975).

Meter and Horn (1975) have mostly focused on policy implementation and only little on the essence of performance in the given model. The research however will emphasize on the performance part of the model. Except the above mentioned two main elements, i.e, standards and objectives, and resources, there are four other elements of the model; inter organizational communication and enforcement activities; characteristics of implementing agencies; the economic, social and political environment of the organization; and disposition of implementers(Meter &Horn, 1975).

Programs standards and objectives must be well understood by the staffs that are responsible for attaining the goal. Thus the standards set must be clear and properly communicated. There shan't be conflicting interpretations of same standards and objectives, which if happens will confuse the implementers more. Higher authorities are responsible to increase the likelihood that subordinates will move in the directions for compliance of standards and objectives (Meter &Horn, 1975). Enforcement can be bettered by providing technical advice and assistant. The enforcement can be made through rewards and sanctions too. Higher level can also influence enforcement of performance by socialization, persuasion and cooptation. Rewards and sanctions are tools to persuade better compliance by the staffs. Capacity is also required for the better performance results. If there is lower capacity, there are higher chances that top level is observed as unable to provide flexibility and autonomy. If there are inflexible regulations and guidelines, local bodies may displace their main goal just to fulfill the requirement and accomplish rewards while avoiding sanctions. To avoid goal displacement, top level authorities tend to employ various forms of surveillance such as on-site visit, program evaluations, administrative and management reviews, audits and other feedback mechanisms (Meter &Horn, 1975).

The characteristics of implementing agencies also matters. These characteristics include: the competence and size of an agency's staffs, the degree of hierarchical control in decisions and processes, agency's political resources, capacity of an organization, extent of communication and formal and informal linkages with top-level(Meter &Horn, 1975).

Economic, social and political conditions also influence policy performance. Availability of economic resources determines the successful implementation of policy. Economic and social conditions may affect their implementation. Public opinion is also crucial to figure out necessity of policy implementation. Private interest groups may impact by supporting or opposing the policy and thus their actions for performance (Meter &Horn, 1975).

Finally, the main element impacting the performance is the perception of implementers according to which they dispose the policy. The ability and willingness to carry out policy may be impacted by three possible factors which are: their understanding of the policy or performance; their acceptance, neutrality or rejection towards the task and the intensity of their response(Meter &Horn, 1975).

Policy implementation model has given the insight about the factors that have effect over the performance of the public administrations. Now, through New Public Management (NPM) model the study will try to grasp the ideas about those factors which influence performance measures itself(Meter &Horn, 1975).

#### **2.4.2 New Public Management Theory**

After going through several literatures it has been found that New Public Management (NPM) is extensively used theory for studying about performance management and measurement of public sector. Hence, the same theory has been discussed here. However, Andrews and Walle (2012) mentioned that there is lack of plentiful of studies on effects of NPM on various dimensions of public service performance. This statement highlights that there is more need on research of performance measurement in accordance to the use of NPM theory.

Frolic and UNCDF (as cited in Mkasiwa& Gasper, 2014) have mentioned that performance measures are one of the major components of New Public Management (NPM).Another

study also figures out that one of the key components of NPM is performance based accountability through competitive mechanisms (Polidano, 1999). MCPM can thus be related to NPM as its one of the components as MCPM claims to improve accountability of LGs through incentives on the basis of competition (Government of Nepal, 2014). However NPM has approach for result-orientation (Polidano, 1999) and MCPM is process-oriented (UNCDF, N.D.: Online). Polidano (1999) reveals that developing countries have embraced NPM agenda but still are unable to adopt NPM entirely. “Plenty of reform initiatives are going on and that are unrelated or even contrary to NPM agenda” (Polidano, 1999). It would be interesting to figure out relation of NPM with MCPM through this study.

The interest for performance measurement was extreme in 1990s as there were pressures for government accountability, devolution, privatization of public sectors and curtailing of government expenses. This led to movement for government reinvention by Osborne and Gaebler in 1992. This revolution resulted in requirement of result-oriented management practices. Such practices required performance measurement systems for measuring the effectiveness of government performance by evaluating their results (Poister&Streib, 1999). Such result-oriented management practice is New Public Management (NPM).

NPM is an idea of transferring private sector ideas into public sector for bettering the performance of public sector. Performance measurement is one of the aspects of NPM. Effective performance measurement helps to get public trust and confidence in the public sector. However, the performance measurement system is more complex in public sector organizations than private sectors because private sectors are profit oriented and independent while public sectors are welfare oriented and politically influenced. Profit is measurable while welfare is difficult to measure (Tilley & Smart, 2010&Kloby& Kim, 2004). Still there are tremendous efforts to measure performance of public sector.

The rule of law is considered a precondition for implementing NPM in developing countries (Sarker& Elias, 2006). MCPM addresses this fact that rule of law is very important and “prioritizes MCs over PMs where minimum condition is a compulsory statutory requirement to obtain grant” (Government of Nepal, 2014). Christensen & Yoshimi (2003, Online) delivers that as performance measurement is related with NPM, it is also concerned with

some factors of NPM such as supporting competition, stressing private sectors management style, stressing discipline and frugality in resource use and giving emphasis on controlling output.

As there are differences on the practices of performance measurement process in public and private sector, also discussed earlier, due to the welfare orientation of public sector, there are some paradoxes between how NPM should be practiced and how performance measurement are occurring in public sector which is discussed here.

NPM has brought a tide of using performance measurement in government sectors. Pollitt and Bouckaert in 2004 (as cited in (Dooren&Thijs, 2010: Online)) have emphasized that there is growing importance of performance measurement and management practices in modern governance. However, there are few contradictions among concepts that NPM tries to propagate and actual application of performance measurement systems in public sector. NPM believes in managerialist approach where managers are free to decide what they opt for. Whereas, performance measurement system in public sector reflects a certain level of mistrust among decision-makers and is determined to control them. It's also believed that managers may use performance measurement records for using their tactics (Dooren&Thijs, 2010: Online). Hence, it has been important to use NPM model for obtaining better performance results by liberating the actions that are related with the process of measurement.

Performance measurement of public sector suggest decision-makers to go through enormous piles of information such as budgets, audits, impact analysis, evaluation studies, memoranda from interest groups, laws and jurisdictions, personal communication etc (Dooren&Thijs, 2010: Online). A normal human is inefficient to process such a large chunk of information (Dooren&Thijs, 2010: Online) and thus good information management systems and well-supervised and sufficient staffs are needed to process such information. It has been suggested by Dooren&Thijs (2010) that such paradoxes can be improved by improving the implementation of performance measurement system.

Curristine (as cited in Dooren&Thijs (2010: Online)) has suggested that strong leadership and better information management system is required to obtain the optimum benefit of

performance measurement. The author argued that if there is lack of sense of ownership, the performance measurement effort fails. There is a strong need to observe whether the performance measurement system is positively or negatively affecting the impact group. Besides such steps, ensuring rule of law is one of the preconditions required for successful application of NPM in developing countries.

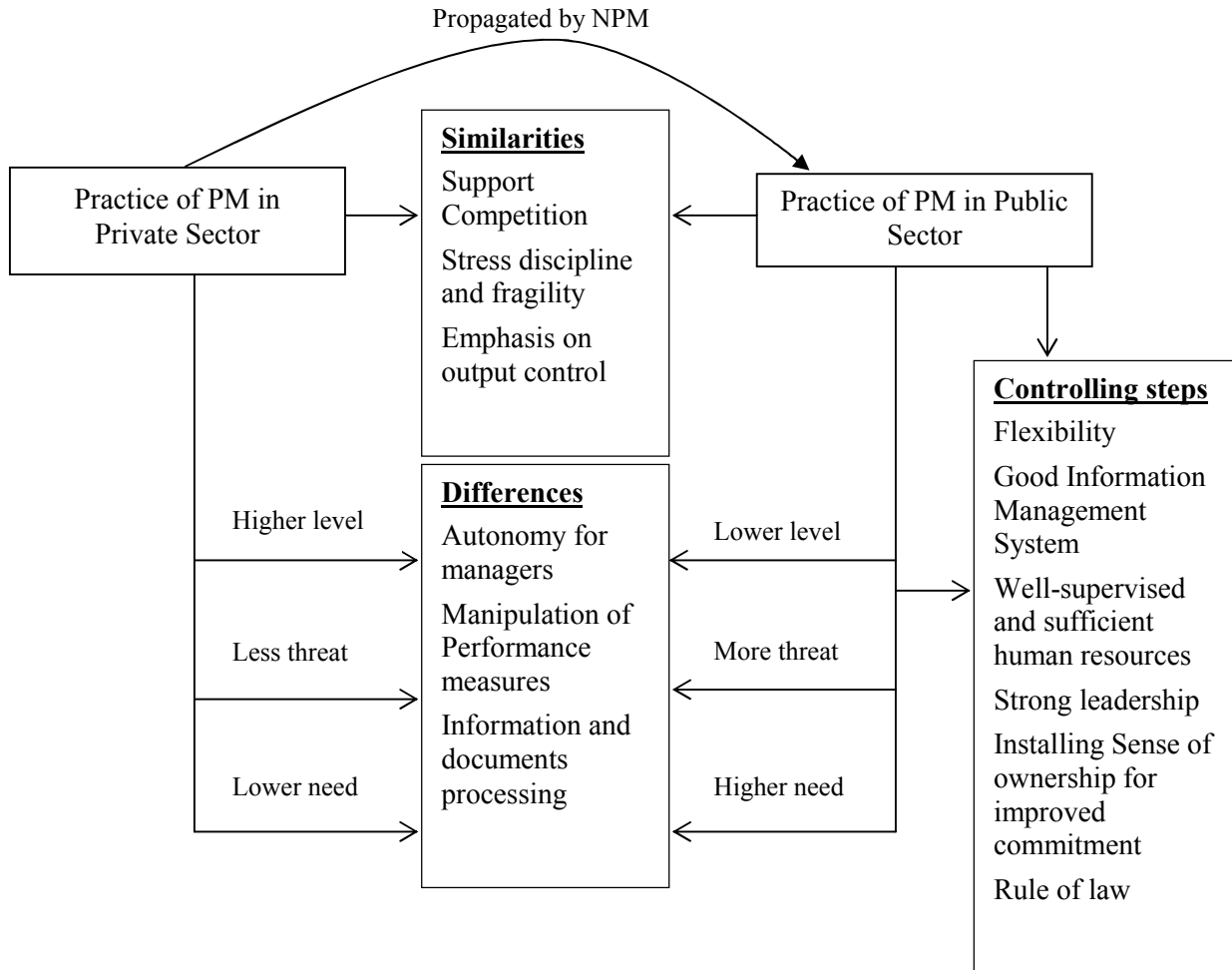


Figure 1: Direction to better performance measurement of public sector (Source: made by own)

From the above discussion on several literatures related to NPM, relationship between number of dimensions of performance measurement practiced in both private sectors and public sectors has been identified and a figure is derived which is illustrated below:

The above mentioned figure2 of direction to better performance measurement of public sector has been derived from the literatures studied above. The figure illustrates that one of the dimensions of NPM; i.e. performance measurement is a concept propagated from private sectors to public sector. Until now, performance measures are able to support competition, stress discipline and fragility and emphasize output control in both public and private sectors. Public sectors have to learn to improve autonomy for managers, stop manipulation of performance measures and encourage better information and document processing. To carry out such efforts, public sectors could provide more flexibility to managers, good information management system, well-supervised and sufficient human resources, strong leadership and set up sense of ownership for improved commitment from staffs and encourage rule of law.

While studying Policy implementation model and NPM, it is figured out that most of the factors affecting performance of policy are also responsible for influencing the scores of performance measures. Hence, the profound similarities are found among them and after analyzing thoroughly, the analytical framework has been planned.

## 2.5 Analytical Framework

The analytical framework has been developed on the basis of several literatures related to performance measures and MCPM around the globe, a model of policy implementation process, New Public Management theory, and the basic understanding of the researcher.

### 2.5.1 Construction of analytical framework

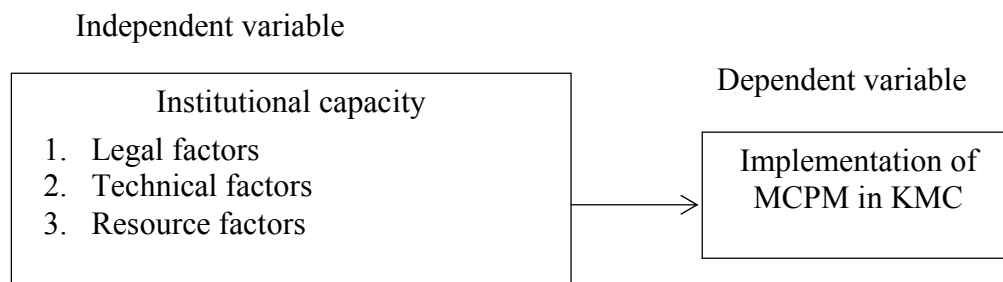


Figure 2: Analytical framework for studying implementation of MCPM in KMC

Table 1: Analytical framework with list of indicators

<b>Dependent variable</b>	<b>Independent variables</b>	<b>Categories of independent variable</b>	<b>Indicators</b>
Implementation of MCPM at KMC	Institutional capacity	Legal factors	Rules, Regulation &Procedural clarity, delegation of power
		Technical factors	Documentation, use of information technology, need for indicators
		Resources of KMC	Human resources, financial resources

### 2.5.2 Operational Definition of Variables

#### i) Dependent Variable

Implementation of MCPM in KMC: The study has to figure out whether MCPM is implemented effectively or not in KMC by making judgments on the basis of capacity of KMC to fulfill MCPM targets. The analysis is based on staffs' perception related to MCPM and contents.

#### ii) Independent Variables

a) Institutional capacity of KMC to fulfill MCPM targets: It is the current capacity of KMC to adopt MCPM system and achieve the targets. Institutional capacity is reflected by the competency of KMC with regards to MCPM achievements. The appropriateness of such competency is figured out analyzing legal, technical and resource factors of KMC.

#### ➤ Indicators

1. Legal capacity: It involves analysis of rules, regulations and procedural clarity and delegation of power to support KMC for fulfilling MCPM requirements.
2. Technical capacity: It involves analysis of documentation, information system and need of number of indicators to abide MCPM guidelines.

3. Resource factors: It involves analysis of effectiveness of financial and human resources of KMC to abide MCPM guidelines.

## **CHAPTER 3**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

This chapter is aimed to present and justify all the tools and techniques used for the research. “Implementation studies set out methodological and programmatic issues that need to be dealt with by researchers.”(Hill &Hupe, N.D.) The first step is to generate questions where researchers can provide an answer as what happens within the implementation process and what things have gone wrong. The research shall examine some issues that have to be tackled in the later stage. The research shall be mostly designed such that it provides causal explanations of events by exploring the factors that influences dependent variable (Hill &Hupe, N.D.). Thus, this study has figured out what happens in the performance measurement implementation process and what is the lacking of this process.

The research has used both the primary and secondary data.

The research was designed to conduct at KMC. This is a micro level of study and attempted to find out capacity related to MCPM implementation for KMC and thus came up with knowledge on importance and drawbacks of indicators of MCPM for implementation at KMC. The challenges related to attainment of MCPM targets have been identified.

#### **3.2 Mixed Research Approach**

Both quantitative and qualitative approach is used in the research. Most of the part of content analysis will go through quantitative approach and the in-depth interviews will go through qualitative analysis. This approach is selected because here content analysis and in-depth interviews are best suited for quantitative approach and qualitative approach respectively. At few times, both approaches have been used for content analysis and in-depth interviews.

Survey helps to provide quantitative or numeric description of trends, attitudes and opinions of population by studying sample alone (Creswell, 2003: 15). Qualitative researches are

carried out by analyzing text and image data and draw diverse strategy of inquiry (Gabrielian V., Yang K. & Spice S., 2007: 179)

The research design has used both descriptive and analytical measures. Descriptive analysis aids our understanding of capacity such as human resource, technical, and legal and perception of staffs regarding the matter. Analytical measures have been used to analyze the numerical data obtained from the study mostly content analysis. Analytical measures are used to support descriptive measures. Analytical measures have mostly helped in trend analysis of the data. Both descriptive and analytical measures together will study the relationship between dependent and independent variables of the study.

### **3.3 Field work**

The research work has been carried out at two institutions of KMC. One is located at RastriyaSabhaGriha, Bhrikutimandap and the other is at Bagdurbar, Sundhara. The field work was carried out from mid-August to mid-September, 2015.

Lynch say that it is essential to prepare notes on field work and Patton say that such works should reflect researcher's own interpretation (as cited in Kattel, 2010). Field notes helps to keep the track of appointment times, delays, length of appointment, etc (Kattel, 2010). The researcher prepared notes on their field work.

### **3.4 Data collection method**

#### **3.4.1 Primary sources**

##### **a) In-depth interview**

The research has been conducted on the basis of in-depth interview. The questions used were both structured and unstructured. Most of the questions asked were structured and on some occasion when justifications were needed, unstructured questions were asked. Questionnaire should cover the scope and purpose of the research, must be valid, reliable, appropriate, logical and human subjects must always be protected (Robbins, 2007). The research has tried to acknowledge these facts in the construction of questionnaire and data collection.

There were 21 informants on whom in-depth interview was carried out. Out of them 20 were officers and the interview was also carried out with the Chief Executive Officer of KMC. The sample size is quite relevant because according to internal sources there are only around 1800 staffs. Out of them 700 are sweepers, 200 are metropolitan police and 150 are public health technicians (Field visit 2015). Queries related to MCPM would be irrelevant for them. The samples were chosen on the basis of purposive sampling though at times the researcher tried to carry out random sampling and turned to be successful to receive information in few but failed in many. Further, only the higher level of authority is vigorously trained on MCPM and they discharge their knowledge to their juniors. Internal source says that recently, there is a provision that new staffs must be acknowledged about MCPM and trained. However, at lower level, only very few are well concerned about MCPM and almost reluctant to participate in the survey. Out of higher level authority also, most of them were more acknowledged with their own departments and not on others.

#### b) Content analysis

The content received from the MCPM supervision team and KMC itself related to scores and results of MCPM are treated as primary sources of data as they have been received after being in direct touch with stakeholders related to MCPM.

Statistical tools for content analysis are similar in many cases as for other data. Data is not self-sufficient and researcher must explain its significance in the light of theoretical and substantive concerns. Such explanation is obtained by knowledge; experience and capacity for judgment of the researcher. When subjective judgments are backed by statistical evidence, unbiased and credible results are obtained from content analysis (Bowen & Bowen, 2007: 700-701). The research has tried to back subjective judgments by statistical evidence whenever possible to make the analysis unbiased and credible.

#### **3.4.2 Secondary Sources**

The secondary sources of data are yearly publications of government, also all the other relevant documents related to MCPM assessment, various journals, articles, published and unpublished MCPM assessment reports etc.

### **3.5 Validation of data**

The data is validated through data triangulation. Information obtained from interview with staffs of KMC, Executive officer of the KMC and content analysis helped to validate the data.

### **3.6 Data Processing and Analysis Plan**

Data analysis is one of the most important parts of research. Data analysis generally comes after identifying research question, review of literatures, presentation of hypothesis, description of data and methods to be used. Data analysis is limited to the knowledge of the researcher and the elements of the research design itself (Chavda, 2007).

Data obtained from interview has been analyzed both quantitatively and mostly qualitatively. The understanding of each informant carries value and thus qualitative research is more relevant here.

Content analysis is carried out by identifying relevant text, classifying them, putting identified text in the relevant classification, figuring out all units of classification, those are interpreted consistently and drawing inferences (Bowen & Bowen, 2007).

The sample size of this research is less than 50 and thus it does not require any data analysis software such as SPSS. Thus, the researcher analyzed the data manually.

This chapter has introduced about all the methods and techniques that has been used to prepare the research. The methodologies have tried to omit errors as much as possible. However, it may be affected by limitation of the study which is mentioned in the first chapter and human errors which is avoided by researcher whenever possible through checking, rechecking and rectifications with the help of supervisor and others.

## **CHAPTER-4**

### **DATA PRESENTATION AND ANALYSIS**

This chapter presents the findings of field work carried out at KMC in 2015 and comes up with analysis. The chapter is divided into several subsections on the basis of the research topic to ease the understanding of the reader.

#### **4.1 Major highlights of MCPM at Kathmandu Metropolitan city**

MCPM is enacted in Nepalese local government in order to abide LSGA Act 1999. LSGA act directs authorities of LGs to execute responsibilities and functions by aligning with LSGA principles and policies. LGs receive the conditional and unconditional grants as a budget from central government for carrying out responsibilities in alignment with LSGA principles. LGs are provided grant on the basis of population, development status, feasibility of revenue mobilization, capacity, requirement of financial resources, regularity in income and expenditure statement, audit status and financial discipline. The LSGA also provides the provision for receiving additional grants by LGs on the basis of MCPM evaluation (Government of Nepal, 2014).

MCPM assessment is carried out by independent experts (Steffensen&Chapagain, 2010). MCPM assessment is completed in three consequent fiscal years. Assessment of earlier fiscal year is done in current fiscal year and the grant or sanction is enacted in the succeeding fiscal year. MCPM assessment is carried out all over District Development Committee and Village Development Committees/ Municipalities in Nepal. MCPM assessment at municipality level in all over Nepal began since 2009/10. But the assessment at KMC had already begun since 2007/08(Government of Nepal, 2014).

##### **4.1.1 Indicators of MCs& PMs**

In the Government of Nepal, there are four functional areas which are measured by 15 MCs indicators in the case of municipalities (Devkota, 2009 & Government of Nepal, 2014). They are provided in the section A of appendix 1. There are only 10 indicators which are measured

at KMC and some indicators are modified or eliminated according to the requirement of KMC. The MCs indicators for KMC are mentioned in the section B of appendix 1. The MCs indicators are measured on the basis of only two results; complied and not complied (Government of Nepal, 2014). There are five functional areas and 40 indicators to measure PMs for municipalities of Nepal and these all indicators are measured in KMC (Devkota, 2009 & Government of Nepal, 2014). Those five functional areas and the indicators of PMs are provided in the section C of appendix 1.

#### **4.1.2 Merits of MCPM**

Informants believe that the implementation of MCPM has following advantages to KMC:

- Helps in performance audit, i.e., audit of discipline, transparency, monitoring and evaluation and so on.
- Improved capacity of employees in work performance.
- Improved public service delivery, infrastructure development and resource mobilization.
- Fulfillment of rules and regulations related to LGs.
- MCPM is serving as a control mechanism in absence of local bodies.
- Support in reporting and evidence-keeping of KMC etc.

(Source: Field visit, 2015)

#### **4.2 Institutional capacity for MCPM compliance**

KMC failed to fulfill some of the MCs indicators in the fiscal years 2007/8, 2008/9, 2009/10 and 2010/11. Such indicators are listed in the section D of appendix 1 and a table 2 has been derived on that basis:

Table 2: Number of indicators unable to fulfill MCs

	<b>F/Y 2007/8</b>	<b>F/Y 2008/9</b>	<b>F/Y 2009/10</b>	<b>F/Y 2010/11</b>
Indicators unable to comply MCs	7	7	5	3

(Source: adopted from Government of Nepal, 2011)

KMC fulfilled all the indicators of MCs in the fiscal years 2011/12, 2012/13 and 2013/14.

To elaborate the information provided in table 2 graphically, figure 4 has been constructed as given below:

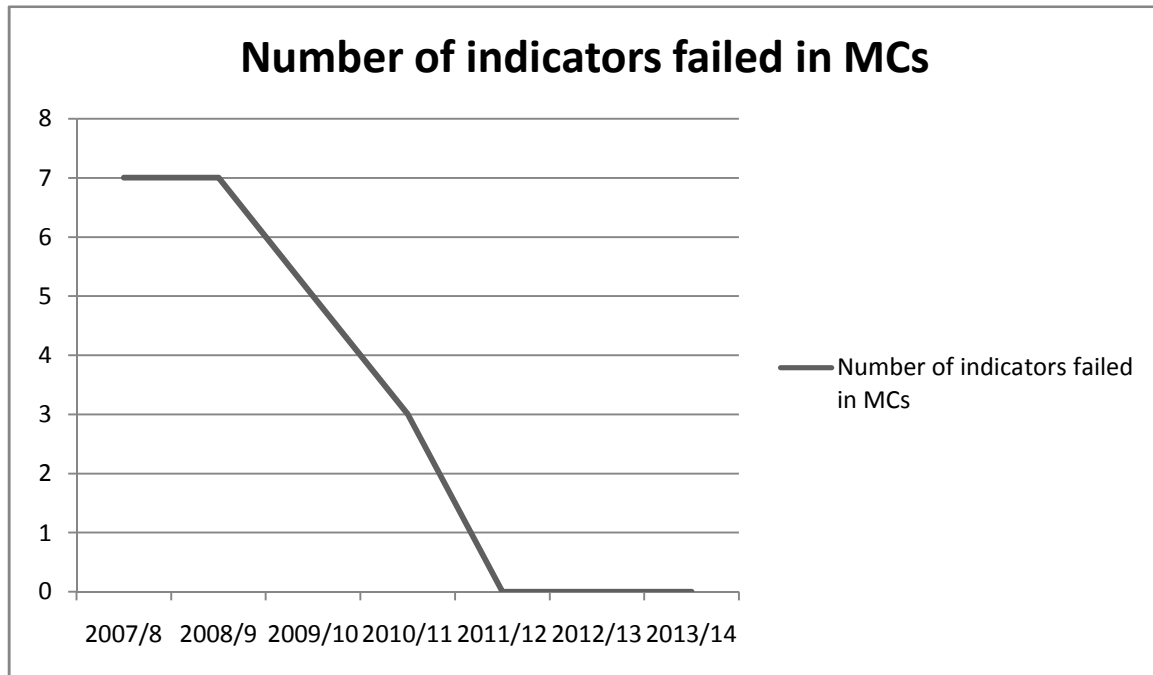


Figure 3: Graphical representation of failed MCs each f/y

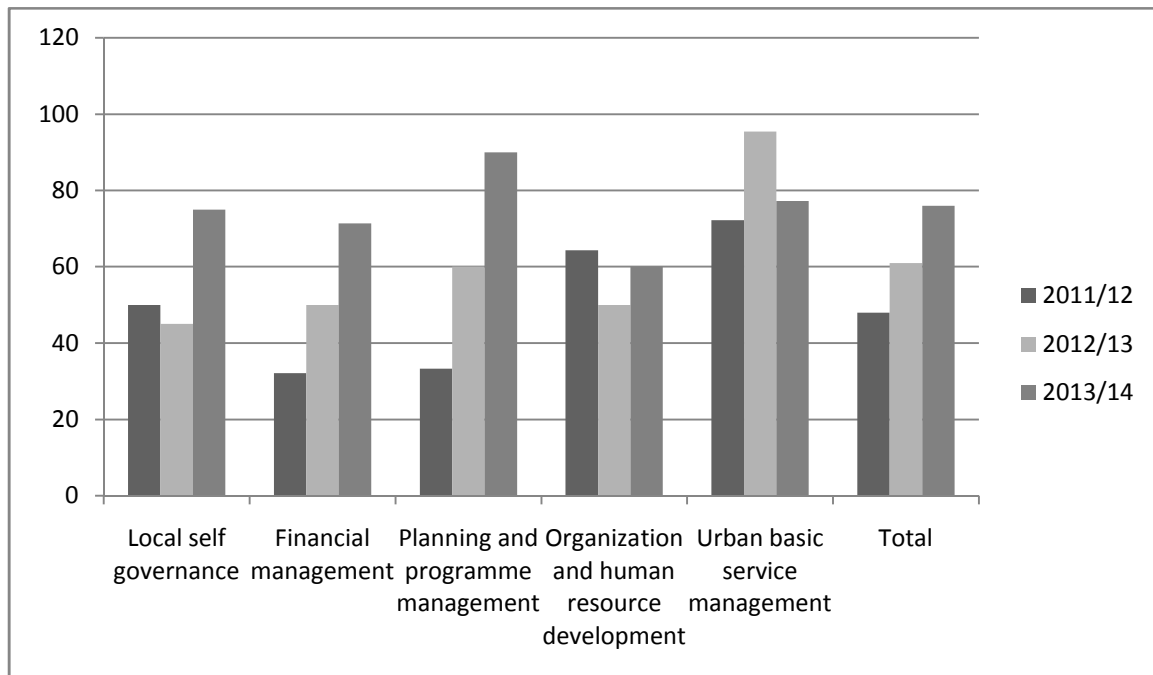
In figure 4, it is noticed that, during seven years of MCPM assessment, the first four years of KMC were negative as it failed in many indicators. The latest three years are progressive as there are no failed indicators of MCs. Figure 4 shows that KMC started improving legal condition by fulfilling more MCs indicators gradually. KMC has been able in complying MCs fully since f/y 2011/12 and the results are positive in the fiscal years 2011/12, 2012/13 and 2013/14 (Government of Nepal, 2014). After fulfilling the MCs, LGs are eligible to have their performance measured. Thus, KMC has been able to have its performance measured since f/y 2011/12. The results of PMs are given are given in table 3:

**Table 3: Performance measures scores in each functional area**

Indicators	2011/12			2012/13			2013/14		
	Full mark	Mark scored	Percentage	Full mark	Mark scored	Percentage	Full mark	Mark scored	Percentage
Local self-governance	22	11	50	20	9	45	20	15	75
Financial management	28	9	32.14	28	14	50	28	20	71.4
Planning and program management	18	6	33.33	20	12	60	20	18	90
Organization and human resource development	14	9	64.29	10	5	50	10	6	60
Urban basic service management	18	13	72.22	22	21	95.45	22	17	77.27
Total	100	48	48	100	61	61	100	76	76

(Source: KMC field visit, 2015)

Table 3 is graphically constructed in figure 5 below to ease the understanding of readers.



**Figure 4: Graphical representation of performance measures improvement in each functional area**

Figure 5 gives the following overview:

- Two functional areas ‘Local self-governance’ and ‘Organization and human resource development’ decreased in the f/y 2012/13. But they improved in the f/y 2013/14.
- Two functional areas ‘Financial management’ and ‘Planning and programme management’ improved both in the f/y 2012/13 and 2013/14.
- Urban basic service management increased in the f/y 2012/13 but it decreased in the f/y 2013/14.
- The overall picture of MCPM assessment looks improving in all three years. In the f/y 2012/13, result of PMs of KMC improved by 13% and in the year 2013/14 results improved by 15%.

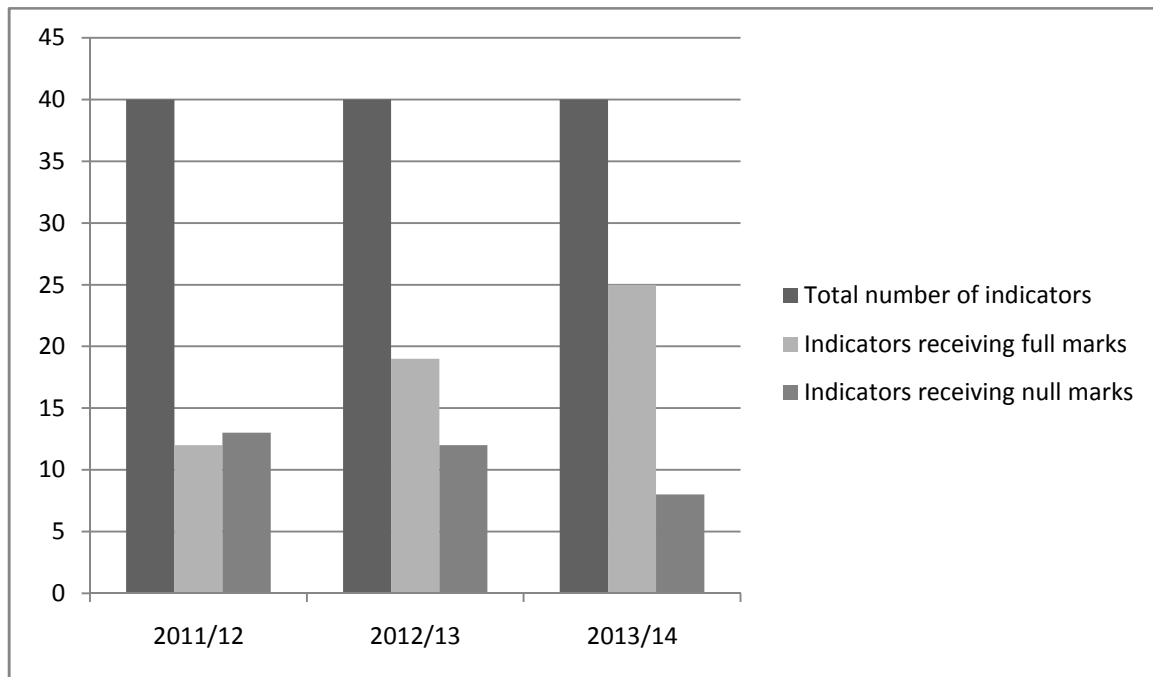
Table 3/figure 5 analyzes PMs only from the perspective of functional areas. Section E of appendix 1 enlist indicators able to receive full marks and null marks. For analyzing the extent of performance improvement on the basis of individual indicators, table 4 has been derived on the basis of section E of appendix 1.

**Table 4: Status of performance of individual indicators**

<b>Functional Areas f/y</b>	Total number of indicators			Number of indicators receiving full marks			Number of indicators receiving null marks		
	<b>2011/12</b>	<b>2012/13</b>	<b>2013/14</b>	<b>2011/12</b>	<b>2012/13</b>	<b>2013/14</b>	<b>2011/12</b>	<b>2012/13</b>	<b>2013/14</b>
Local-Self Governance	9	8	8	3	2	4	4	4	2
Financial Management	11	11	11	3	4	6	5	5	3
Planning and Programme Management	7	8	8	0	4	6	3	1	0
Organization and Human Resource Development	6	5	5	3	2	3	1	2	2
Urban Basic Service Management	7	8	8	3	7	6	0	0	1
Total	40	40	40	12	19	25	13	12	8

(Source: field visit, 2015)

From table 4, figure 6 has been derived graphically to ease the understanding of the readers.



**Figure 5: Graphical representation of performance of indicators**

From figure 6, it is clear that KMC has increased the full marks scoring indicators and decreased null marks scoring indicators during its period when MCPM measured performance (both in the f/y 2012/13 and 2013/14 compared to f/y 2011/12). Still there are lots of rooms for improvements as the line shown in the diagram for full marks scoring indicators has a long gap with the line of total number of indicators measuring performance of KMC.

From the above three figures; i.e. figure 4, 5 and 6, it is clear that both MCs and PMs are in improving trend. All the three diagrams reflect the same result; improving performance results of KMC. Thus far, it is known that KMC has been able to improve its performance scores tremendously as indicated in the above discussions. There are several factors which led to improvement of performance scores of KMC.

In the study, the results obtained for MCs and PMs are considered to be the result of legal factors, resource factors and technical factors of the institution which works combined. These factors have been discussed in the upcoming subsections.

## **4.2.1 Legal factors**

### **4.2.1.1 Compliance of rules and regulations**

MCs measure the fulfillment of legal requirements by the institution. KMC could not pass in MCs from f/y 2007/8 to f/y 2010/11. Figure 4 shows that KMC is improving its legal compliance as reflected from the result of MCs.

The informants of the study who include all the officials and executive officer of KMC have figured out that, KMC is improving its legal capacity yearly because of MCPM. They have improved the legal compliance for being eligible to receive performance based grant. Only after being legally capable, KMC has been able to get its performance measured for three consecutive years since 2011/12. The improved MCs results themselves indicate that KMC have improved legal capacity to align with MCPM requirements.

### **4.2.1.2 Procedural clarity**

Clearer donation guideline is needed for KMC. Informants say that there are guidelines but they are not clearer as required. There are no distinct guidelines of MCPM for small municipalities and the only one metropolitan city of the country. The vital persons of MCPM at KMC speak that due to lack of clear donation guideline from the MCPM team, it is difficult to decide what sorts of steps need to be carried out for executing performance. Hence, this legal factor is hindering the performance measure of KMC.

Table 5: Indicators of PMs with procedural problems

<b>Indicators/criteria which need to be more clarified</b>	<b>Indicators/criteria which are not needed</b>	<b>Indicators/criteria which are needed but not existing</b>
Target group development program funding	Integrated Property Tax	Indicators for the provision of fire extinguisher
Target group development program expenditure	Feasibility study	Indicators for the provision of metropolitan police
Abiding by the optimum limitation of Administrative Expenses	Fund provision for too many purposes	Indicators for infrastructures such as landfill site, stadium, flyover, etc.
Employees job description and monthly staff meeting	Declaration of Metropolitan city as stool free zone	Indicators for provision of radio, tv programmes etc.
Code of Conduct and Property Details		

(Source: Field visit at KMC, 2015)

Table 5enlists the indicators in three sections; those which need to be clarified more, those indicators which are not feasible and yet the measurement is conducted and ultimately those which are feasible and relevant but not being conducted.

As said by the informants, target group development program funding and expenditure needs more clarity because KMC is a wealthy city and most of the people have good exposure in the society. Thus, it is difficult to identify target groups. Informants speak “KMC faces the lack of score because it is not categorizing infrastructural developments under target group development. For example, construction of school is benefitting target groups too. Despite that, KMC do not document such performance under target group development and categorizes as infrastructural development. In such case, KMC loses MCPM score.”

Regarding three indicators ‘abiding by the optimum limitation of administrative expenses’, ‘employees job description and monthly staff meetings’, and ‘Code of Conduct and Property Details’ there is a common problem. The staffs of KMC are large and widely disbursed. “Being a huge institution, KMC is unable to limit its administrative expenses and being a highly staffed institution with lower level staffs such as 700 sweepers, 200 municipal police and 150 public health technicians, it is unable to carry out meetings for such a large number of people together.” (Deepak Adhikari & Govind Acharya, field visit 2015)

There is no provision for Integrated Tax System and it is replaced by land-building tax in KMC. Informants say “KMC is a very big institute and thus it is difficult to implement Integrated Property Tax. KMC is implementing land-building tax as an alternative. MCPM does not measure that and thus KMC loses score.” Regardless, KMC has targeted to implement Integrated Tax System now due to its provision in MCPM.

Provision for irrelevant feasibility studies and MCPM instruction for creating unnecessary funds makes huge resources of KMC unproductive. The other criteria to be fulfilled by KMC ‘declaring stool free zone’ is considered too irrational by the KMC staffs. KMC has already made provision that each house/buildings should compulsorily have toilet. The provision is effectively implemented and thus this criterion is unnecessary.

Informants revealed that KMC is conducting some tasks with huge effort which are not measured by MCPM. Provision for fire extinguisher, metropolitan police etc. are the examples. There is also need for many additional infrastructures for KMC like big landfill site, stadium, flyover etc. due to the huge population and being the center of economic and national activities of the country. KMC is conducting its own radio and television programs to give information about KMC and such performance are not measured. MCPM should be designed such that it promotes those performances.

Staffs want the above mentioned indicators to be changed for procedural clarity. According to MCPM analysis report of government of Nepal, since 2008 they are willing to keep the assessment manual of MCPM stable for few years so as to create sufficient awareness and consolidate the achievements from the system (Steffensen&Chapagain, 2010).

#### **4.2.1.3 Delegation of authority**

Factors such as autonomy and central-local relationship decide the delegation of authority at KMC.

Informants perceive that there is lack of autonomy for choosing indicators for officials. As already mentioned, officials are willing to add some relevant indicators and remove some irrelevant ones. The institution proposed this interest several times in front of the higher authority, but they are reluctant to change the indicators according to time and necessity. The lack of dispute settlement is leading to conflict of imposition vs. capacity for KMC from central government.

In addition, being a metropolitan city, KMC finds that there is need for separate indicators. All the 21 interviewees' who include Chief Executive of the institute have emphasized this need. Dhruba Kafle, department head (field visit 2015) elaborated the necessity of keeping separate indicators for metropolitan city which is explained here. KMC is huge metropolitan city. When it performs well in MCPM, it receives huge sum of money. Other municipalities which are small and are competing with KMC have disadvantage from this. They will receive very less funding due to competition with KMC. There are other justifications as well. KMC being capital and the center of the economy, citizens from every part of the country migrate vastly. Thus it is suggested by the officials that there should be separate indicators for small and large municipalities and metropolitan city.

MCPM abides by LSGA act 1999. LSGA Act encourages participation (Government of Nepal, 2014). Informants convey that plans are made at KMC from grass-root level. People are consulted and projects are created. Thus, the performance of KMC is on the basis of bottom-up approach and participatory approach. MCPM assessment was initiated through team effort of bureaucrats, forum of local elected leaders and development partners in Nepal (Shiwakoti, ND: Online). Central level plan and impose the MCPM indicators on LGs and they have a few say at least for few years. Again to say, since assessment authorities are willing to keep the assessment manual of MCPM stable for few years so as to create sufficient awareness and consolidate the achievements from the system (Steffensen&Chapagain, 2010). From the study, it is known that MCPM is carried out on

top-bottom approach. Thus, there is lack of delegation of authority for designing MCPM indicators.

#### 4.2.2 Technical factors to implement MCPM

According to information available to the researcher, the two most important technical tasks that are improving the performance of KMC are its documentation process and improvement in information management. The improvement of performance is measured by means of indicators of performance measures. The research considers these three aspects; documentation, information management and number of indicators as technical factors of KMC required to fulfill MCPM indicators.

##### 4.2.2.1 Relevancy and feasibility of documentation

The research understands that documentation process and sources of MCPM evaluation of KMC are important aspects for measuring performance. Table 7 provides the information of those sources which are used for evaluation through MCPM results.

Table 6: Sources of Evaluation of MCPM

Functional Areas	Sources of evaluation	
	2012/13	2013/14
Local Self Governance	CD, Website, Budget book, CWIN report, scholarship vouchers, letters, minute of public hearing.	Decision booklet of council/ward, annual municipal planning, website, letters, decision of municipal council, budget and expenditure record/reports, progress report, reports on children programmes, report from account department, geographical information system, information unit, publications from KMC, record book, citizen charter, receipts, record/decision booklet of public hearings, copies of monthly/annual reports.
Financial Management	income-expenditure anticipation, revenue study report, economic reports, copy of revenue report, records of KMC, its departments, information from related officials, contract papers, income reports, chart of balance, reports of security deposit accounts, accrual expenditure reports, tax payers	Committee meetings on revenue suggestions, revenue feasibility study report, income expenditure report, municipal council decision, budget/programme booklet, income-expenditure anticipation and economic report, approved budget/programme, revenue expectation, income-expenditure record, income receipts, citizen charter, tax payers record/report,

	record.	annual programme, computer system, software, tax system, meetings/decisions on Public Private Partnership, contracts and implementation status of decisions, book-keeping of economic transactions, decision booklets, accrual accounting system, security/deposit accounts, advance account, accrual amount, financial assistance report, other reports.
Planning and Programme Management	municipal council report/decisions, income/expenditure anticipation booklet, feasibility study report, advertisement, annual work plan booklet, photocopy of webpage, clearance and settlement report, guidelines, photos, public audit by service seekers, minute, monitoring reports.	Thematic area plan, files on short term and long term plans, annual work plan, budget, procurement plan, feasibility study report, annual plan booklet, municipal council report/decision booklets, electronic bidding system, publicized records, progress report, evaluation report, decisions on clearance and settlement, decision booklets, decisions on service charge, investment cost for plans, provision for maintenance and repairing fund, record of fund account, annual report, public audit report, project completion report, inspections of file of planning booklet, monitoring committee decision booklet, monitoring report, board meeting decisions, inspected projects.
Organization and Human Resource Development	Work report, minute of monthly meetings, files of employees, guidelines, laws, work procedure, decisions of council, vouchers, decision booklets, contract papers with companies, collection of property details.	Record of work details, booklets of meeting decisions, individual record of staffs, citizen charter, guidelines, bylaws, work procedures, decisions/decision booklets of council, discussion with service providers, monthly remuneration report of permanent staffs, voucher of amount deposited with Employees Provident Fund, contracts and decisions on service contract, employees report, related documents and records, property reports/records, letters.
Urban Basic Service Management	files of co-works, contract with youths, information from related officials, registration records of meat shop, monitoring report and minutes of meat shop, municipal council decisions, monitoring reports and letters, records of emergency services, emergency relief fund, accident registrations records, forms seeking approval for constructions of building, standard for buildings, letters of penalty to illegal construction of buildings, etc.	Annual programme/budget, contracts with private and community sectors, progress report, field visit, environment assessment report, road inspection, employees work report, files, municipal council decisions, decision booklet, inspection report, record inspection, thematic plan, disaster management programme, fund record, fire extinguisher, service records, individual accident registration record, information form, monthly and annual report/register/file, standard of land and building approved for construction, geographical information files.

(Source: field visit, 2015)

(Note: Such detail of 2011/12 was not available. Hence, it is not mentioned in the table 6.)

From table 6, it is clear that there is huge documentation process required for MCPM. From the literatures in chapter 1, it is already known that MCPM is process-oriented and not result-oriented. Dhruba Kafle, senior department head of KMC speaks that “The process of MCPM has less affected performance and more affected the process of documentation. Most importantly, the documentation process of KMC has improved which reflects the better performance of KMC rather than the improvement of performance itself. Such performances were existent before as well.” Many officials gave conclusion that the documents which were delayed are being submitted earlier and thus the MCPM scores have improved. At times, when the KMC has performed certain activities but delays the documentation process, it is unable to get the score in MCPM.

A senior officer and one of the focal persons of MCPM at KMC, Deepak Adhikari mentioned that “There is need for proper documentation in MCPM and that is good for KMC. However, MCPM overlooks the importance of impact analysis of the programmes conducted. Target group are consulted, project is created, but the impact of those project are not measured. Some projects may have negative results as well which is not known. The process of impact evaluation could reflect the actual performance of the KMC by knowing the positive and negative impacts of performance.”

All the officials including the Chief executive have highlighted that MCPM is more process-oriented and less result-driven and this is the severe lagging in the PBGS. A case as told by one of the informants is given below:

**Box 1: The case of loss from process-oriented mindset**

There are cases where process is prioritized over outcomes. The case of separate LG other than KMC is discussed here which could be a learning lesson for other LGs too. The case is known from interview with the informants. When there was fire in a local body, the authority went through process mentality and waited for permission to act for extinguishing fire. Meanwhile, the damage was already made. If, the authority had result-oriented mindset, they would have opted for extinguishing fire as soon as it occurred and the damage would have been minimized (Source: KMC field visit, 2015).

Box 1 highlights that documentation is not a necessity always and many time authority need power to move beyond documentation and work for result-orientation.

Despite the preference of LGs for outcome oriented performance measures, UNCDF itself mentions that outcome oriented indicators look tempting but it is not without limitations especially in multi-sectorial grants. Most of the PBGS tool measures resource management perspective, systems, procedures and processes (Steffensen, 2009). KMC officials believe that if MCPM is made outcome oriented, it would be more beneficial and sustainable method of measurement.

#### **4.2.2.2 Use of information technology**

All the informants believe that communication technology have largely improved the performance of KMC and thus the score of performance measurement. KMC is conducting its own radio and television programs to give information about KMC to the public. The revenue management process is gradually moving online though not been fully implemented. Staffs hope that the gradual movement of KMC towards online system will turn productive. The issue is that such performances which are improving the service delivery capacity of KMC are not being measured. MCPM should be designed such that it promotes such performances.

#### **4.2.2.3 Need of indicators**

Most informants mentioned that MCPM is relevant to improve the performance and indicators could be increased if needed. KMC being large and only one metropolitan city of the country at several times need more indicators compared to other municipalities. In fact, KMC needs more indicators as at present MCPM is unable to cover all the scope of performance of KMC. Due to such significance of the indicators, out of 20 informants, all have strongly recommended the requirement of separate indicators for metropolitan city and other municipalities. According to officials and the executive officer, the indicators of MCPM are irrelevant in the context where such a large municipality has to compete against smaller municipalities. The present MCPM indicators are not able to cover most of the functional areas of the institution. The informants further insist that all the indicators must be

result-oriented and scientific/practical. Officials persuade that indicators shall try to measure development, transparency, participation and discipline rather than regular activities.

### **4.2.3 Resource factors**

#### **4.2.3.1 Human Resources**

“There are around 1800 staffs. Out of them 700 are sweepers, 200 are metropolitan police and 150 are health technicians. Only around 750 are working at administrative level” Deepak Adhikari(Senior officer, field visit 2015). There are estimated 1100 staffs at assistant level. According to officials the number of staffs is sufficient for fulfillment of MCPM. They mentioned that there are no such specific human resources who only perform the activities related to MCPM and such separate human resources are not needed till now. Two focal persons working major portion of the MCPM were known; Deepak Adhikari (Senior officer) and Dhruva Kafle (Department head). Other officials also know about MCPM but they don’t have to give attention to overall scopes of MCPM like the two focal officers.

Table 7is made to find out the extent of satisfaction of staffs with current level of training and related to MCPM. Here, training refers to training given to raise MCPM awareness for staffs.

Table 7: Informants level of satisfaction with training related to MCPM

Total number of informants	Informants satisfied with current level of training on MCPM
20	13
percentage of informants satisfied	65%

Table 7 shows that out of 20 informants, 13 i.e. only 65% of the informants were found satisfied with the training carried out related to MCPM. Others say that there is need for more improvement in capacity building and awareness about MCPM through training. Though the level of training is satisfactory, it needs improvement at KMC.

The process of identifying MCPM requirements and delivering the targets and work plan is carried out by head of the department and they have ideas of MCPM requirement mostly on their field. The field visit acknowledged that though MCPM procedure do not prioritize training of lower level staffs in the field of MCPM earlier, slowly the institution has begun providing MCPM training and workshops to all the staffs. However, till now, lower level staffs don't have as much knowledge on MCPM as higher level authorities do but they do have proficiency on the performance they conduct.

“Behavioral factor determines the most as to who performs more and who performs less. Team leader shall try to understand the behavioral part and settle dispute” (Deepak Adhikari, field visit 2015).

Table 8: Informants level of satisfaction with current leadership for improving KMC performance

Total number of informants	Informants satisfied with leadership
20	13
percentage of informants satisfied	65%

Table 8 shows that 65% of informants are satisfied with the leadership. Leadership here means the strength of leaders to attain MCPM scores. They believe that leadership is important for performance improvement. Most of the staffs perceive that there is good leadership in KMC for attaining targeted performance. The officials believe that if there would have been elected representatives, KMC could have done far more than how it is performing currently. “There is need of elected representatives in KMC. Bureaucratic head are involved in the policy decisions whereas decisions should have been carried out by

political leaders” (Deepak Adhikari, field visit 2015). Officials spoke that KMC should work on the demand of people and locally elected bodies work as mediator between them. Due to lack of locally elected representatives, KMC is unable to perform satisfactorily. Though the bureaucratic head are handling the institution well, they are not retained which is a big hindrance for the better institutional performance.

The perception of employees regarding the importance of MCPM, satisfaction being realized by MCPM and the improvements sought is related to the sustainability of MCPM. Thus, on the basis of the perception of staffs on importance of MCPM, satisfaction from current MCPM and improvement sought, table 9 has been constructed.

Table 9: Comparison of number of informants identifying MCPM as important, satisfaction with implementation and need for improvement

Total number of informants	Number of informants identifying MCPM as important tool for improving performance	Number of informants satisfied with current MCPM	Number of informants seeking improvement in MCPM
20	19	17	17
Percentage	95%	85%	85%

(Source: Field visit at KMC 2015)

Table 10 shows that 95% informants identify MCPM as an important tool for improving the performance of KMC and 85% are satisfied with current implementation of MCPM. However, when asked about if they are seeking any major changes in MCPM, majority informants, i.e. 85% told that they sought improvement in MCPM.

The general changes demanded for MCPM by staffs are:

- There is need of separate indicators for metropolitan city and other municipalities.
- MCPM should carry out impact evaluation.
- Indicators must be practical and scientific.

- Every staffs must be trained in MCPM.
- There is need for clear work details.
- Indicators should cover all the activities of KMC.
- Indicators shall be re-revised and planned which foresees up to 10 to 20 years ahead.

#### **4.2.3.2 Financial resources**

In the f/y 2013/14, out of NRs. 2.19 billion of budget available to KMC, only NRs. 1.29 billion was spent. There is disappointment for being unable to use the budget fully due to several reasons (KMC, 2015). Staffs perceive that being a metropolitan city; it has sufficient financial resources and incentives. Staffs of KMC were satisfied with the extent of financial resources they are receiving from central government.

KMC was one of the municipalities to obtain least mark in Performance Measures (PMs) in the f/y 2011/12. It lost 25% of its capital budget through MCPM procedures (Government of Nepal, 2014). The internal source of KMC informed that in the assessment for the year 2012/13 it gained 10% additional budget through PBGS. The internal source of KMC further revealed during the field research that KMC was able to receive additional grant of 15% in the fiscal year 2013/14. The extent of conditional grants is increasing due to improved performance scores.

Informants speak that resources are sufficient at KMC for fulfilling the need of MCPM, but they need more autonomy to use those resources. For example, KMC is unable to collect revenue from some areas due to lack of authority from central government. KMC should have authority for pan registration which is currently being done under different department.

Above discussions gives the overview that though the MCPM score of KMC is improving each year, there are several laggings in legal, technical and resource aspects. Despite such laggings KMC is able to increase its MCPM score yearly due to few reasons which are mentioned here.

### **4.3 Reasons for improving trend of MCPM score (Source: field visit, 2015)**

The reasons for improvement in MCs and PMs as told by informants are:

- Focus of KMC to comply legal requirements.
- Focus of KMC to improve the documentation process.
- Focus on performance improvement in each functional area.
- Increase in motivation for employees.
- Inclusion of MCPM in performance contract of senior officer.
- Focus on improvement of communication etc.

Most of the informants stressed that the biggest level of achievement attained through MCPM is improvement of documentation process.

### **4.4 Relevancy of ‘Model of Policy implementation process’ for MCPM**

Horn and Meter designed model of policy implementation process in 1975 and it has been discussed in the theoretical framework. They argue that the need for better performance can be fulfilled only by setting clear standards and providing enough resources. They further depend upon communication, characteristics of implementing agencies and the economic, social and political factors. This study does not touch the part of economic, social and political factors.

The study arrives to the conclusion that when there are clear standards and objectives, the performance is improved if those standards and objectives more result-oriented and less process-oriented. There are lack of clear standards and objectives for some of the indicators of MCPM. Where there exist clear ones, informants believe that they have mostly impacted the processes and less the performance. In the case of KMC, such processes are documentation.

As Horn and Meter suggest, impact analysis is a must to know the actual performance, the informants of KMC stressed the same need. Due to lack of impact assessment, actual impact of performance measures for performance is not known.

Horn and Meter also stress that if there is availability of resources, performance better. At KMC, resources are sufficient yet they have many performance areas where they need to work hard for. Resource availability won't lead to better performance if there is lack of

mechanism for proper allocation and utilization of those resources. This means, due to lack of implementing agency capacity and other external factors as suggested by Horn and Meter, KMC is unable to use their resources fully.

Horn and Meter suggest that the characteristic of implementing agency decides performance. KMC is one of the smallest municipalities which handle the highest population in the country. The complex structure of KMC affects its service delivery and documentation for such service delivery. Due to complexity of documentation, KMC has lost MCPM score several times.

KMC have internalized the concept of Horn and Meter where they mention that communication improves performance. An effective inter-organizational communication has helped KMC to deliver goals and objectives clearly to the individual staffs motivating them further.

The study concludes that the implementation of MCPM still needs more refinement and should involve major changes such as moving towards result orientation, carrying impact evaluation, being more flexible, strengthening central-local coordination etc. so that it can do the real task of what it is expected to; provide grant based on performance. Nevertheless, MCPM has been highly appreciated for its improvement in local governance, increasing participation, transparency, supporting evidence keeping, accountability and so on as mentioned by the officials during the field visit.

## **CHAPTER 5**

### **SUMMARY AND DISCUSSION**

#### **5.1 Summary**

From the above discussion, it's known that one of the fundamentals of performance based grant system is measuring the performance. PBGS is a Governance Support Program (GSP) and thus provides support to Government's LGCDP. The program is aimed to improve accountability (ADB, 2009 & Mkasiwa & Gasper, 2014), efficiency and quality (Mkasiwa & Gasper, 2014) of local bodies through citizens and community participation, better management of resources and service delivery and strengthened policies (ADB, 2009). In the presence of effective measurement tools and processes, PBGS shall be able to fulfill its objectives. MCPM is hoped to be an effective measurement to fulfill objectives of PBGS.

The study analyses the institutional capacity of KMC to implement MCPM standards by dividing the capacity into three aspects; legal factors, technical factors and resource factors. Minimum Conditions themselves reflect the legal capacity and MCPM is showing improved results on MCs over years. MCPM results show that KMC is strengthening its legal functions. KMC does not own procedural clarity for several indicators. There is need for separate indicators for big and small municipalities and the metropolitan city which is not addressed. KMC believes that one size does not fit all. The staffs at KMC have almost little or no authority to modify problematic indicators and their opinion is unheard.

Technical factors are divided as feasibility and relevancy of documentation, use of information technology and number of indicators. There are remarkable improvements of KMC each year in its MCPM score. However, KMC has to go through lot of documentation procedure to achieve expected MCPM result. MCPM score of KMC have improved due to improved capacity for fulfilling documentation procedure while the performance of KMC is less affected by MCPM. Hence, skepticism arises that 'MCPM is a part of performance based grant system or procedure based grant system?'. However, KMC have been able to improve their performance by improving information system. They are gradually moving towards

online systems and have access to people through radio and televisions. When asked about numbers of indicators, staffs are willing to have sufficient number of indicators which measures all of the productive performances of KMC.

Human and financial resources are sufficient at KMC. They have knowledge on the part of their performance. But the lower level staffs have less knowledge on MCPM. KMC is giving efforts at present to aware the lower level staffs of administration through trainings. Staffs perceive that if there was locally elected bodies, the institution could have performed better. Informants identify MCPM as important for performance improvement of KMC and they are also satisfied with current MCPM assessment. But they equally want major changes in MCPM such as result-orientation, impact analysis, and flexibility over the choice of indicators and autonomy for carrying out performance smoothly etc. KMC need to strengthen them to get optimum benefit from available human and financial resources.

KMC have improved their legal performance but they do not have sufficient legal authority over the choices of indicators. The results of MCPM of KMC shows remarkable improvement each year while leaving questions such as ‘Why are those scores not result-orientated?’, ‘Are those scores attained only due to the improved documentation rather than improved performance?’, or ‘Are improving performance and improving documentation synonymous for local bodies?’. Resources are sufficient for performing the actual performance of KMC. But there are few indicators which suggest KMC to go in the direction other than their performance and they want modification of such indicators. Staffs are satisfied with MCPM assessment but they equally have shown the need for major changes in the assessment.

Institutional efforts to improve the performance measures have been considered the main reason due to which KMC improved in MCPM score. These efforts are found to be higher focus on improved documentation than improved performance. As Van and Horn suggested in 1975 that impact analysis is needed, the necessity is highly reflected in KMC. KMC is unable to show public and stakeholders that it has improved the performance in real. This is due to the reason that the data for the implications of objectives it set on behalf of MCPM requirements are not available at all.

Informants have suggested the reasons due to which KMC is unable to achieve the full MCPM score.

## **5.2 Reasons for inability to attain full MCPM score**

Despite the improvement in MCPM, there are also laggings in performance and the reasons are provided by the informants as mentioned here:

- There is lack of clearer donation guideline for meeting targets set by MCPM.
- There is lack of skilled professionals to meet the targets.
- Lack of elected representative.
- There is mismatch of LGs planning and budget cycle and the timing of MCPM assessment due to which MCPM is showing poor performance

There are two interesting findings that have come across by comparing literatures and the findings from KMC.

- Contrary to the case of Tanzania, KMC staffs welcomed the idea of creating more indicators. But they strictly suggest that all the indicators must be scientific and practical and cover all the functional areas of KMC.
- Contrary to the preference for process-orientation in private sector during 2006, what Willaert&Willems had suggested; KMC has figured out the demerits of process orientation and suggest that MCPM should be result-oriented.

## **5.3 Conclusion**

The study tries to explain what are the expectations of MCPM and to what extent has KMC been capable to fulfill those expectations on the basis of the perception of staffs. MCPM expects that local government work for the people. It claims to contribute in establishing transparency, participation, responsibility and accountability in LGs initiatives. Government claims that there is effective resource mobilization, utilization and service delivery in local bodies since MCPM implementation. LGs have observed improvement in their planning, budget implementation, financial mobilization, monitoring and evaluation of development projects in LGs (Government of Nepal, 2014).

More importantly, MCs claim that it ensures the proper utilization of public resources and identify the capacity to adhere the financial discipline. PMs claim that it improves the service delivery capacity and efficiency of LGs. PMs also identify the capacity gaps in various functional areas. Both MCs and PMs claim to improve output of service delivery, quality of service delivery, financial discipline and administrative procedure. LGs are believed to improve their good governance through MCPM (Government of Nepal, 2014). According to the informants, these all expectations are turning into reality gradually and it is moving forward to attain good governance. They insist that if all the problems related to MCPM indicators are sorted, it could be highly beneficial and more productive. They insist that if standards and objectives are made clearer and impact analysis is carried, KMC could improve the performance in real which is suggested by model of policy implementation process too.

There has been exceptional and gradual improvement of performance of KMC each year in MCPM. This can be attributed to the fact that they are slowly learning to produce the documents on time while performance is improving as it should but less effected by MCPM. This fact diminishes the importance of MCPM in improving performance. There are however lots of positive aspects MCPM. It helps to improve transparency, accountability, improves resource mobilization, uses participatory approach for planning etc.

I have arrived to a conclusion that KMC have legal, technical and human resource capacity for MCPM implementation. Nevertheless, each capacity has areas to improve. The lack of procedural clarity hinders the positive MCPM result of KMC. All types of municipalities; either big or small are being measured under same criterions. These are the major flaws in legal factor of MCPM implementation. The technical capacity must be bettered as there are issues related to difficulties of being more process-oriented and less result-oriented. KMC is well equipped with financial and human resources. Those resources must be used properly to have optimum performance from them.

These challenges of KMC have way out. MCPM should be assessed through scientific process of measurement. All the indicators must be built practical which are feasible,

relevant and sustainable. There is need to strengthen central-local relationship institutionally. Apart from these, KMC must persuade them to improve the performances.

#### **5.4 Future Research Directions**

Firstly, more research is needed after the local election is held through newly promulgated constitution of 2015 which may give a new picture to the performance measures. Some informants have told that the MCPM assessment may not be required after having elected representatives in the central and local bodies. That would be an interest for anyone to study performance measures after local elected representatives come to the power. The new constitution has made a provision that local election shall be held for legislative and executive local bodies and metropolitan cities would be executive bodies and it would be chaired by one mayor (Section 17 & 18, Subsection 216, Constitution of Nepal, 2015). Thus, the research can be done for different time and context on which MCPM will be conducted.

Secondly, there are almost no researches in the dimension of MCs according to the knowledge of researcher. Research could be carried out solely on this aspect of MCPM.

Further, Polidano (1990) relays that NPM as an administrative reform tool has not yielded expected results in developing countries. Effectiveness of NPM can be measured by measuring end results of successfully implemented changes rather than measuring their output. Performance measurement is one of the tools of NPM. Thus, the appropriateness of MCPM can also be found by examining the end results yielded by MCPM. This research went through only a minimal study of such end-results at the 'Data Presentation and Analysis' section and would suggest the other researchers to carry out such studies.

The staffs of KMC also appreciated and encouraged that further research must be carried out on topics like MCPM which would benefit both scholars and the local governments.

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## Appendix 1

### Section A- Minimum Conditions for municipalities- Functional areas and their indicators

Functional areas	MCs indicators for municipalities
Local self-governance	MC 1: Planning and Budgeting MC 2: Progress Assessment
Financial management	MC 3: Municipality Fund MC 4: Detail Record of Tax and Income Sources MC 5: Auditing System MC 6: Procurement Planning MC 7: Inventory Management MC 8: Financial Irregularities and Action for Clearance
Service delivery and transparency	MC 9: Citizen Charter MC 10: Provision of building permit MC 11: Publicizing the Income-Expenditure and Rates of Tax and Duties
Formation and function of committees	MC 12: Formation and Function of Accounts Committee MC 13: Formation and Function of Municipal level Revenue Advisory Committee MC14: Formation and Function of Supervision and Monitoring Committee MC 15: Formation and Function of Staff Recruitment Committee

(Source: Government of Nepal, 2014)

### Section B- Minimum Conditions for KMC-Functional areas and their indicators

Functional areas	Indicators
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Local Self Governance	<ol style="list-style-type: none"> <li>1. Annual Planning and Budgeting</li> <li>2. Annual Progress Assessment</li> <li>3. Quarterly and Annual Progress Report</li> </ol>
Financial Management	<ol style="list-style-type: none"> <li>1. Municipality fund</li> <li>2. Detail Record of Tax and Income Sources</li> <li>3. Auditing System</li> <li>4. Inventory management</li> </ol>
Service Delivery and Transparency	<ol style="list-style-type: none"> <li>1. Provision of Building Permit</li> <li>2. Publicizing the Income-Expenditure and Rates of Tax and Duties</li> </ol>
Formation and function of committees	<ol style="list-style-type: none"> <li>1. Staff management</li> </ol>

(Source: KMC field visit, 2015)

### Section C- Performance Measures for KMC- Functional areas and their indicators

Functional areas	Indicators of 2011/12	Indicators of 2012/13 & 2013/14
<b>Local Self Governance</b>	Participatory Municipal Planning Formulation	Participatory Municipal Planning Formulation
	Gender Equality and Social Inclusion	Target group development program funding
	Social Mobilisation and Urban Poverty Reduction	Target group development program expenditure
	Regulatory Service Management	Child development and protection

	Management Information System and Transparency	Management Information System and Transparency
	Implementation of social security programmes	Implementation of social security programmes
	Abiding by Policy and Directives, and Reports	Monthly and annual physical and financial progress reports
	Social Audit and Public Hearing	Social Audit and Public Hearing
	Code of Conduct and Property Details	
Total indicators for local self-governance	9	8
<b>Financial Management</b>	Feasibility study on Revenue Potentiality and its Projection	Feasibility study on Revenue Potentiality and its Projection
	Actual Income/Expenditure and Budget Implementation	Actual Income/Expenditure and Budget Implementation
	Revenue Administration Management	Revenue Administration Management
	Integrated Property Tax	Integrated Property Tax
	Public Private Partnership	Public Private Partnership
	Abiding by the optimum limitation of Administrative Expenses	Abiding by the optimum limitation of Administrative Expenses

	Accrual/Corporate Accounting System	Accrual/Corporate Accounting System
	Status of Security/Deposit Accounts	Status of Security/Deposit Accounts
	Accounting Quality and Status of Advance Payment	Accounting Quality
	Abiding by the limitation of financial Assistance Expenses	Abiding by the limitation of financial Assistance Expenses
	Assets/Property Management	Local resource utilization
Total indicators of financial management	11	11
<b>Planning and Programme Management</b>	Thematic Area Master Plan	Thematic Area Master Plan
	Feasibility Study	Feasibility study
	Final Clearance and Settlement	Final Clearance and Settlement
	Provision of Repairs and Maintenance	Provision of Repairs and Maintenance
	Public Audit	Public Audit
	Impact Analysis	Monitoring and Evaluation
	Annual Work Plan/ Calendar	Procurement management
		Transparency in projects
Total indicators	7	8

of planning and programme management		
<b>Organization and Human Resource Development</b>	Employees job description	Employees job description and monthly staff meeting
	Monthly Staff Meeting	
	Bylaws, Working Procedure and Directives	Service delivery management
	Employees Welfare Fund	Employees welfare fund
	Service Contract Management	Service contract management
	Organization and Capacity Development	Code of conduct and property details
Total indicators of organization and human resource development	6	5
<b>Urban Basic Service Management</b>	Sanitation and solid waste management	Sanitation and solid waste management
	Park, greenery and environment management	Environment management
	Vehicle parking management	Vehicle parking management
	Meat shops and slaughter house management	Meat shops and slaughter house management
	Public Health Promotion	Public Health Promotion

	Emergency service/disaster management	Emergency service/ disaster management
	Vital registration management	Vital registration management
		Provision of building permit and implementation of code of conduct, 2060
Total indicators of urban basic service management	7	8
Total indicators for MCPM	40	40

(Source: KMC field visit, 2015)

#### **Section D- List of indicators unable to pass in Minimum Conditions (MCs)**

	<b>F/Y 2007/8</b>	<b>F/Y 2008/9</b>	<b>F/Y 2009/10</b>	<b>F/Y 2010/11</b>
Indicators	Planning and budget	Planning and budget	Planning and budget	data missing
	Progress Assessment	Progress assessment	Detail record of tax and income sources	
	Detail Record of tax and income sources	Detail record of tax and income sources	Auditing system	

unable to comply MCs	Auditing system	Auditing system	Procurement planning	
	Procurement planning	Procurement planning	Financial irregularities and action for clearance	
	Financial irregularities and action for clearance	Inventory management		
	Formation and function of Municipal Level Revenue Advisory Committee	Financial irregularities and action for clearance		
Total failed indicators	7	7	5	3

(Source: adopted from Government of Nepal, 2011)

**Section E- Performance Measures- Best performing and worst performing indicators in f/y 2011/12, f/y 2012/13 and f/y 2013/14**

	Year 2011/12		Year 2012/13		Year 2013/14	
<b>Functional Area</b>	<b>Indicators having full score</b>	<b>Indicators having zero score</b>	<b>Indicators having full score</b>	<b>Indicators having zero score</b>	<b>Indicators having full score</b>	<b>Indicators having zero score</b>
<b>Local Self Governance</b>	Regulatory Service Management	Gender inequality and social	Implementation of social	Target group development program	Participatory Municipal Planning	Target group development

<b>nce</b>		inclusion	security programme s	funding	Formulation	ment program funding
	Management Information System and Transparenc y	Social mobilization and urban poverty reduction	Monthly and annual physical and financial progress reports	Target group development program expenditure	Managemen t Information System and Transparenc y	Target group develop ment program expendit ure
	Implementat ion of social security programme	Code of conduct and property details	-	Child development and protection	Monthly and annual physical and financial progress reports	-
	-	Abiding by policy, directives and reports	-	Social audit and public hearing	Social Audit and Public Hearing	-
<b>Financia l Manage ment</b>	Public Private Partnership	Feasibility study on Revenue Potentiality and its Projection	Feasibility study on Revenue Potentiality and its Projection	Actual income/expe nditure and budget implementati on	Revenue Administrat ion Managemen t	Integrate d property tax
	Accrual/Cor	Actual	Public	Integrated	Public	Abiding

	porate Accounting System	income/expenditure and budget implementation	Private Partnership	property tax	Private Partnership	by the limitation of administrative expenses
	Abiding by the limitation of financial assistance/expenses	Assets property management	Accrual/Corporate Accounting System	Abiding by the limitation of administrative expenses	Accrual/Corporate Accounting System	Accounting quality
	-	Accounting quality and status of advance payment	Status of Security/Deposit Accounts	Accounting quality	Status of Security/Deposit Accounts	-
	-	Abiding by the limitation of financial assistance expenses	-	Abiding by the limitation of financial assistance expenses	Abiding by the limitation of financial Assistance Expenses	-
	-	-	-	-	Local resource utilization	-
<b>Planning and</b>	-	Thematic Area Master	Thematic Area Master	Public audit	Thematic Area Master	-

<b>Programme Management</b>		Plan	Plan		Plan	
	-	Feasibility study	Feasibility study	-	Feasibility study	-
	-	Impact Analysis	Final Clearance and Settlement	-	Procurement management	-
	-	-	Monitoring and Evaluation	-	Final Clearance and Settlement	-
	-	-	-	-	Transparency in projects	-
	-	-	-	-	Public Audit	-
<b>Organization and Human Resource Development</b>	Monthly staff meeting	Employees job description	Service delivery management	Employees job description and monthly staff meeting	Service delivery management	Employees job description and monthly staff meetings
	Bylaws, working procedure and directives	-	Employees welfare fund	Service contract management	Employees welfare fund	Code of conduct and property disclosure

						e
	Employees welfare fund	-	-	-	Service contract management	-
<b>Urban Basic Service Management</b>	Sanitation and solid waste management	-	Sanitation and solid waste management	-	Sanitation and solid waste management	Environment management
	Vehicle parking management	-	Environment management	-	Vehicle parking management	-
	Vital registration management	-	Vehicle parking management	-	Meat shops and slaughter house management	-
	-	-	Meat shops and slaughter house management	-	Emergency service/ disaster management	-
	-	-	Emergency	-	Vital	-

			service/ disaster managemen t		registration managemen t	
	-	-	Vital registration managemen t	-	Provision of building permit and implementa tion of code of conduct, 2060	-
	-	-	Provision of building permit and implementa tion of code of conduct, 2060	-	-	-

(Source: KMC field visit, 2015)

## Appendix 2

### Section A

#### Questionnaire for staffs

Name:

Designation:

Year of service at KMC:

I have compared the results achieved by Kathmandu metropolitan city on the fiscal year 2011/12, 2012/13 and 2013/14. The results of 2011/12 are on the published report of f/y 2012/13 while the result of 2012/13 and 2013/14 are from unpublished sources obtained KMC and the officials. My some of the questions are based on comparison of those reports.

1. a. How do you rate the level of importance of MCPM assessment conducted yearly?

<input type="checkbox"/> Very satisfactory	<input type="checkbox"/> Satisfactory	<input type="checkbox"/> Very less satisfactory
<input type="checkbox"/> Not so satisfactory	<input type="checkbox"/> Not satisfactory at all	<input type="checkbox"/> Don't know

- b. What are the reasons for satisfaction or dissatisfaction?

2. Some of the indicators have received very less scores in MCPM assessment. What are the reasons for poor reflection of performance in Performance Measures?

(Indicators receiving zero scores in the f/y 2013/14 are mentioned here: Fund allocation for target group development programs, Expenditure related to target group development programs, Integrated property tax, Abiding by the limitation of administrative expenses, Accounting quality, Employees job description and monthly staff meetings, Code of conduct and property disclosure, and Environment management.)

3. Following indicators reflected very poor performance (scoring zero) on f/y 2013/14.  
Please explain the reasons for weak performance of the indicators.

S. N.	Indicators	Reasons					
		Lack of elected representative	Flaw in MCPM assessment	Need for performance improvement	Need for more incentives to the employees	Others if any..... .....	Don't know
Local Self-Governance							
1.	Target group development program funding						
2.	Target group development program expenditure						
Financial Management							
3.	Integrated						

	property tax						
4.	Abiding by the limitation of administrative expenses						
5.	Accounting quality						
<b>Planning and programme management</b> (All indicators scored well)							
<b>Organization and Human Resource Development</b>							
6.	Employees job description and monthly staff meetings						
7.	Code of conduct and property						

	disclosure						
<b>Urban Basic Service Management</b>							
8.	Environm ent manageme nt						

4. What is the level of capacity of KMC and its human resources to comply MCPM?
5. What are the efforts needed to improve for better results of Performance measures?
6. What are the efforts being carried by KMC to improve the MCPM scores?
7. Some of the indicators of Performance Measures have scored full marks. What are the main reasons for good scores?
8. a. There are 40 indicators. Rank from 1 to 5 on the basis of importance of these indicators that you perceive. (Here, 1 is highly important and 5 is less important)

(Highly important) 1      2      3      4      5 (Less important)

- b. What are the reasons for your perception?
9. a. Do you see the need for major modifications in MCPM?  
b. If yes, what modifications are needed?
10. a) How do you give the importance to MCPM for improving the performance of KMC?

☐ Highly important                      ☐ Important                      ☐ Not so important  
☐ Not important at all                      ☐ Don't Know

c) Why?

11. How do you rate central-local linkage for implementing PBGS through MCPM assessment?

(Very strong linkage)

(Very weak linkage)

1            2    3        4        5        6        7        8        9        10

12. Reasons for rating.

13. Do you have any other suggestions or recommendations related to MCPM?

## Section B

### Questionnaire for Chief Executive Officer

1. What is your thought on MCPM and its relation to performance improvement of KMC?
- If MCPM is useful, what are the areas which helped for improving the performance of KMC?
- If MCPM is not useful, what are the reasons?
2. In some cases (eg. target group development programme, accounting quality etc. KMC is not able to get any score. What may be the reasons for such a poor performance?
3. What are the key measures KMC needs to do for improving scores of MCPM assessment?
4. If you think any of the provisions of MCPM are useless, what are they?
5. If any suggestion, please specify.

## Appendix 2

Field

visit

pictures



Photograph 1: Interview with Deepak Adhikari (Senior officer and MCPM focal person)



Photograph 2: Interview with Mahesh Kafle (Department head and MCPM focal person)



Photograph 3: KMC at Baghdurbar



Photograph 4: KMC at Rastriya Sabha