

A Discussion Paper on Donor Best Practices Towards NGOs in Nepal

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Norad collected reviews

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A Discussion Paper on **Donor Best Practices Towards NGOs in Nepal**



**For the
Working Group, Donor Heads of Agencies**

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TABLE OF CONTENTS

1. INTRODUCTION	1
1.1 Scope of Work	1
1.2 Methodology	2
1.3 Limitations.....	3
2. BACKGROUND.....	4
2.1 Donor-NGO Relationship in Nepal	4
2.2 Donors Funding Approach to Civil Society	5
3. FINDINGS.....	7
3.1 Donor Behaviour towards Civil Society	7
3.1.1 Accessibility	7
3.1.2 Partnership Approach and Process	8
3.1.3 Monitoring.....	11
3.1.4 Transparency.....	12
3.2 NGO governance and management practices	13
3.3 Consensus on Donor - NGO practices	15
3.3.1 Joint monitoring of project’s performance.....	15
3.3.2 Common Criteria on Issues of Auditing Standards and Reporting	15
3.3.3 Promoting Good Governance	15
3.3.4 Developing and Sustaining Consensus between Donors and Civil Society	16
3.3.5 Future role of NGOs	16
3.3.6 Civil Society Strengthening	16
3.4 Coordination	17
3.4.1 Inter-donors.....	17
3.4.2 Donors – NGOs.....	17
3.4.3 NGOs.....	18
3.5 Central and regional level Civil Society Governance	18
3.6 Role of Social Welfare Council	20
4. CONCLUSIONS AND RECOMMENDATIONS	21
 ANNEXES	
Annex 1: Terms of Reference	23
Annex 2: Institutions and Persons Consulted	26
Annex 3: Interview Guide	30
Annex 4: Guidelines	34

ABBREVIATIONS

AIN	Association of International Organisations in Nepal
BOGs	Basic Operating Guidelines
CBO	Community-based Organisation
CDO	Chief District Officer
CoC	Code of Conduct
CSACP	Civil Society Anti-Corruption Programme
CSO	Civil Society Organisations
CSP	Community Support Programme
DANIDA	Danish International Development Assistance
DFID	Department for International Development (UK)
DNF	Dalit NGO Federation
ESP	Enabling State Programme
GoN	Government of Nepal
GSEA	Gender and Social Exclusion Assessment
HUGOU	Human Rights and Good Governance Programme
INGO	International Non-Governmental Organisation
KTM	Kathmandu
LLINK	Linking Local Initiatives to New Know-how
NFDN	National Federation of Disabled Nepal
NFN	NGO Federation of Nepal
NGO	Non-Governmental Organisation
NORAD	Norwegian Agency for Development Cooperation
ODC/IDMS	Organisation Development Centre/Institute of Development Management Studies
PRS	Poverty Reduction Strategy
RDIF	Rights, Democracy, Inclusion Fund
RNE	Royal Norwegian Embassy to Nepal
SCA	Strategic Conflict Assessment
SCNN	Save the Children Norway - Nepal
SCUS	Save the Children - US
SDC	Swiss Agency for Development and Cooperation
SNV	Netherlands Development Organisation
SPA	Seven Party Alliance
SRDC	Self-Reliance Development Center
SWA	Social Welfare Act (1992)
SWC	Social Welfare Council
TOR	Terms of Reference
UMN	United Mission to Nepal
USAID	United States Agency for International Development
VDC	Village Development Committee

EXECUTIVE SUMMARY

This discussion paper is the result of a consultative process with donors, international and Nepali organisations in searching for Donors' Best Practices towards Civil Society. A team of one Nepali and one international consultant was commissioned by the working group of the donor Heads of Agencies, represented by Denmark, Department for International Development (DFID), Swiss Agency for Development and Cooperation (SDC), Norway, USAID, and Netherlands Development Organisation (SNV), to conduct the study. The great majority of the initiatives supported by the donors in the study were found to be Nepali NGOs, not civil society actors like corporate businesses, professional and trade unions. Thus the study is limited mainly to the NGO-sector, and will more often refer to the NGOs rather than 'civil society organisations.'

The main purpose of the study was to look at NGO governance, coordination, donor behaviour, and the relationship between central and regional level of CSOs. Furthermore, to study how Nepali NGOs perceive the current working relationship with funding agencies and explore ways for how it can be improved. The Terms of Reference asked the team to search for issues of consensus among donors/INGOs and NGOs where potential minimum standards could be applied for the development cooperation.

An interview guide was developed and used for the in-depth interviews and consultations with donors and NGOs; 41 interviews with people from the Nepali development context at national, district and village level and around 40 representatives from INGOs and donors. In addition, donors' country policies/strategies, donors' requirements, Terms of References for audits, evaluations, and reviews were studied. Some donors provided the team with their own key policy documents and agreements, while others wanted the team to get information directly from their civil society partners and discuss with them. A field visit to the districts of Banke and Dang allowed the team to meet with district based organisations that have their head offices in Kathmandu as well as locally-based organisations that work out of these areas.

Main findings summed up:

Regarding the point of donors' behaviour towards civil society, there was an immediate noticeable difference in the level of engagement with the NGOs among the different donors. While DFID, SDC and Danida have a direct and 'hands-on' approach to their partners' management and governance practices, Norway and USAID hardly channel any direct support to civil society (with a few exceptions), rather through INGOs. SNV does not channel funds directly, but provides advisors on Organisational Development (OD) for partners in a long-term perspective.

The study found that the closer the agency is to the community and Nepali NGOs vis-à-vis these arrangements, greater the relevance of donor behaviour and how it is perceived by the civil society. This proximity in donor agency - NGO relationship also implies higher degree of mutual expectations. The formation of partnerships and access to donors was seen to be based largely on geographical proximity, information, personal networks and/or proficiency of language. In that aspect, some donors/INGOs were not perceived to sufficiently recognise that there exists occasionally real conflict of interests when it comes to its own staff and allocation of funding (incl. political interests).

The team engaged the parties in a dialogue on practical ways to move forward the modalities of cooperation between donors and NGOs in Nepal. Looking at the Code of Conduct by the Nepali NGO Federation as well as AIN's recommended INGO-NGO Partnership guidelines, the study team found consensus on issues related to financial management, monitoring and principles of good governance, but disagreements on issues related to the role of independent boards and the dual role of management and board members.

Some donors saw the importance of independent boards as a ‘must’ and a key element in promoting good governance among their partner NGOs, while for other donors this issue was of less importance. The Nepali NGOs expressed a commitment to the principle of independent boards, but differed on the process and how to implement it. Most Nepali NGOs felt that it would be better if the donor agencies and INGOs held a uniform stance and sent out a consistent message to the NGO sector on this issue as well as creating *incentives* for moving towards independent boards rather than making it an obligatory criterion for receiving funding. Donors imposing governance criteria on NGOs have been interpreted in the light of the historic feudalistic characteristics of the Nepali society and perceived as signs of imperialism of western thoughts in Nepal. Therefore, how donors communicate such messages affects the way donor behaviour is perceived by Nepali NGO sector. However, all Nepali NGOs interviewed reinforced the need for donors to monitor programmes and financial management even closer than what is the case with some donors today.

NGO governance and management practices

When examining how NGOs understand the role of their governing boards, the team found that the board’s main role was to hold and “protect” the ownership of the organisation. Most of the NGOs had been established by a handful or one single person. It was perceived that the “blood and sweat” of these key board members earns them the fundamental right to be a part of management and be given other incentives such as positions of board members. Board members are seen as essential for the continuity of the organisation. The board’s role in terms of checks and balances and ensuring internal control mechanisms were less emphasised by Nepali NGOs.

Among the NGOs, public/social audits were found to be extensively used, but with different practices. Another issue of divergence was the funding of so-called “internal fund” out of projects costs/salaries for covering ‘gaps’ between project periods. Due to some donors’ practices of funding NGOs for short periods, many smaller NGOs are not able to sustain themselves – and much less, their board members. Thus, the practise of setting-up internal funds started, but donors had different views on whether to allow the internal fund to be drawn from their grant. A few donors approved symbolic remuneration of board members.

Many NGOs not being member-based organisations, being in closer contact and financially dependent on the donor, directed their accountability more towards the donor side than towards the beneficiaries in whose name the organisation has been established.

The current main crux of the matter in Nepal is how to reach out to the most excluded and needy. Both donors and NGOs apply different approaches to this issue; some INGOs go as far as contracting directly with local communities and user groups – bypassing intermediary Nepali NGOs (often based in central-urban areas). While this might achieve the goal of reaching out to the neediest, it might counter the goal of making Nepali organisations more self-sufficient and accountable to their own constituencies. It also implies that some INGOs do not plan their own exit from the country in foreseeable future, rather make their presence more indispensable.

Points of consensus between donors – NGOs:

- Clear right and authority of donors to conduct strict financial monitoring in adherence with the country’s laws (SWA)
- Donors need to harmonise further in their financial monitoring standards and procedures.
- Social inclusion and diversity are highly relevant principles for partnership guidelines
- Contribution to project costs by community/NGOs should be encouraged

- Use of public audits as effective tool for promoting ownership, accountability and transparency of programmes.
- Impractical to harmonise reporting standards/formats (too rigid requirements from donor countries)
- No agreement for how to deal with NGOs' "internal fund" nor overhead costs
- No agreement on importance of NGOs' independent boards neither among donors nor Nepali NGOs

Based on the consensus derived from consulting with the Nepali NGOs and the donors, the study recommends donors to move on the following issues.

1. Initiate joint audits of commonly funded partner organisations by harmonising Terms of Reference for auditors, and request comprehensive institutional audits (in addition to respective programme/project audits)
2. Include use of public/social audits in partnership guidelines.
3. Increase donors' transparency in selection process of partner with regards to criteria for funding and facilitate NGOs based in non-central areas access to the resources. Point is especially valid for those donors that channel funding directly from embassies to NGOs in urban (KTM) areas and not valid for donors that already have large outreach programmes.
4. Introduce in donor agencies and INGOs practice of declaring conflict of interest if a member of staff has close friendships/family ties with members of the Nepali NGO to counter favouritism and to ensure transparency and equal access for all Nepali NGOs to funding.
5. Zero tolerance for documented misuse of funds
6. Uphold principles of good governance, but keep a broader focus than separation of board-management. For centrally-based larger NGOs that can access a pool of qualified potential board members, the principle of separation of the board and staff can be a minimum standard that could be adopted in a uniform way by the donors/INGOs.
7. For rural community based organisations, it is not recommended to make separation of board-management a minimum requirement; donors/INGOs should rather focus on building capacity within the NGO to ensure internal control mechanisms, and through incentives aimed at achieving the goal of separation within a set time frame.
8. Donors' assistance aimed at capacity-building of NGOs must be complementary to each other.
9. Overhead costs should be supported on condition of NGOs transparency (percentage set according to volume) in order to support organisations' chance of sustaining themselves and developing active board members. A minimum rate would range from 3-10% of administrative costs depending on type of projects; large infrastructure projects should be on the lower end, and smaller projects involving mostly human resources be on the higher receiving end
10. Make better and more active use of Contracts as tools for improving communication and clarifying mutual expectations between donors/INGOs and NGOs; ensure that there are copies available in Nepali language; train NGOs to ensure that contract is understood and that NGOs duties - and rights vis-à-vis donors are clear.
11. Donors/INGOs should encourage NGOs to organise at least one annual meeting whereby all donors/INGOs are represented by one staff in a decision-making position.

12. Include clauses in contracts requiring duty of funding agencies/donors (INGOs) to participate in joint annual meeting called by their common partners.
13. Head of Agencies in Donors Working Group are encouraged to share and follow up recommendations in study with the INGOs they are funding in addition to sharing the report with the AIN and the NGO Federation, as well other representatives of the NGOs in for example a one-day seminar. For summing up of minimum standards, see Ch 5 Conclusions and Recommendations.

1. INTRODUCTION

There is an agreement among donor agencies that harmonisation and development of guiding principles for how to engage with civil society and NGOs in particular are needed. The commitment towards harmonisation and coordination of funding is institutionalised in the Paris Declaration on Aid Effectiveness (2005) signed by 90 countries, 26 multilateral organisations, and 14 civil society organisations. The main goal of the Paris Declaration was to ensure that resources allocated to development be used in the best possible manner.

In Nepal, international funding agencies have paid special attention to the work through, and capacity of, the comparatively young Nepali civil society. Efforts have also been made by the Association of International NGOs (AIN) to develop minimum requirements for their local partners. On that background the donor Heads of Agencies Group established a working group to offer advice on areas of governance, coordination, and donors' practices. The following agencies/embassies are represented in the working group: Denmark, Department for International Development (DFID), Swiss Agency for Development and Cooperation (SDC), Norway, USAID, and Netherlands Development Organisation (SNV). The two latter donors were not part of funding the study.

The working group decided to commission a study on donors' best practices towards the NGO sector in Nepal, with a special focus on governance, effectiveness, and coordination. The study's recommendations are non-binding for the donors.

1.1 Scope of Work

The main purposes of the study according to the Terms of Reference:

- Map donors' best practices in four key areas; governance, coordination, donor behaviour, and relationship between central and regional level of CSOs, from the conflict situation and current needs and core issues in the new political situation
- Study how Nepali civil society perceives the current working relationship with funding agencies and explore ways for how it can be improved

This has been translated into specific areas of study:

- **Civil society governance** – can donors establish a consensus on what to expect from civil society in reporting, accountability, transparency, and performance of projects?
 - Joint monitoring of project's performance
 - Common criteria on issues such as auditing standards and reporting.
 - Role of governing board
 - Developing and sustaining consensus between donors and civil society
- **Co-ordination**
 - How to improve dialogue & coordination
 - Between donors
 - Between donors & civil society
 - How can donors decide on the priorities for donor assistance aimed at helping capacity building for civil society (e.g. board governance, advocacy, service delivery etc.)?

- **Donor behaviour towards civil society** - Civil society's expectations from funding agencies.
 - Can and should donors adopt a common minimum standard of audited accounts to be submitted by civil society recipients of funding.
 - Better co-ordination of engagements with civil society? Is a new mechanism needed to help insure that donors are cognisant of each others' work and are taking opportunities to work together?
 - How can donors improve the ways in which they engage with civil society and the approach they take to funding civil society projects?
 - On what background do funding agencies choose their partners, what are the criteria for evaluation?
 - What actions on either side would most improve the ways in which donors and civil society work together?
- **Central and regional level Civil Society Governance** - how is the interaction between central and regional branch, and how does the process of identifying needs work?
 - How does Kathmandu based NGOs capacitate their regional branches?
 - How do regional branches perceive the working relation to their central offices?
- **Cooperation between Social Welfare Council and I/NGOs and donors**

1.2 Methodology

This report, which is presented as a discussion paper, is the result of a consultative process with a range of donors, international NGOs, and Nepali organisations. Searching for issues of consensus, the study team engaged the parties in a dialogue on practical ways to move forward the modalities of cooperation between donors and NGOs in Nepal. Keeping in mind the overall goal of trying to define some minimum standards that both donors and recipients could agree upon, the study team compiled a range of issues that had been brought forward by various stakeholders and tested them out in different fora.

The methodology utilised for the process was mainly in-depth interviews and consultations with donors and NGO actors in Nepal. 41 interviews with people from the Nepali development context at national, district and village level were conducted, 17 representatives from INGOs and 19 representatives from donors were consulted. Documents such as donors' country policies/strategies, donors' requirements, Terms of References for audits, evaluations, and reviews were studied. In addition, secondary sources such as academic studies on civil society, financial management, and aid effectiveness were also consulted. An interview guide was developed and used for interviews with donors and a slightly different guide was used for the NGOs based in Nepal (see Annex 3).

A field visit to Banke and Dang gave chances for meeting with district based organisations that have their head offices in Kathmandu as well as locally-based organisations that work out of these areas without a central office. The study team benefited from meeting with the Task Force in AIN as well as representatives from the Nepali NGO Federation.

A debrief of preliminary findings and recommendations was given to the donors in the Working Group of the Head of Agencies (including a representative from the EU) on the last day of the field survey in Nepal. The final report will be presented at a workshop where the INGOs and CBOs that were involved in the process will be invited. The NGO Federation and AIN will play a special role. The printed report will be distributed to cooperating NGOs, INGOs and federations of the donors as well as to other interested parties.

1.3 Limitations

When reading the report, one should keep in mind some limitations of the study. The term “civil society” was found to be somehow inaccurate. The great majority of the initiatives supported by the donors in the study are in fact Nepali NGOs, not civil society actors like corporate businesses, professional and trade unions. Thus the study is limited mainly to the NGO-sector, and will more often refer to the NGOs rather than ‘civil society organisations.’

Furthermore, the report is not a complete mapping of the various civil society interventions of the different donors, it is rather a brief study based on a selected few I/NGOs funded by the donors commissioning the study. In order to compare the practices, views and approaches of the I/NGOs funded by the working group a few independent NGOs not receiving funding from the involved donors were consulted.

While exploring the good practices employed by donors; this study also aimed at finding out the weaknesses or areas for improvement in donor behaviour and approaches in Nepal. A limitation faced in such approach is the inability of interviewees to be candid and critical while sharing their partnership experience with donors. The donor dominance in Nepal is quite strong – donors are powerful actors and this lead many people interviewed to ask for anonymity. Thus, few of the interviewees’ names have not been included in the list of people interviewed.

The issue of interaction between central and regional branches and how Kathmandu based NGOs capacitate their regional branches, was mentioned in the TOR, but was found to be too broad to be fully explored in this study. The study team visited three organisations at the district and national level, but this did not give enough data to generate general findings and conclusions. The Study Team realised that this topic would require more time and resources than what was made available for this study. We would like to call the readers attention to a recent study conducted by the AIN “Expanding the Space for Development by I/NGOs during Nepal’s transition process” which gives a range of recommendations for how to ensure local, district and national networking, accountability and transparency.

Finally, both donors and NGOs expressed a wish for a brief and practically-oriented report on ‘what can be done’ – rather than a wish list for ‘what could be done in an ideal world’. The study team has tried to accommodate that request. The study is therefore presented as a ‘discussion paper’.

2. BACKGROUND

2.1 Donor-NGO Relationship in Nepal

The civil society movement is a relatively new phenomenon in Nepal which started after the 1990 people's movement which led to the restoration of multiparty democracy in the country. Prior to this, NGOs were mostly social organisations operating within a limited mandate. In 1990, the number of NGOs registered at the Social Welfare Council (SWC) was 249, which increased to 19,944 by July 2006¹

Various sources estimate the total figure of all NGOs to be approximately 30,000, including those registered at the district level (CDO). The massive increase in the number of NGOs in Nepal was instigated by the Constitution of Nepal of 1991 which provided a much wider legal and political space for NGOs. The government policies after 1990 supported the growth of civil society in general by providing a legislative framework and defined roles in development work. These include the Social Welfare Act 1992 (SWA), the Ninth Plan document 1997 – 2002 and the Local Self Governance Act 1998. The SWA required donor agencies including international NGOs (INGOs) to shift their development practices from direct implementation to facilitation of development work through partnering with local Nepali organisations. From 1992, NGOs became the new medium for implementation of development projects and programmes in Nepal marking the beginning of partnerships between international agencies and NGOs. This gave further impetus to the growth of NGOs in Nepal. The scale and operation of NGOs in the development sector in Nepal has been such that in development literature in Nepal, the term “civil society” some times has been used synonymously with the term “NGO sector.”

In over fifty years there has been significant growth in the volume of foreign aid entering into Nepal, since it was first introduced in 1951 by the United States. In the initial decades of these years, Nepal received foreign aid mostly in the form of grants. In the 70s and mid 80s, Nepal was increasingly required to borrow which led to a higher proportion of loans than grants in the foreign assistance to Nepal. In the mid 90s, as donor agencies shifted their bilateral support to be channelled more through INGOs and Nepali NGOs, the proportion of grants compared to loans has increased.

The mid 90s' also saw the beginning of the armed conflict in Nepal, which would last for over a decade. The conflict further necessitated the donor agencies and INGOs to increasingly depend on the NGOs to implement programmes and activities. The challenges faced in carrying out development work during the conflict and a deeper analysis of the reasons underlying the armed conflict in Nepal forced many of the development actors to undergo a process of self reflection and accordingly readjust their development practices. As a result, the development actors in Nepal have been in the forefront of utilising ‘do no harm’ models and conflict sensitive programming.

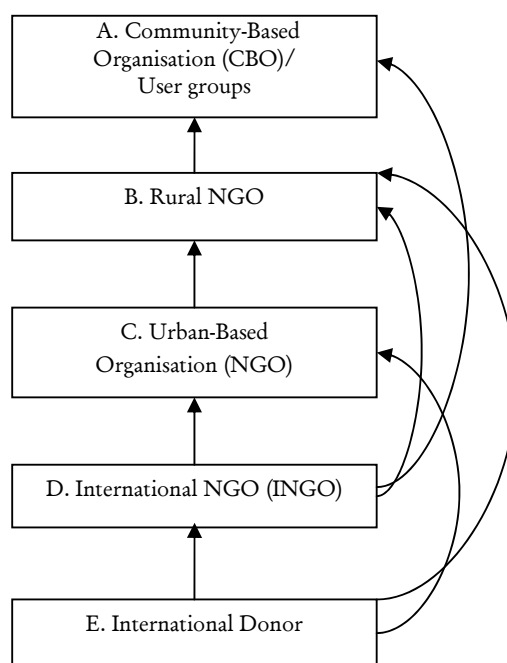
Development aid is recognised to be an intervention in the ‘natural’ development of a country/community and thus context analysis of root causes, actors and the relationship between these should be assessed before development interventions are designed and cooperating partners chosen. In Nepal, such context analyses have included the major actors of government and opposition forces, in particular the – until recent – armed Maoists groups. The context analyses have concluded that root causes of the conflict are centred around social exclusion of different groups based on geography, religion (caste), ethnicity, class or gender. The feudal structure is an underlying root cause that has reinforced the existing differences between various social groups' access to basic services as well as political and economic power.

¹ http://www.swcnepal.org.np/ngo_chart.shtml accessed on January 20, 2007.

With the signing of the recent peace agreement, the donors' have shifted their agendas from coping with the conflict to the social inclusion agenda and the process of reconstruction, reconciliation and peace building. While the decade old civil society in Nepal attempts to define its role and responsibility in the construction of New Nepal, donors are compelled to reflect on their partnership approach and behaviour towards civil society owing to this changed context. Some donors are acutely aware that their roles as the 'dominant powers' easily can be interpreted into the traditional feudalistic power structures of Nepal, and that financial support to certain groups can reinforce already existing social/ethnic/economic cleavages, while a few offer aid reflecting less on their own roles in the Nepali historic development context.

2.2 Donors Funding Approach to Civil Society

International donors have different approaches to development, according to their own goals and objectives as well as traditions and culture in their own countries. There is a great variation in the partnership arrangements of different donor agencies and the development approaches applied. Some donor agencies have strategic alliances with particular INGOs through which they mobilise a majority of the grant aids. These INGOs then partner with Nepali NGOs to implement the programmes. In some cases, there are additional chains in the process of channelling funds up to the community level as a centralised urban based Nepali NGO would further partner with a local district based NGO or a Community Based Organisation (CBO) in order to implement the programme (see figure 1). In such cases, the main donor agency has limited direct engagement with the civil society. For the local Nepali organisations on the receiving end, these "intermediary" organisations are what they perceive as their donors. Therefore, in the interactions with the NGOs during this study, the term "donor" sometimes has been used in the broader sense, also encompassing the various INGOs in the aid channelling process.



Channel of Aid through Different Organisations

DFID and SDC are among the international agencies with the longest traditions in Nepal - both having worked in the country for more than 50 years. DFID works very closely with various civil society organisations through programmes like the Enabling State Programme (ESP) and Community Support Programme (CSP) where it establishes direct partnership with various civil society organisations. A lot of its aid is also channelled through multilateral agencies, bilateral agencies like GTZ, the UN system and INGOs such as Helvetas. SDC has had Helvetas Nepal as its main strategic implementing partner which is a Swiss INGO that has existed in Nepal for over 50 years as well. SDC has also established partnerships with a number of NGOs and INGOs in Nepal.

Denmark, channelling aid to civil society through Danida, is working in direct partnership with the civil society in Nepal, mainly via its Human Rights and Good Governance Programme (HUGOU). The programme includes seven different components, of which the Human Rights Organisations, Social Inclusion and Media are the main areas targeting civil society. The projects and special initiatives aim at “addressing the human rights situation and the systemic problems of accountability and transparency - all problems, which are further compounded by the conflict and the political and constitutional crisis.”² The current programme (2003-8) is the second phase and channels support to around 50 Nepali partners.

Norway (represented by the Royal Norwegian Embassy, RNE) is the country in the Donor’s Working Group with the smallest civil society engagement and extends direct support to only a few NGOs (Women’s Alliance for Peace, Power and Democracy and the Constituent Assembly - FEDO, INSEC). The RNE support to civil society is presented in coordination with and through other donor programmes; such as the support to the Human Rights Organisations component in the HUGOU programme and the Rights, Democracy and Inclusion Fund (RDIF) which was a British and Swiss initiative, but later also supported by the Australian Government/AusAid. In addition, the major channels for aid mobilisation for Norway have been through Norwegian NGOs partnering with relevant Nepali organisations. For RNE, one of the strategic partners existing in Nepal has been Save the Children Norway - Nepal (SCNN) through which a significant portion of its grant aid is channelled.

Therefore, relative to Norway, DFID, SDC and Danida are all donors that have a more hands-on approach to their interventions with the NGO sector and have stronger recognition and identity as donors even at the community levels.

The partnership arrangements used for mobilisation of development aid by various donor agencies have implications for the purpose of this study. The closer the agency is to the community and Nepali civil society vis-à-vis these arrangements, greater the relevance of donor behaviour and how it is perceived by the civil society. This proximity in donor agency - civil society relationship also implies higher degree of mutual expectations.

² Quoted from Denmark’s official webpage

3. FINDINGS

3.1 Donor Behaviour towards Civil Society

In assessing donor behaviour towards civil society, the study team has focused on three core practices/activities as explained below; accessibility, approach and process. While exploring the different practices used by different donors in these areas, three key indicators were used for the assessment: transparency, accountability and social inclusion.

3.1.1 Accessibility

In general, there were certain barriers that limited access to donors; one of the strongest barriers being language. As one respondent shared, donors require all organisations to submit their ideas in sophisticated format such as logical framework (LFA) written in English; that requirement in itself is exclusionary behaviour which limits the access to funds only to the larger centre based NGOs with the necessary skills and command of language. Another strongly perceived barrier, especially by the rural NGOs was the practice of forming partnerships based on personal connections and networks. It has been felt that donors establish partnerships based on personal connections rather than institutional relationships promoting the individual instead of the organisation. This contributes to the culture of individual hegemony in organisations where the person's identity becomes synonymous with the organisation and the organisation becomes a "one person show". The access to valuable information, resources and power is shared and exchanged among a very close network of city based privileged elites with the political and personal savvy to establish relationships with donor representatives, both expatriates and Nepali. In such cases, it is felt that donors do not sufficiently recognise the real conflict of interest when it comes to their own practices.

With the question of accessibility to donors also comes the issue of access to information. In a country like Nepal, the geographical proximity to the donors makes a difference. NGOs that are urban based are more likely to have the access to information regarding partnership process and funding interests. For the remote NGOs and CBOs, access to such information is limited. For a small rural CBO, reaching out to the central government agencies (let alone foreign donor agency!) is a daunting task, when many rural organisations are just beginning to approach their local Village Development Council (VDC) and the CDO offices.

Usually, CBOs by their very nature and the way they get established have the closest representation of local community and work among the community of which they are a part of. The donor community has been fully aware of this and there are some mechanisms that have been employed to ensure that programmes come from the community to the donor agencies instead of the other way around. One such example provided is DFID's Community Support Programme (CSP). The programme has two main offices; one in Nepalgunj for the mid-west and far western region and one in Biratnagar for the eastern part of the country. The CSP was started in January 2003 with the aim to provide access to funds to the poor, marginalised, excluded, and conflict affected communities to address their immediate livelihood issues. The programme addresses three basic objectives: Basic services, growth for the rural poor and social inclusion. The programme allows DFID to work directly with the community bringing it closer to the grass root reality. Through CSP, DFID is currently supporting 620 projects/programmes and 86% of the partners are CBOs or community user groups. CSP was given as an example of donor best practice by one respondent:

The community support programme is a good example of how donors have increased accessibility to funds. In order to receive funding support, you can easily get the form from the CSP/DFID office in Nepalgunj. The form is in Nepali and very simple and easy to fill out. Once you fill out the form with the necessary information, you submit it and it gets processed. No intermediary NGOs required to help you write fancy proposals and the process is very simple.

It was outside the scope of this study to assess the impact of the CSP on poverty reduction, but the initiatives have no doubt contributed to allowing previously excluded groups to access resources and gaining more control over their own lives.

Other donors do not have any special programmes to ensure that Nepali NGOs outside the capital can access them. The Embassy of Norway has a small civil society window, most of the funds to Nepali civil society are channelled through Norwegian NGOs, but those supported are chosen out of political concerns. For example, as part of Norway's action plan for implementation and follow up of the UN Security Council Resolution 1325 (SCR1325), the strengthening of local women's network is an important approach. Thus, a contract was recently signed with the "Women's Alliance for Power, Peace, Democracy and the Constituent Assembly", an alliance of 10 women's network. The agreement is in the name of the Feminist Dalit Organisation (FEDO). Another political concern for Norway is human rights, and thus Norway has supported the Human Rights Yearbook produced by INSEC since 1993.

As discussed earlier, donor agencies channel a relatively large portion of grant aid through their strategic partner INGOs. SDC's INGO partner Helvetas has a relatively decentralised programming approach. All their programmes are implemented in the rural areas by local NGOs. Helvetas works with the VDC and DDC in the selection of implementing partner NGOs. A recent programming approach implemented by Helvetas since 2006 is the Coherent Programming, Planning, Monitoring and Evaluation (CPPME). The CPPME framework has been developed in response to the "projectised approach" of many development bodies (VDC, line agencies, NGOs and INGO projects) at the local level leading to issues of overlapping and duplication of development activities with limited coordination. Under the CPPME programmatic approach, a consolidated annual work plan is prepared at the VDC level by common agreement among different actors based on the compilation of separate plans of each actor. This process involves a comparison with the VDC profile, assessment of overlaps for coordination and identification of opportunities for complementarity. The outcome includes a comprehensive annual activity plan for the VDC, with the main needs/opportunities for the VDC addressed and different development actors and their responsibilities defined. This approach also creates a stronger level of coordination and promotes collaborative efforts between these different agents. Currently, this approach is being tested at the VDC level, and if proven feasible, Helvetas aims to promote it at the district level as well.

3.1.2 Partnership Approach and Process

Partner Selection

In exploring donor behaviour towards their partner NGOs, the agreement and partnership management process between the donors and NGOs was explored. The practices vary across different donor agencies and INGOs reflecting different behaviour in terms of transparency, inclusion and accountability in the process. Some donors follow an extensive process in selecting partners. DFID and SDC both have extensive support to the civil society sector and apply a close follow-up, which implies careful screening of partners before entering into an agreement. DFID conducts a comprehensive system audit of the potential partner. Throughout the implementation, DFID staff based in the districts and the central areas monitor the programmes through field visits. SDC also has the practice of conducting full audits of potential partners with an institutional assessment. However, as already mentioned above, there are general grievances regarding cases where donor agencies form partnerships based on personal connections without transparent processes.

Partnership Conditions

The duration of partnerships is an issue of concern for many organisations, especially rural based organisations. Many agencies (particularly INGOs) have the practice of forming short-term – from a few months to a year long - partnerships with NGOs or CBOs to implement their project. As part of the project cost, the donor pays for the salary of the designated project staff within the NGO. In some cases, the donor will send a project staff as the technical ‘expert’ to support in the project management and implementation. The donor covers the administration cost (rent, utilities and others) for the duration of the project. This approach has led to certain impressions and perceptions regarding donor behaviour as voiced by many of the interviewees from the civil society:

The donor is taking the project/programme to the community using local NGOs/CBOs as subcontractors to carry out their work. It is claimed that this reinforces the practice of donor-driven development and is not very different from direct implementation of development projects despite claims that donors are trying to move away from direct implementation. One respondent shared that sometimes there is a lack of complete understanding of the rural context in which the project is to be implemented, causing the project to be less effective or sometimes even less relevant to the community needs. An example provided is given below:

“Pig farming is a common income generating activity brought to Dang by various development agencies. As a result, we have several members of our groups following this activity. The donors require the farmers to raise the larger exotic imported breeds or “bikasey” pigs which have the benefits of being larger in size/weight and grow up quicker. However, most of the members of the group are poor farmers who do not have the necessary extra resources to properly manage and feed this type of breed if you are to sell it later in the market. They prefer to have the indigenous breed, “kanthey” pig which is smaller and can be easily raised on table scraps and vegetable wastes. So sometimes they feel burdened by having

There is a distinct difference in the attitude of the project staff versus the regular staff of the organisation. Often, the project staffs have a relatively higher pay scale (due to the temporary nature of the assignment) than others and therefore, are loyal and accountable to the donor agency rather than the institution or the community they are supposedly serving. This also raises question of the project staff’s commitment towards the organisation.

- The project employees are the ones who get training and exposure, therefore it is difficult to retain such staff in permanent management positions leading to high turnover of qualified staff in NGOs. While the more permanent staff are the ones who miss the “capacity building” opportunities.
- This has led to an environment of mistrust between the project staff and the other long term staff (usually those also in the governing board).
- The NGOs struggle with covering regular administrative expenses once the project is phased out, including the salary of the project staff. As one respondent put forward, this poses practical difficulties in following the good governance practice of management and board separation. Once the project is over, sometimes it is only the board members who remain and have to take up management roles to run the organisation, often without any remuneration. The respondent asked: *In such circumstances, how can you separate the board and management?*

Some of these issues above have led to the issue of accountability and ownership of projects and programmes. The projects are often brought in for the community but by a donor agency, INGO or other Nepali NGO to the community. If donors are to promote ownership by the community and accountability towards the community by the implementing organisations, they need take approaches accordingly.

A best practice experience was shared by a local NGO in partnership with Helvetas Nepal. In a certain project that was proposed by the NGO to Helvetas Nepal, Helvetas agreed to pay only 36% of the budgeted amount on the condition that the NGO would be required to fund the remaining 64%. According to the NGO, its partnership with Helvetas has always been based on this matching fund concept. The NGO was facilitating on behalf of a rural community, and therefore, supported the community in raising the necessary extra fund by coordinating them with other local resource areas. This process helps in creating greater ownership of the work being done by the community. Helvetas at central level made it clear that this practice has been only adopted with small micro credit programmes. During the last decade, it has become difficult to practice this concept as access and availability to resources at local level had become scarce. Thus, the practice is not as prevalent as before.

Capacity Building of Partners

In the current context of Nepal, some donors are still in the process of making the strategic shift from direct implementation to working in partnership with Nepali organisations. This trend has taken momentum, particularly in the last few years. Programmes such as Danida's HUGOU, have been working in partnership with Nepali organisations since it was started. However, given the nascent stage of civil society as a whole in Nepal, this poses some limitations for the donor community in selecting partners for implementing programmes, mainly due to the implementing capacity of organisations. Many donor agencies have tried to address this situation by including capacity building as part of the project. So far, most of the investment has been in the project or programme focused capacity building. There has been limited investment in terms of overall institutional strengthening or even Organisation Development. Although terms such as institutional support, institutional strengthening, capacity building or organisation development can be seen as components in programme design, the actual activity or intervention behind these terms is not consistent and the allocation of budget is also not clear. The objectives behind such activities are also not clear. If institutional growth and sustainability is the key agenda, then some of these activities have very limited contribution (sometimes even negative) towards institutional sustainability.

The Sanstagat Deego Pariwartan (Sustainable Organisational Change) or locally known as SANDEEP implemented by Save the Children – US (SCUS) is a unique programme in that aspect. The programme takes a more institutional approach to capacity building of organisations rather than the usual project oriented approach, supporting 40 NGOs in the Mid/Far West and Eastern regions of Nepal. The programme aims to develop various organisational components, with emphasis on governance and internal management. According to one of the partner NGOs in this programme, a very useful and practical aspect of the programme is the fact that they always include half staff and half board members in every training programme. The programme has also created a lot of awareness regarding the “dual role” principle of good governance practice and managed to fuel the current debate on the issue.

SNV has a longer term focus on capacity-building for its Nepali cooperating partners, “clients” that are mainly meso level organisations that have partnerships with local level / community organisations. In SNV partnerships, there is no funding involved, as the partners selected already have funding sources and programmes. SNV provides “advisers” for each organisation who takes them through the OD process. The partnerships last for a long time – most of their current

partnerships are for 5 years. In a slightly different approach, SNV also has partnered with Pro-Public and SAP Nepal to implement a programme in Karnali for building capacity of local NGOs. The two organisations do technical capacity building and the role of SNV is mostly knowledge brokerage and networking support for the partners.

The response towards the AIN's recommended INGO-NGO Partnership Guidelines³ which suggests the separation of board and staff as a basic requirement for partnership with the INGOs has been mixed. The issue has been perceived by most NGOs as an imposition (rather than a suggestion as emphasised by the donor/INGO community) and interference in internal affairs of the organisations. However, many of NGOs have been more confused on this issue, as the donors and INGOs alike do not necessarily hold the same view on this issue. The views range from seeing it as a very basic requirement for partnership to "who are we to tell them how to run their organisation?" Those who strongly believe in the principle feel that it would help to promote good governance if all donor agencies and INGOs held a uniform stance and sent out a consistent message to the NGO sector on this issue. The team saw a great difference among the donors' attached importance to this issue.

3.1.3 Monitoring

There was a great consensus on the donors' need to strengthen the monitoring of the programmes supported, especially the financial aspects. As one interviewee said 'donors should stop "parachute" monitoring and strengthen the monitoring of the whole programme. Donors were seen to be following up projects on an ad-hoc basis; go on project visit, be received at community level, then "parachute" to the next place. This type of monitoring looks at activities, not overall programme results.

This is an area where the NGOs wish the donors could coordinate better, especially when there are multiple donors funding the same project. One interviewee commented on the time and resources spent receiving and dealing with multiple monitoring teams from different donors in a year. His view was if not all donors of different projects, but donors of the same project could somehow carry out joint monitoring activities, that would save time and resources for that one particular project. Some NGOs also have reservations against what they perceive as too many unnecessary monitoring visits, specially when the cost of the monitoring activity is taken out of the project cost, which some feel is disproportionately high compared to the project budget.

On the case of reporting requirements for the purpose of monitoring and evaluation, it was felt that it may not be practical to have joint reporting. However, there is definitely some opportunity to enhance the reporting systems in order to generate greater learning for all involved. In some cases there is too much emphasis on achieving and reporting the outputs, the tangible figures that indicate success of the project. In this process both parties, the donor and implementing organisation sometimes oversee the actual impact of the project (which may not be as intended) and thus missing the real picture. This has also been found sometimes due to the lack of proper orientation on the overall programme design and sometimes due to inconsistent communication to the project staff.

With financial monitoring, most of the interviewees concur that donors need to be more thorough and strict. This would help to improve the image of NGOs that are often seen as involved in the development sector for the main purpose of "dollar farming" which has also bred distrust from some of the donors as well as public cynicism towards the NGO sector. In fact, some donors do not employ a close financial monitoring of the funding, but rely on the annual audited accounts. In

³ AIN (December 2005), AIN Recommended INGO-NGO Partnership Guidelines for working in Nepal, point 3 under "basic partnering requirements".

the standard contracts used by one of the donors in the working group, the donors asks for “the audited accounts of the organization and disburse based on the audited accounts”. The contract adds that it will also “frequently monitor the project by attending meetings [with the partner]”. This type of monitoring was commented by some Nepali NGOs as being insufficient, while others were very pleased that this donor was ‘so easy to deal with’.

The team saw that donors having their own internal auditors to check on the accounts – in addition to receiving the audited reports, were more confident that the funding was spent effectively. Some NGOs also mentioned that they felt it as an extra security when donors had a close financial monitoring.

Another unanimously held opinion was that donors should follow the Nepali law when it comes to financial monitoring, which implies asking for annual audited accounts of the whole NGO, not only audits of individual projects.

With regards to cases of financial mismanagement of any on the NGO side, a commonly held opinion was that it is mostly due to lack of expertise in the area of financial management. With this perspective, several donors have taken proactive measures. For instance, USAID has carried out capacity building of CPAs through the Auditors General’s Office. SCNN has started the practice of training auditors along with the partners’ finance staff and provide orientation on financial management to the other project staff.

Public audits are seen as effective tool for promoting ownership, accountability, and transparency of programmes. ActionAid Nepal has worked extensively with systematising its approach to what they refer to as a social audit, which is “key exercise where the power of information becomes an effective tool to enable citizens to participate in governance helping communities, for instance, to read and track public budgets.”⁴ Quoting from AAN’s experiences:

*In Baitadi, after AAN’s partner Bhumeswar Community Development Organisation initiated the practice of social audit, local communities started questioning the transparency of various government institutions. A number of schools in Siddheswar have also made their accounts transparent and the villagers also managed to dig out the misappropriated funds. In one school it was found that the headmaster had embezzled an amount of NRs 68,000. A three-member committee has been formed including representative from the community to probe this event. Similarly; the villagers have also unearthed misappropriation of NRs 30,000 in a village health post by a health worker. The villagers have already managed to recover the misappropriated amount from the culprit.*⁵

Related to financial monitoring, one issue that is still the subject of great debate is the practice of financing internal funds. The main contention lies on the issue of how NGOs manage and fund the internal fund. There are different practices and requirements from the donors on how they support administrative costs and different attitudes towards how the internal fund gets managed. It was felt that it would be useful if donors could also set some common standard on the issue of allocation of administrative cost. Some NGOs mentioned a rate ranging from 3-10% depending on the volume and type of project.

3.1.4 Transparency

Several Nepali NGOs raised an issue of concern to them related to the transparency of donor agencies/INGOs procedures of allocating agreements and budgets to partner organisations. As part of principles of good governance, the NGOs were familiar with statements of impartiality,

⁴ Social Audit: A bold step towards promoting accountability and transparency by Maneesh Gopal Pradhan, ActionAid Nepal.

⁵ Ibid.

declaring conflict of interest and stepping down of one's decision-making position if the case in question implies close friendships or family ties. As staff in Nepali NGOs are asked to ensure that they do not employ or in other ways favour people of their own kin or friends, it was felt that these principles should also be applied to staff in donor agencies and INGO.

It is common the public institutions that staff signs 'impartiality' statement (see example of one in Annex 4). Sanctions are also employed if any clauses in the impartiality statement are broken. Such policies would send out clear signals to Nepali organisations that donors/ INGOs are transparent and want to ensure that their own 'house' is in order.

Main points in such impartiality clauses should include that a employee/staff of donor/INGOS shall automatically be disqualified from preparing the basis for a decision of from making any decision in a case if:

- s/he is party to the case
- s/he is related by blood or by marriage to a party in the case
- s/he has close friendship ties with a party to the case
- he/ she is the guardian or agent of a party to the case or has been guardian or agent of the party
- he/ she is the head of, or holds a senior position in, or is a member of the executive board or the corporate assembly of a public or private institution that is party to the case
- he/ she is party to a case in direct competition with the case being processed

3.2 NGO governance and management practices

During the study, certain issues regarding NGO governance and management practices were focused on and explored. While exploring the different practices used by different NGOs in these areas, the team used the same three key indicators as with the donors' assessment; transparency, accountability and social inclusion.

Of the many aspects of NGO governance, the most contentious topic was found to be the issue of board governance and the role of the governing board. The discussion on good governance is not a new concept for many in the NGO sector. The debate on the role of the governing board has been sparked by requests from many of the INGOs and donor agencies to the NGO sector to strive towards establishing a separate board and management. Some have followed the principle, some claim to be in the process yet some have reservations against the concept.

Different arguments have been put forward against the feasibility of this practice in the context of Nepal; the lack of competent and reliable staff to hold management position being the most common answer. Other concerns related to this issue may be found scattered throughout this study report as it has also been linked with donor behaviour towards NGOs in Nepal. However, one aspect that became clear during this study was the different understandings on the role of the governing board. For the Nepali NGOs, the board holds and protects the ownership of the organisation. The board members, which are often the founding members, are seen essential for the continuity of the organisation. The view commonly held is that the "blood and sweat" of the key board members in establishing the organisation earns them the fundamental right to be part of the management and other incentives. In most of the arguments put forward, there was found less emphasis on the board's role in monitoring the organisation. There is also this sense, that once a member is placed only on the board, that person will be less active for the organisation. And those who are committed and are highly involved on behalf of the organisation as board members have the right to be part of the organisation.

Despite investments in this sector on awareness raising in good governance and numerous workshops organised in this effort, the continuous practice of what is called “dual role” in board governance raises some concerns regarding the process of democratisation within NGOs. Some of the registered NGOs have systems of elections (or at least claim so) and other governing rules and policies as required by the SWC. However, as most of them are not member based and are usually founded by group of close network of friends and relatives, the compliance with the governing rules and policies and the fairness of the system can be questioned. This concerns comes from the fact that there has been a mushrooming growth of NGOs over the last decade; the monitoring of such NGOs has been non-existent from the state and limited from the donors and it is not clear to whom their accountability is directed to.

For many NGOs, being in closer contact and financially dependent on the donor, the accountability is directed more towards that side than towards the beneficiaries in whose name the organisation has been established.

Several stories can be found in the daily newsprint alleging NGOs of exploitation of staff members or corrupt management practices. Although many of these allegations have not been investigated or confirmed, regular news as such in the dailies do little to minimise the “dollar farming” or “self-serving in the name of the poor” image of the NGO sector. One specific issue regarding financial management that was brought to the attention of the study team was the use of the internal fund. Many NGOs follow the practice of establishing what is commonly called an “internal fund”; a contingency fund created for the operational expense needs in between projects. Most receive certain amount as operational costs during the project period but have no alternative sources for covering such costs when there are no donor funded projects. The main issue lies in how this fund gets funded. It was found that some of the organisations follow the practice of mandatory contributions to the fund drawn as a certain percentage of the staff’s salary. Many of the donors are against this practice as it provides potential for financial mismanagement as very few has documented guidelines or transparent procedures on the usage of such funds. Donors are also weary of the fact some employees may be exploited and underpaid in the process.

During the conflict, NGOs in the rural areas have adopted the principles of good governance as a means of establishing their credibility and acceptance by all parties. In such conditions, transparency, impartiality and neutrality have become key operating principles. Thus, the use of public audits, public hearings and social audits have been promoted and practiced to enhance transparency. Another core issue that has been brought to the fore and major management practice by many NGOs is social inclusion and staff diversity. As aware as many are on this issue, the concept is yet to be fully internalised and practiced. Many NGOs (including INGOs) may have one or two staff from minority groups as token representatives, often in junior positions with majority of the senior management with the decision making authority being highly exclusive and often not representative of the marginalised groups.

Due to the limited time available in field work for this study and the scope of this study, the team could not sufficiently explore into the area of group based organisations in Nepal. Although the formation of local groups existed before the formation of the “modern” groups in Nepal, organisation of “sponsored groups” for local development were first mobilised during the Panchayat Development Era and became prominent after 1990. Since, various community groups and group based organisations have become potential and effective actors in addressing issues of poverty, social inclusion, gender and empowerment at local levels. A report submitted to the Gender and Social Exclusion Assessment (GSEA) study at DFID and World Bank provides several useful positive examples of group based organisations in social inclusion and empowerment⁶.

⁶ Biggs, S.D., S. M. Gurung and D. Messerschmidt, 2004, *An Exploratory Study of Gender, Social Inclusion and Empowerment through Development Groups and Group-based Organisations in Nepal: Building on the Positive*

3.3 Consensus on Donor - NGO practices

The study team explored areas in donor – NGO partnerships where some consensus could be established. Some of the key areas explored are below:

3.3.1 Joint monitoring of project's performance

- There was a unanimous view expressed from NGOs that donors have the clear right and authority to conduct strict financial monitoring of the NGOs and programmes supported. This implies that donors should monitor programme results (as opposed to ad-hoc activity monitoring)
- Donors should ask for comprehensive institutional audits which provide the full financial picture of the activities and donations received by the NGO, while project audit only give the details of the expenditure of the funded project. Several NGOs interviewed already had the practise of submitting comprehensive audits even if the donor only asked for the project audit. Comprehensive institutional audits leave less room for double financing of activities. The different fiscal years of the various donors in addition to the Nepali fiscal year which is from Shrawan (mid July) to Asar end (mid July) is another argument for ensuring that all donors ask for comprehensive audits, in addition to the respective programme/project audits that are needed for fulfilling donor country's requirements.

3.3.2 Common Criteria on Issues of Auditing Standards and Reporting

- Use of public audits has proven to an effective tool for promoting transparency, accountability and ownership of programmes and projects. Therefore, there was also an agreement that public audits could be institutionalised and constitute one such minimum standard for NGOs and that this practice should be encouraged and promoted by all parties – both civil society and donors.
- It has been realised that it may be impractical to harmonise reporting standards/formats given the different approaches used.
- There has been no agreement or consensus on the issue of how NGOs fund and manage their “internal fund” or how overhead costs are accounted for by the NGOs and supported by the donors. However, this is a serious issue that warrants further discussion and understanding among all parties involved.

3.3.3 Promoting Good Governance

- From the donor side, quite a few are in favour of imposing the principle of independent boards as a minimum or ‘basic partnership guideline’ (as for example the AIN suggested partnership guidelines). However, other donors avoid imposing the principle, but rather try to provide incentives for the partner to work on getting independent and active boards – by for example allowing for allowances for board members.
- There has been consensus on the importance of transparency and accountability. Many NGOs feel that this is necessary to maintain or even enhance their public images in a society where donor supported civil society is viewed with cynical eyes. Therefore, practices like public audits have been received as a very important tool.
- Social inclusion and diversity have been regarded as highly relevant and practical principles and therefore, should be an integral part of the partnership guidelines.

(version 2, November), Report submitted to the *Gender and Social Exclusion Assessment (GSEA) Study*, Kathmandu: DFID and the World Bank.

3.3.4 Developing and Sustaining Consensus between Donors and Civil Society

- With issues like transparency, accountability and board governance, the donors need to take a unanimous stance and communicate it accordingly. When it comes to financial mismanagement, there should be zero tolerance practiced.
- With issues like board governance, the donors need to reinforce a uniform perspective – i.e. that the separation of board and staff is a basic requirement of good governance. However, these practices should be advocated and encouraged through a process during the course of the partnership and not be imposed as a basic prerequisite to establish partnerships.
- There is also a strong feeling from the civil society side that donors also need to set examples of such practices that they have been preaching. Donors need to self reflect and assess the extent to which their institutions/offices practice these very principles of good governance, especially practices of transparency and social inclusion.

3.3.5 Future role of NGOs

- The most optimistic voices had already started envisioning a future Nepali society whereby the NGOs would gradually cease their roles of service-delivery organisations to take more ‘typical’ NGO roles such as advocacy and lobbying and to be watchdogs of governmental policies. This ‘school of thought’ would advocate that NGOs should in the long term strive towards obtaining complementary role to the government in providing basic education, health and agriculture. But there was no general agreement on this point. Other donors could not foresee NGOs withdrawing the vital services of health and education that they provide in rural and remote areas where the government is not present.
- To quote Mr. Devendra Raj Pandey⁷, who has over three decades of experience in this sector, both as a civil society member and government official, “the civil society members must not be seen as working on behalf of donors....there is a need for discussion on the role of the civil society vis-à-vis what we expect from the state. To me, civil society has to contribute to enable the state to function, not to weaken it and usurp some of its roles for itself.”

3.3.6 Civil Society Strengthening

Donors are still in the process of changing their roles from that of an implementer to a facilitator of development activities. In this process, there is general consensus that capacity building is a necessary component of donor aid. However, donors need to prioritise donor assistance aimed at capacity building in coordination and consultation with civil society.

- Firstly, it is not the donor’s prerogative to decide where the need for capacity building lies. This should come from the civil society in line with the vision of the future role of the civil society in Nepal. So far, the trend has been that capacity building needs have been identified based on the donor’s priorities and programmes.
- Secondly, it is necessary for the civil society to “own” the idea of their own capacity building needs through a critical self reflection and thorough understanding. It is evident from the ongoing controversy on the governance issue that donor imposed capacity building is not the most effective way to initiate sustainable organisation change.
- However, donors can facilitate the change process adopting a systems approach with awareness raising and education during the course of the partnership process.

⁷ Pandey, Devendra Raj (2001), Corruption, Governance and International Cooperation: Essays and Impressions on Nepal and South Asia, Transparency International, Nepal

3.4 Coordination

3.4.1 Inter-donors

Donor cooperation in Nepal has become more efficient in recent years (compared to other developing countries). Most donors have a declared goal of aligning their policies towards the GoN's 10th Plan and the Poverty Reduction Strategy. There have also been a number of co-funded programmes towards civil society⁸ such as the RDIF and Human Rights organisation component of HUGOU, as well as through UNDP system.

The donors also fund 'each others' INGOs and programmes. The RNE funds the Human Rights organisation component of the Danish HUGOU and DFID funds the Swiss INGO Helvetas. When the study team found joint partners, we explored further if there existed traditions for joint audits, external evaluations or reports. In most of the cases, there were not.

One Nepali organisation reported that it had asked its donors for a consortium for dealing with them. The objectives from the Nepali partners' side were to unify reporting and proposal formats and also to have a joint forum for sharing information on the programmes. It had invited the funding agencies for a meeting to make specific suggestions for harmonisation. It did not materialise into a donor consortium. This organisation concluded that donors are unwilling to look at reporting formats because they all have their own formats they need to report back to their head quarters.

The study found that the NGOs main concern with the donor coordination was at the partner level or the district level where the project was being implemented. For partner level, the NGOs want donors who are funding the same organisation to talk together and do joint financial monitoring, joint project visits and joint evaluations. .

The establishment of the Basic Operating Guidelines (BOGs) were seen by members of the INGOs and NGOs as a 'best practice' example of donor coordination. For the field level members, in addition to an operational guideline, it also assisted in projecting a consistent image of neutrality and impartiality working in a conflict environment.

Among the INGOs, the Association of International NGOs (AIN) acts as the driving force for concerted and coordinated action towards civil society. In a recent study "Expanding the Space for Development by I/NGOs During Nepal's Transition Process - Learning from Case Studies"⁹ AIN stresses that the most important coordination/networking is on the district-level.

SNV coordinates with other donor agencies as a tool of supporting partners, e.g. SNV has coordinated with GTZ's Rural Community Infrastructure Works (RCIW) programme and the UN programme - Decentralisation and Local Governance Support Programme (DLGSP) as they have partnered with local NGOs that are implementers of these programmes.

3.4.2 Donors – NGOs

There is currently no permanent forum for civil society – donor coordination. The INGOs and AIN is active in many areas and has working groups on various development topics, but none currently on coordination of funding. The study team discussed various alternatives (Nepal Development Forum, Nepali Aid Group) with the Nepali NGOs, but none were found to be in a consensus.

⁸ Since this study is limited to the non-governmental sector, it will not touch upon the donors' co-funded educational projects, the budget support or other joint initiatives from the donors with the GoN.

⁹ Draft report dated December 1, 2006

However, at the grass root level, there are some positive examples of donor – NGO coordination. One such example is the formation of loose networks in the districts where Helvetas is operational, e.g. Helvetas’s LLINK (Linking Local Initiatives to New Know-how) programme in the mid and far west of Nepal. The main objective of such a network is to set minimum norms and guidelines for development actors in the area, like uniform DSA standards and operationalisation of the BOGs developed by AIN.

3.4.3 NGOs

For the coordination of the NGOs in Nepal, the NGO Federation (NFN) plays a prominent role. Established in 1991, it is an umbrella of 3400 NGOs with districts federations in 75 districts and in 5 regions. 17 federations are members of NFN. The secretariat has three permanent staff.

Even if the NFN is the largest umbrella of NGOs, it is not the only one and not all NGOs are members there. Due to various reasons, some NGOs prefer to stay outside.

The main function of the NFN is to raise the professional level of NGOs in terms of “efficiency, transparency, accountability and sustainability and to organize and strengthen the NGO movement”. As opposed to likeminded NGO networks in other countries, the NFN does not only do lobbying, advocacy and information work regarding issues of NGO concern, but it also implements projects.

Funded by DFID, the NGO Federation implemented a capacity-building project for a number of years. This implied training of member NGOs in financial management as well as guidelines for human resources management; the process of advertising positions, interview candidates etc. to ensure due process and transparency in recruitment. According to the NGOF, it has a coordinating role of currently developing financial management guidelines for all 75 districts. But these guidelines are presented as proposals and not impositions, according to the NFN.

A Code of Conduct (CoC) was developed by the NFN for its members as a self-regulatory measure. The nine points in the CoC stress upon importance of NGO members to work according to principles of a) impartiality (no campaigning of political party), b) cooperation and coordination with governmental and non-governmental bodies, c) self-reliance and sustainability, d) financial transparency, and e) professional ethics of members.¹⁰

The current CoC does not provide advice for its members for how to deal with the issue of ‘dual role’ of board members and paid staff.

3.5 Central and regional level Civil Society Governance

Given the limited scope and time of this study, the study team was able to review the centre – regional level relationship among only a limited number (3) of organisations. The governance relationship was found to be relatively decentralised in comparison to what one would find in government organisations. In some instances, the entire programme unit were at the regional level, with only the senior-most staff at the strategic level operating from the centre. This gave the required operational autonomy to the regional offices. Ideas for new projects/programmes were borne at the regional level and shared with the centre. The instance where centre’s direct involvement was required was in the bidding or partnership establishment process with the donors.

¹⁰ Source: <http://www.ngofederation.org/>

There were some concerns expressed in cases where some regional offices felt frustrated when they could not independently approach the donors for support and were asked to approach via their central offices.

The case of INSEC, a large human rights NGO with central office in KTM, but with a decentralised structure. Staff in Dang working on a Danish funded Peace-building project expressed great satisfaction of being able to report to Nepalgunj (instead of KTM). This has improved both logistics and communication; if a problem occurs in Dang it will be solved there, not having to involve the central office. At INSEC central office an internal auditor reviews all accounts every three months.

The initiative for decentralisation seemed to have come from down – up. To bridge the geographical gaps between the different regions, the project has funded annual reviews where learning is shared between the different staff in the regions (including a Review and Reflection Components). This particular organisation allowed the regional office to have a direct link with the donors - something which was perceived positively by the regional staff, however other NGOs are known to have a much more centralised structure; all contact with donor must go through KTM. It is often in these cases, INGOs insist on having a direct link with the lower levels of the Nepali organisations.

In the recent AIN study “Expanding the Space for Development by I/NGOs during Nepal’s transition process” it is recommended that I/NGO work on reinforcing transparency at local level with both Nepali partner and community organisations to keep all actors informed.

- transfer management and accountability to lowest level possible
- advise and train partners and user committees on social and public audits

Among possible actions discussed in the study is to pay local partners directly and make fund allocations as transparent as possible.¹¹ Such issues raises a fundamental discussion on which roles Nepali organisations based in urban-central locations should play vis-à-vis the community-based organisations. Some argued that the urban-based organisations should be networking and providing capacity-building and leave solely for the CBOs to implement projects.

The NGO Federation’s representatives advocated for a reduction in the number of intermediate NGOs. In the longer term, as the organisations closer to the communities get more professionalized and more able to approach donors directly, the roles of the intermediary NGOs must be reduced. The same also goes for INGOs. “Questions should be asked about their value-added” were claims heard by the study team, especially when INGOs openly compete with Nepali NGOs for funding. The NGO Federation expressed scepticism towards the roles of INGOs that were doing what was called ‘direct implementation’; contracting directly with CBOs and user groups, but INGO continue to do planning, hiring staff, write proposals etc without doing actual capacity-building of the local organization.

Some of the INGOs that have continued to work closely with the local communities (labelled ‘direct implementation’ by some NGOs) have done so by justifying it that the Nepali NGOs are not competent enough yet. Such claims were however dismissed by larger Nepali NGOs.

In general, the issues of decentralisation of power, resources and access will continue to dominate the debate in Nepal for a long time to come. This implies that Nepal must steer its own development also in the NGO-sector. It is therefore useful for INGOs to reflect upon their own exit strategies and for how long they intend to continue working in Nepal.

¹¹ Quotes from Draft AIN report (December 2006) page 18.

3.6 Role of Social Welfare Council

Within the set-up of the Nepali government, it is the role of the Social Welfare Council¹² to monitor the non-governmental organisations. In the Social Welfare Act of 1992, specific provisions are made that require INGOs to work in partnership with Nepali Organisation prohibiting them from direct implementation of programmes and projects in Nepal. Any INGO who wants to donate to Nepal, must apply with SWC for permission to operate. When they get the agreement from the SWC, the objectives of the financial support should be explained. The minimum amount for funding is US \$50,000 annually. The INGO should make a plan with a timeframe, but with no mentioning of the geographic district in the General Agreement. Within 3 months of the General Agreement, the INGO should submit a project proposal, a methodology, implementing partner and give a break-down of the budgets including items for technical equipment, salaries etc. If expatriates are to work on the project, it should be mentioned so that the SWC can assist with work permits and visa.

The SWC monitor the organisations' activities and should initiate the mid-term and final evaluations and reviews. Evaluation costs are carried by the INGOs. The Nepali NGOs are responsible for submitting an annual audit report, and a narrative report. Depending of volume of work, an auditor is chosen, A, B, C and D auditors.

The SWC estimated that 80% of the funds are utilised properly, if misappropriation or misuse of funds are discovered, a committee is formed to investigate and take action. Sometimes a NGO is closed down for 3-6 months, sometimes for ever. In meeting with the Study Team, the SWC strongly encouraged the use of social audits if the project has a community-base for educational purposes as well as to encourage people's participation. The SWC also supported the introduction of minimum standards for NGOs such as use of comprehensive audit accounts.

As part of the current government's efforts at reforming of the SWC, a new law is being drafted. The SWC might be given the new name Social Development Council and the goal is for it to be active in the districts also, not only in the central areas. The new law does not mention anything about the dual roles of board members and paid staff members. SWC believes this provision will be difficult to implement. The SWC stresses that they will not force the INGOs to comply with their rules; the SWC prefers to discuss and have consultations.

Both NGOs and INGOs/donors are monitoring the new developments in the Law and are discussing their inputs to the draft law. The AIN is already in a dialogue with the SWC to have their comments to the draft law heard.

¹² Content based on in-depth interview with the SWC Member Secretary Dr. Ritu Prasad Gartoulla.

4. CONCLUSIONS AND RECOMMENDATIONS

Based on the consensus derived from consulting with the NGOs and the INGOs/donors, the Team recommends donors to move on the following issues.

1. Initiate joint audits of commonly funded partner organisations. The working group of donors could with some efforts:
 - Harmonise Terms of Reference for auditors
 - By cooperating closer on the auditing side, a natural consequence of that is to request comprehensive institutional audits of the commonly funded partners (in addition to respective programme/project audits)
2. Include use of public audits in partnership guidelines. An almost unison agreement was found on the feasibility of making public audits mandatory in project implementation in order to improve I/NGOs accountability towards recipients. Level of public audit will differ, but a minimum standard is to conduct the audit at the location of project implementation. But, donors should take care not to ‘pollute’ communities with setting up signs and boards everywhere.
3. Increase transparency in selection process of partners. There is a need for donors/INGOs to be more transparent as to how their partners are chosen; criteria for funding should be announced publicly, or in other ways facilitate NGOs based in non-central areas to get access to the resources. This point is especially valid for donors that channel funding directly from the embassy to NGOs in urban (KTM) areas without clarifying goals & objectives of funding and not publishing the criteria for applications as this can reinforce popular perceptions that foreign funding is just benefiting the ‘traditional urban elites.’
4. Introduce in donor agencies and in INGOs the practice of declining responsibility because of conflict of interest if a member of staff has close friendships/family ties with members of the Nepali NGO. Staff in donors/INGO could be asked to sign ‘impartiality’ statement followed by sanctions if broken. Such policies would send out clear signals to Nepali organisations that donors/INGOs are transparent and want to ensure that their own ‘house’ is in order when it comes to allocating agreements and budgets to Nepali partner organisations.
5. Zero tolerance for documented misuse of funds. When a NGO is found to have misappropriated funds or in other ways engaged in documented corruption practices, donors should act with determination and zero-tolerance. Such information should be shared among donors’ working group.
6. Uphold principles of good governance, but keep a broader focus than separation of board-management. For centrally-based larger NGOs that can access a pool of qualified potential board members, the principle of separation of the board and staff can be a minimum standard that could be adopted in a uniform way by the donors/INGOs.
7. For rural community based organisations, it is not recommended to make separation of board-management a minimum requirement; donors/INGOs should rather focus on building capacity within the NGO to ensure internal control mechanisms, and to achieve the goal of separation within a set time frame.
8. Donors’ assistance aimed at capacity-building of implementing NGOs should be complementary to each other to avoid ‘overwhelming’ a Nepali NGO with capacity-building with less funding directed to field activities. CB/OD should be part of a process, not a goal in itself if the NGO does not have funding to practice the OD as a tool for more effective and safe delivery of aid.

9. For overhead costs if possible, the same rates should be supported on condition of NGOs transparency (percentage set according to volume) in order to support organisations' chance of sustaining themselves and developing active board members. A minimum rate would range from 3-10% for administrative costs depending on type of projects; large infrastructure projects should be on the lower end, and smaller projects involving mostly human resources be on the higher receiving end.
10. Make better and more active use of Contracts as tools for improving communication and clarifying mutual expectations between donors/INGOs and NGOs; ensure that there are copies available in Nepali language; train NGOs to ensure that contracts are understood, their duties and rights vis-à-vis donors are clear and establish communication possibilities between donors and organisations that are lower in the cascade of aid.
11. Include clauses in contracts requiring duty of funding agencies/donors (INGOs) to participate in joint annual meeting called by their commonly funded partners. To further empower and promote the Nepali NGOs ownership to funding, it is recommended that NGOs attempt at organising at least one annual meeting whereby all donors/INGOs are represented by one staff in a decision-making position.
12. Head of Agencies in Donors Working Group are encouraged to share and follow up recommendations in this discussion paper with the INGOs they are funding in addition to sharing the report with the AIN, the NGO federation and representatives of the NGOs in for example a one-day seminar.
13. The following minimum standards are suggested to be included in Standard Contracts with NGOs:
 - a) Coordination of donors at partner level
 - b) Partner's responsibility to call for annual meeting for donors/funding partners
 - c) Donors/INGOs responsibility to conduct joint evaluations, audits and – where possible, joint monitoring visits on project sites.
 - d) Donors/INGOs responsibility to be present in partners' annual meetings with staff bearing decision-making authority in order to harmonise practices with other donors.
 - e) Comprehensive institutional audit of partners
 - f) Public audit included in project/programmes
 - g) Separation of board-management for larger, centrally-based NGOs
 - h) Donors' duty to ensure transparency in selecting NGOs for funding; practice impartiality and declare conflict of interest when needed
 - i) Social inclusion and diversity criteria for staff/board members in I/NGOs
 - j) Coordination of NGOs at local level
 - k) Some participation of community/NGO in project's budget (matching fund)

Donor Best Practices towards Civil Society

1. Background and scope of work.

Implementing development assistance to Nepal has been challenged due to the context of internal armed conflict. Workspace for implementing and funding agencies has been narrowed by the deteriorating political and security situation all over the country. In this situation the civil society has played an important role regarding implementation of development activities, and the total picture portrays a magnitude of different actors and work methods. The overall situation in Nepal is now a more optimistic one, which leads to new challenges in the development field.

Regardless of the outcome from the ongoing political processes, there is an agreement among many donor agencies that further harmonisation and development of guiding principle for how to engage with civil society is needed. Special focus has been added on work through, and capacity of, the comparatively young formal Nepali civil society. Efforts have also been made by the Association of International NGOs and the Nepali Federation for NGOs to develop minimum requirements for their operations.

On this background the donor Heads of Agencies Group has decided to establish a working group to offer advice on areas listed under. The working group have identified examples of issues on which suggestions and comments would be helpful and needs to be incorporated in the report.

- **Civil society governance** – can donors establish a consensus on what we expect from civil society in areas such as: or reporting, accountability, transparency and performance in delivering on projects? Such a consensus would help provide clarity for the civil society sector. A common approach and agreement on which principles for guidelines are relevant, would reduce transaction costs for civil society and help their capacity building efforts.
 - How can donors and civil society best work together to monitor performance during the lifetime of the project.
 - Can we agree on common criteria on issues such as auditing standards and reporting?
 - What is the role of a CSO's governing board in ensuring that civil society resources (including donors funds) are well used.
 - How should any consensus between donors and civil society on these issues be taken forward, should there be regular follow up discussion, for example?
- **Co-ordination of civil society strengthening** – with the number of donor activities aimed at CSO strengthening increasing, and a tendency for donors to partner with the same NGOs there is a need for co-ordination and dialogue.
 - What advice can civil offer to donors on the priorities for donor assistance aimed at helping capacity building for civil society (e.g. board governance, advocacy, service delivery etc.)?
- **Donor behaviour towards civil society**

- **Role of the Government of Nepal and the Social Welfare Board.** – Can it be identified what civil society can expect from funding agencies?
 - Can and should donors adopt a common minimum standard of audited accounts to be submitted by civil society recipients of funding?
 - How should donors better co-ordinate their engagements with civil society? Is a new mechanism needed to help insure that donors are cognisant of each others work and are taking opportunities to work together?
 - How can donors improve the ways in which they engage with civil society and the approach they take to funding civil society projects?
 - On what background do the funding agencies choose their partners, what are the criteria for evaluation?
 - What actions on either side would most improve the ways in which donors and civil society work together?
- **Role of the Government of Nepal and the Social Welfare Board.**
 - Are these seen as conducive for civil society operations in Nepal.
- **Central and regional level Civil Society Governance** – how is the interaction between central and regional branch, and how does the process of identifying needs work?
 - How does Kathmandu based NGOs capacitate their regional branches.
 - How do regional branches perceive the working relation to their central offices?

The following agencies/embassies are represented in the working group: Denmark, DFID/ESP, SNV, Norway, USAID and SDC. The working group is purely advisory and its recommendations will be non-binding on donors. This working group is now seeking one Nepali consultant and one international consultant who will provide in-put to the process.

2. Purpose

Provide the working group with a report based on consultations with donor agencies, local NGOs, international NGOs, regional NGOs and civil society federations. The work of the consultants shall focus on the three abovementioned areas. The report must contain recommendations on how to proceed in the ongoing effort to harmonise and develop guiding principles on donor agencies engagement with civil society.

The consultants shall explore the different approaches used by the donor agencies towards civil society, map reporting requirements and working methods. The report should contain a review on how civil society perceives the current working relationship with funding agencies and what, in their view, can be improved.

The current situation gives all actors a good opportunity to look back on how work was conducted prior to 24th of April and what new opportunities and challenges that lays ahead. Best practices from the conflict situation should be mapped and current needs and core issues in the new political situation shall be sought and examined in the report. The working group has already identified examples of issues on which suggestions and comments would be helpful.

3. Methodology.

The consultants must consult directly with at least one NGO working in each of the following areas: Social service delivery, advocacy, women's empowerment, human rights, income generation and child welfare.

NGO federations and associations must be consulted.

A field visit to at least two districts to seek input from local civil society must be undertaken.

All involved actors must be asked about their view on the current situation and whether this will change their mode of working in programme planning/implementation.

4. Timeframe

The consultants will start their work by 4th of January 2007 and will work on the draft report to be submitted by 26.1.2007 in electronic version. The final version will be available in electronic version by 9.2.2007

5. Budget (in US\$)

Activity	Rate/Day	Total
Travel international Consultant	4700	4700
Salary for international consultant	397/20	7940
Salary national consultant	110/30	3300
Travel expenses in Nepal	1200	1200
Printing etc for report	250	250
Total		17 390
Applicable tax (15%)		2609
Grand Total		19 999

6. Reporting

- The report must give a balanced view of the discussions and include the following chapters:
 - An introductory summary with main conclusions and recommendations.
 - One chapter on each of the bullet points given in the section describing background and scope of work.
 - One section on practical follow-up/recommendation for follows up. If possible, the consultants should suggest a common standard that the donors can discuss as their common approach towards the civil society containing 10-12 follow up points.
- The report must be available in electronic form and in English. First draft should be submitted to all agencies funding the report and followed by a briefing session for all involved actors where it is possible to make comments and suggestions.
- The report should then be printed and distributed to all relevant actors.

ANNEX 2: INSTITUTIONS AND PERSONS CONSULTED

REPRESENTATIVES FROM DONOR AGENCIES

Alan Whaites	Senior Governance Adviser, DFID
Phanindra Adhikary	Deputy Programme Manager, DFID
Hiramani Ghimire	Governance Adviser, DFID
Ivan M. Nielsen	Programme Coordinator, Danida-HUGOU
Donald B. Clark	Mission Director, USAID
Amr H. Elattar	Mission Controller, USAID
Naren Chanmugam	Director, General Development Programme, USAID
Leila M. Abu-Gheida	Senior Conflict Analyst, USAID
Anne M. Peniston	Deputy Director, USAID
Amy Paro	Project Development Officer, USAID
Kikkan Haugan	Royal Norwegian Embassy Kathmandu
Marit Strand	Royal Norwegian Embassy Kathmandu
Elin Gjedrem	Royal Norwegian Embassy Kathmandu
Margaret Myklebust	Royal Norwegian Embassy Kathmandu
Kamla Bisht	Royal Norwegian Embassy Kathmandu
Marcel von Arx	Swiss Agency for Development and Cooperation (SDC)
Madhu Sharma	Swiss Agency for Development and Cooperation (SDC)
Sylvie Gallot	SNV Nepal
Rudra Sapkota	SNV Nepal

INTERNATIONAL NGOS IN NEPAL

Roger Hodgson	Ujyalo Project Director, Save the Children US
Deepak Koirala	SANDEEP Project Manager, Save the Children US
Dipendra Shahi	SANDEEP M & E Officer, Save the Children US
Eiichi Sadamatsu	Resident Representative, Save the Children Japan/Secretary AIN
Rajendra Manandhar	Programme Coordinator, Save the Children Japan
Maneesh G. Pradhan	Senior Impact Assessment Officer, ActionAid Nepal
Nick Langton	Representative, Asia Foundation
Sagar Prasai	Programme Adviser, Asia Foundation
Jagat Khadka	Save the Children Norway - Nepal
R.B. Shakya	Save the Children Norway - Nepal
Tracey Martin	VSO Nepal
Simon Grainge	VSO Nepal
Reshma Shrestha	Plan Nepal/Association of International NGOs in Nepal (AIN)
Ashok Shrestha	Team Leader Partner Management, ADRA
Sten Andreasen	Country Director, MS Nepal
Nynne Haugaard	MS Nepal
Ram Risal	Country Director, Helvetas Nepal

NEPALI ORGANISATIONS

Dr. Arjun Kumar Karki	President NGO Federation
Dr. Netra Timsina	Vice-president, NGO Federation
Bijay Raj Gautam	Director, INSEC
Subodh Pyakurel	Chairman of Board, INSEC
Asmani Chaudhari	Chairperson, Rural Women Development Centre (RWDC)
Mina Giri	Organisation Development Facilitator, RWDC
Sunita Chaudhari	RWDC
Dil Bahadur Pariyar	President, Oppressed Community Development Centre (OCDC)
Madhu KC Sunar	Board Member, OCDC
Sher Bahadur Pariyar	Board Member, OCDC
Ram Krishna BK	Treasurer, OCDC
Laxman Nepali	Secretary, OCDC
Bal Kumari Pariyar	OCDC
Mohan Das Manandhar	ODC Inc.
Tek Nath Acharya	Programme Coordinator, Pro-Public, Ghorahi, Dang
Bimal Kumar Adhikari	District Representative of INSEC - Dang
Sushil Chaudary	District Programme Adviser, INSEC - Dang
Keshav Kumar Sharma	District Programme Coordinator, INSEC - Dang
Man Bahadur K.C	Facilitator, INSEC Dang
Tirtha Bishwakarma	Executive Director, DNF
Tek Bahadur Raika	Acting President of the Board, DNF
J. B. Biswokarma	Regional President, Midwest region, DNF
Madhu Biswokarma	Regional Coordinator, Midwest region, DNF
Ram Risal	Member Secretary, Rural Self-reliance Development Centre (RSDC)
Dr. T. N. Upadhyaya	Board member, RSDC KTM

Sabitri Sharma	Treasurer Board, RSDC KTM
Jyoti Ram Mishra	Program Coordinator, RSDC – Nepalgunj
Manju Pandey	Social Promoter, RSDC- Nepalgunj
Megnath Bhatta	Accountant, RSDC - Nepalgunj
Kedar Khadka	Director, Good Governance Project, Pro-Public - KTM
Adarsha Tuladhar	Project coordinator, Civil-Society Anti-Corruption Project, Pro-Public

GOVERNMENT

Dr. Ritu Prasad Gartoulla	Member Secretary, Social Welfare Council
Dr. Shankar Raj Sharma	Former Vice Chairman, National Planning Commission

QUESTIONNAIRE FOR DONORS

(special focus on coordination, governance & financial management, donor behaviour & practices)

Background and context

1. What is the background for your organisation's support to the country?
2. What are the main partners, priorities, and programmes/projects?

Strategy - goals

3. What have been the main features in your organisation's country strategy?
4. What are your organisation's thematic priorities for the country?

Systems and procedures towards civil society

(a) Planning

5. How are partners identified and projects planned? Which criteria?
6. Any joint planning with other donors? Who, how?
7. How do you ensure that excluded groups are included in projects?
8. What types of analyses and assessment are carried out:
 - Base line/political studies
 - Conflict sensitive analyses
 - Any joint assessments with other development actors?
9. Is a phasing out strategy included in all new plans?

(b) Financial management and control

10. What systems are in place for financial management and control? Any joint financial control with other donors?
11. Has your organisation experienced any serious examples of fraud or financial mismanagement?
12. If so, how were they handled? Did you contact other donors or other partners of that organization?
13. Which auditors do you use? Do you let your Nepali partners select from a pool of donor-approved auditing companies?
14. What are your auditing standards? Have you discussed them with other donors?
15. How have they been known to Nepali partners? Any training workshops?

(c) Monitoring, reporting and evaluation

16. What systems are in place for reporting from partners and projects? Any joint monitoring initiatives?
17. Do the projects have clear and measurable targets and indicators?
18. What system is in place for evaluating your organisation support? Any joint evaluations? In case, which programmes, with whom?
19. To what extent have evaluations contributed to effective internal learning and improved external accountability?

Partnerships with civil society

20. Do you meet with governing boards of your partners CSOs?
21. Do you have any systems for checking that your partners are accountable towards their target groups/constituencies?
22. Does your partners use public audits? Can public audits be a standard?
23. How do you manage disagreements and/or conflicts?
24. To what extent does your organisation have a clear strategy and specific tools for strengthening the capacity of partners?
25. How do you promote national ownership to projects/programmes?

Coordination

26. To what extent does your organisation collaborate with other international organizations? Which organizations?
27. Does your agency chair any coordinating networks?
28. How do you relate to as representatives of Nepali civil society?

Relevance & results of coordination

29. What have been your organisation's major achievements and results in the country – in areas like promoting ownership, coordination & capacity-building?
30. To what extent do the plans for coordination have clear and measurable objectives and targets?
31. What data and information are available on achievements and results? What is the quality of the information?

QUESTIONNAIRE FOR CIVIL SOCIETY ORGANISATIONS

Organisation Background, Context

1. When and how was your organisation established?
2. What are the core working areas for your organisation?
3. What are your funding sources (Donors, local institutions, Trusts)?
4. What role does your board (executive committee) play in running organisation? How frequent does your organisation conduct elections/general assemblies/board meetings?

Social inclusion/representation of community (target group)

5. Is local community represented in the board?
6. Are there any representatives of community employed as staff?
7. Does your organisation have any system for accountability towards your local community (target groups/constituencies) or other ways of consulting them?

Partnership with Donor/INGO

a. Initiation and Agreement process

8. How do you identify potential donor partners? Or why this particular donor?
9. Or how were you chosen by the donor as a partner? What were the basic requirements necessary in order to enter into partnership? Were the donors' criteria made known to you?
10. What was the process of entering into partnership? Proposal formats and procedures, joint assessments and analyses carried out – context analysis, baseline surveys, feasibility studies.
11. Any joint planning/discussion with donor on terms of the contractual agreement? Is there any space for negotiations and sharing of mutual requirements?
12. What is the duration of the agreement? How does it affect your programme?
13. Did you go through a mutual orientation process while entering into the partnership?
14. Is there is a phasing out strategy/plan included as part of the agreement?
15. What is the timeline and how have you planned on your part to phase out the partnership?
16. What are your expectations from the donor regarding support in the phasing out process?

b. Financial Management

17. What are systems in place in your organisation for financial management? Any internal control?
18. What are your experiences regarding auditing? What are the challenges faced in fulfilling the donors' requirements?
19. Please share the auditing process. Are the auditing requirements from the donors clear?
20. Did your organisation receive any orientation/workshop/training in financial management or in fulfilling the auditing standards?
21. Does your organisation use public audits? Can public audits be a standard for all civil society partners?
22. What suggestions do you have for the donor partners to enhance financial accountability?

c. Monitoring and Evaluation

23. What systems are in place for reporting to partners/donors? Any joint monitoring initiatives from a group of donors?
24. To what extent have evaluations contributed to effective internal learning and improved external accountability?
25. Do donors monitor close enough? If no, why not? How can it improve?

d. Communication

26. What are the communication procedures with your donor partner? (frequency, purpose, medium, quality)
27. What are the mechanisms for sharing learning between partners? Is it mutual?

e. Coordination

28. Is your organisation a part of a coordinating network of partners of the same donor?
29. If yes, how is it functioning? How does it add value for your organisation?

f. Capacity-building

30. Has your organisation/staff received any capacity-building support from donor?
31. Did you ask for any particular CP? In case yes, what type?
32. Do you feel that the donor sufficiently understands/appreciates your organisation's challenges and reality?

g. Partnership Relationship and management

33. Please describe your partnership relationship.
34. How has it evolved since it started and have there been any significant changes? If so, how has it affected your organisation and what were the contributing factors for this change.
35. What are the principles/factors that guide your partnership? Has it been communicated/shared with you (through some strategy paper)?
36. Are these same principles applicable to your partner and reflected in your partner's working style/partner approach as well?
37. How do you manage disagreements and/or conflicts?
38. What have been some of the positive changes or growth in your organisation as a result of this partnership – could be part of the institution strengthening strategy of the donor (in terms of internal management and operations)?
39. Are there any areas of improvement in the donor approach or any best practices you would like to share?
40. Do you agree with the main point in the draft AIN partnership guidelines?

ANNEX 4: GUIDELINES

Guiding principles (guidelines) on Impartiality and Confidence

An employee, expert/consultant shall automatically be disqualified from application processing and decision making with regard to the application(s) in question.

A employee/staff of _____ (name of INGO) shall automatically be disqualified from preparing the basis for a decision of from making any decision in a case if:

- s/he is party to the case
- s/he is related by blood or by marriage to a party in the case
- s/he has close friendship ties with a party to the case
- s/he is the guardian or agent of a party to the case or has been guardian or agent of the party
- s/he is the head of, or holds a senior position in, or is a member of the executive board or the corporate assembly of a public or private institution that is party to the case
- s/he is party to a case in direct competition with the case being processed

The case is decided by (name of INGO/donor) consensus in case of disagreement.

The rules shall not apply if it is evident that the member's connection with the case or parties will not influence his or her standpoint, and neither public nor private interests indicate that he or she should step down.

The rules pertaining to disqualification apply to the handling of proposals/ applications for funding in which resources or rights are granted to specified individuals, institutions, organizations etc. The rules must also be applied in other cases where appropriate.

(Source: The Research Council of Norway, 2004)

