ADB-ADBI Forum on Governance and Institutions

Governance and Service Delivery: Practical Lessons for Subnational Governments A Case Study on ADB's Support to Nepal

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Success of SDGs

Localizing global agenda



Impact on citizens through improved service delivery



Effective delivery mechanism



Strengthening local government













5 GENDER EQUALITY









14 LIFE BELOW WATER









Public Finance 101

- ☐ Subsidiarity Principle
- ☐ Tiebout (1956) "Voting with One's Feet"





Vicious cycle of service delivery



Low infrastructure investment



Poor state of municipal finances





Inability or lack of willingness to pay taxes / user fees





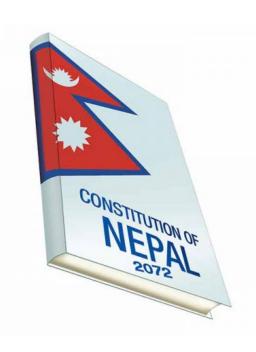
Great Transformations

- Independence of East Timor 2002
- Dissolution of the Monarchy in Nepal and creation of Federal System - 2008
- Establishment of Constitutional Monarchy in Bhutan 2008
- Establishment of a Presidential Representative Democracy in Maldives - 2005
- Bifurcation of States in India 2000, 2009





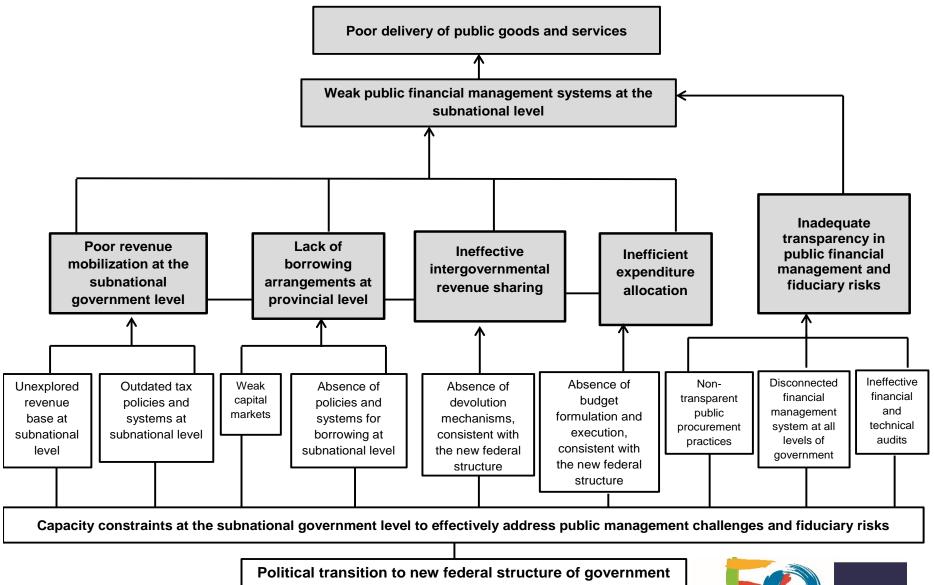
New Constitution 2015



- (i) Unprecedented empowerment of subnational governments with expanded functions and expenditure responsibilities.
- (ii) Establishes three tiers of government (i) central, (ii) provincial, (iii) local.



PROBLEM TREE







Important Requirements on Public Management

- □ Development of **new institutions** at all 3 new tiers of government: central, provinces, & local levels
- ☐ Restructuring and strengthening of the existing institutions (central and local)
- Development of administrative and financial (operational) policies and procedures
- □ Development and implementation of **fiscal federalism framework**, particularly the **inter-governmental fiscal transfer mechanism**
- □ Development and implementation of effective PFM system, incl. institutionalization of PFM reforms initiated under SPMP, and accountability mechanisms for the effective utilization of public investments and reduction of fiduciary risks.



☐ Orientations and capacity development of new institutions.



Work Achieved

- ✓ Municipal administration revenue system (MARS) improved budget & financial management, increased revenue. To be extended to all new local governments (744).
- ✓ Electronic government procurement (e-GP) system increased transparency and minimized corruption.
- ✓ Medium term budget framework (MTBF) improve fiscal planning and management
- ✓ Sub-national PEFA/PETS assessments PFM reform plan



- ✓ Risk-based internal audit aligned with an internationally acclaimed control model, accountability and ethical behavior.
- ✓ Institutional development of NVC (corruption prevention measures)

Thank you!

