

**Financial Sustainability Policy and Plan 2007  
Of ADDCN,  
Approved  
By the 45th meeting of the ADDCN, held on  
28 July 2007**

**Unofficial Translation**

**Association of the District Development Committees  
of Nepal  
July 2007**

## **1. General background:**

Association of District Development Committees of Nepal (ADDCN) is an umbrella organization of 75 District Development Committees throughout Nepal. It has been registered in the District Administration Office, Kathmandu under the National Direction Act, 2018 according to the decision of the Council of Ministers. It is a non-profit making, autonomous and constituted organization with perpetual decency. It has been providing various services timely to the DDCs and has been advocating in the national and international forums for the interests of the local government, development, democracy and decentralization. Since its incorporation, this institution has been continuously working in the interest of the DDCs as their representative institution.

The Performance Evaluation Study Report (2006 Oct.) of ADDCN has been prepared with an objective of assisting in its institutional development. In the context of the recommendations of the report regarding the preparation and implementation of the financial sustainability policy and plan of ADDCN, the "Financial Sustainability Policy and Plan 2007" has been duly approved and inacted as per the decision of the ADDCN meeting held on 28 June 2007.

## **2. Rationale:**

ADDCN has been successful to make its identity in the national and international level as an institution advocating in the favor of local self-governance due to its commitments to decentralization process and strengthening the local self governments and due to the programs it has implemented so far. In the future too, the role of ADDCN needs to be more effective to promote and institutionalize the decentralization process, to coordinate and negotiate with the central and local governments and to represent the local governments and advocate in their favor including its cooperation to enhance the capacity of the local government.

Since its inception, ADDCN has been representing institutionally in various commissions, committees and sub-committees constituted by the Government of Nepal. Likewise, it has been representing the DDCs in various Project Advisory Committees (PAC) and Project Management Committee (PMC) of the donor agencies. Due to this, the

rational and significance of the contributions extended by ADDCN to the field of promoting and protecting the decentralization and capacity development of the DDCs has been further justified. Despite this, there is still an existence of a problem for ADDCN to pass through a hard time forever due to lack of a regular and sustainable financial source of its own. Therefore, ADDCN is required to formulate and implement its financial sustainability policy and plan to maintain strong financial position so as to finance, at least, of its administrative expenses and launch some programs regularly.

### **3. Objectives:**

ADDCCN has formulated the Financial Sustainability Policy and Plan for the purpose of assisting to establish a sustainable, regular and strong financial position by minimizing its dependency on the donor agencies by maximum mobilization of the alternate resources. This policy and plan of ADDCCN has been expected to contribute to materialize the following objectives:

1. Assist the member DDCs to enhance their work efficiency for effective service delivery in time to the people by helping them to develop their capacity.
2. Make advocacy and lobbying activities effective in the national and international forums in order to promote democracy, decentralization and formation of the stronger local governments.

### **4. Financial Sustainability Policy**

In order to achieve the above-mentioned objectives, ADDCCN shall adopt the following policies for its financial sustainability:

1. A policy shall be followed to play an active role in the formulation and implementation of effective programs for absolute devolution of resources to local government level through decentralization and capacity development of the member DDCs. A policy of making partnership with the member DDCs shall also be followed in order to launch such programs and activities.
2. A policy shall be followed to continuously collaborate with all donor agencies, INGOs etc that have similar approaches on

decentralization and local self-governance and expanding the additional areas of partnership and collaborations.

3. A policy shall be adopted to levy a fixed amount of service charges from the consultants involved in consultancy services on behalf of ADDCN for institutional development.
4. A policy shall be followed to collect regular membership fee from the member DDCs in an annual basis. The rate of such fee will be increased and adjusted in every five-year's period on the basis of the inflation rate. A policy will be followed to formulate and implement the progressive criteria by timely reviewing the rate and sector of the membership. A policy to review the membership fee of the members will be determined on the basis of their internal income.
5. A policy shall be followed to advocate regularly and to lobby timely for the incensement in and receipt of the budget to be distributed to the members on the basis of revenue and to take initiatives to get the amount of the fixed share.
6. A policy shall be followed to use and utilize the property and resources of the ADDCN in a more rational as well as economic manner.
7. A policy shall be followed to take initiation for getting annual grant from the Government of Nepal.
8. A policy of formulating programs to include all members of DDCs shall be followed.
9. A policy to invest the fund of ADDCN in the sector in the fixed amount shall be followed

## **5. Financial Sustainability Action Plan:**

As per the objectives and spirit of the statute of ADDCN and its objectives of its financial sustainability policy as mentioned above, the following activities will be implemented by ADDCN:

### **a) Pleading and advocacy function for prompting the Local Self-Governance.**

1. The programs that can have impact on the national debates and on policy level decisions will be launched in order to establish politically, financially and administratively powerful, autonomous local governments and their institutional development. According to the spirit and provisions of the Interim constitution of Nepal to

make new constitution through the Constituent Assembly and restructure the state, activities will be implemented so as to make this process more effective in the transition period in the favor of local self-governance.

2. Appropriate programs will be implemented for making clear constitutional provisions in the new Constitution to be made by the Constituent Assembly regarding autonomous and powerful local governments.
3. The advocacy and support programs will be launched in order to make legal and institutional arrangements of democratic local self-governments.
4. Support and advocacy programs will be launched about the issues of common concern of the members including national policy formulation and large-scale projects of local interest.

**b) Capacity building of the member DDCs.**

1. Trainings and orientation programs will be implemented targeting the officials and employees of the member DDCs on various subjects (leadership development, office management, resources management, people centered transparent accounting system, inclusion etc.) as per the need of the members.
2. Programs will be implemented to contribute to transfer appropriate skills for the devolution of resources to the local government level, identification, mobilization; utilization and allocation of resources, advocacy and that support coordination, exchange of experiences and maintain procedural simplicity.
3. Programs will be launched, which are useful to improve the living standard of people for economic prosperity and can aware the member DDCs in the field of development and are useful for capacity development.
4. In order to get the above-mentioned programs implemented effectively, there will be collaboration with the member DDCs and a fixed amount of money will be levied to them as service charge.
5. In order to implement the programs mentioned above, the Financial Sustainability Action Plan of the ADDCN will be as follows.

**5.1 Timely and gradual increase in the membership fee**

The policy will be formulated for collecting the following funds annually as the membership fee from the member DDCs:

- a) Rs.10000 annually from the DDCs having internal income upto Rs.1 million.
- b) Minimum Rs.10000 annually and an additional charge of Rs.200 for each Rs.100000 above Rs. 1 million from the DDCs having internal income above Rs.1 million to 5 million.
- c) Minimum Rs.18000 annually and an additional charge of Rs.150 for each Rs.100000 above Rs.5 million from the DDCs having internal income above Rs.5 million to 10 million.
- d) Minimum Rs.25500 annually and an additional charge of Rs.100 for each Rs.100000 above Rs.10 million from the DDCs having internal income above Rs.10 million to 30 million.
- e) Minimum Rs.45000 annually and an additional charge of Rs.50 for each Rs.100000 above Rs.30 million from the DDCs having internal income more than Rs.30 million and above.

5.1.2 In order to review the membership fee as mentioned above, necessary proposal shall be prepared and submitted to the council of ADDCN. The proposed membership fee structure mentioned above will be effective only after the approval of the council of ADDCN.

**Note:** Internal income refers to the local income received from the sources like tax, levies, service charges and sales.

## **5.2 To take initiatives to get the reasonable share of the revenue allocation:**

5.2.1 To forward an offer or proposal of the amount for revenue allocation,

- a) To initiate for making an arrangement of providing 1% of the unconditional grant budget received by the DDCs to the ADDCN.
- b) To take necessary steps for receiving budget at the rate of 0.5% of the total revenue receipts from hydropower, forest and tourism sectors.
- c) To request the government for providing training related budget to the local bodies.

5.2.2 To take initiatives for making necessary amendments in the Local Self Governance Act and Regulations to mention a

provisions of providing some share of the revenue allocation to the ADDCN.

### **5.3 To take initiatives for receiving annual grant from Government of Nepal:**

ADDCN has been collaborating with Ministry of Local Development since its establishment for promotion of decentralization and empowerment of the local governments. Since the Government of Nepal has a significant role to play for the institutional development of the ADDCN, the Government of Nepal and Ministry of Local Development will be approached with due initiation for making an arrangement of regular grant annually.

### **5.4 To expand the collaboration and partnership with the donor agencies:**

A policy will be followed to continue and expand the areas of collaboration and partnership with the donor agencies, INGOs etc that have similar approaches to decentralization and local self-governance. For this,

5.4.1 An initiative will be taken to establish partnership and functional unity with all donor agencies which work for promoting decentralization and enhancing the work efficiency of the DDCs. For the management of programs and institutional development of ADDCN, the proposals related to various sectors will be prepared and submitted to the donor agencies and mutual interactions will be taken ahead for this.

5.4.2. ADDCN has been launching various programs in collaboration with the donor agencies since its inception. There are still challenges before ADDCN for effective service delivery in the coming days too; necessary steps will be taken to make such collaborations with donor agencies more effective rather than solely depending on the assistance of a single donor agency.

### **5.5 Making consultancy service more systematic**

For the purpose of institutional development, a policy will be followed to collect a fixed amount of money from the consultants involved in consulting service on behalf of ADDCN. A fixed amount of service charge will be levied to the consultancy services provided so far. For this,

- 5.5.1 A fixed amount of service charge will be collected for providing services on local self governance to member DDCs, or any stakeholder agencies and individuals.
- 5.5.2 The rate of remuneration will be determined as per consensus and agreement to be paid to the consultants, experts and assisting man power involved in the implementation of any projects and program,.
- 5.5.3 As an institutional contribution, ADDCN will receive the following amount of money from the employees and officials involved in the consulting services.
  - (a) As an institutional contribution, the employees of the ADDCN involved in the consulting services have to deposit 40% of the remaining income to the ADDCN after deducting income tax as per law out of the total amount they have received. 5% of the institutional contribution received at the rate of 40% from such employees will be distributed proportionally to the other staffs indirectly involved in the project.
  - (b) 10% of the total earning received by the officials of the association, involved in the consulting service has to be deposited to ADDCN as an institutional contribution.
  - (c) Service charge will be levied at the rate of 10% to the external consultants for taking services from the ADDCN but this provision shan't affect the procedures to be followed while entering into an agreement after proper discussion with such consultants.
- 5.5.4 The provisions of the agreement will prevail in case of the employees carrying out the functions mentioned in the agreement with any donor agencies.
- 5.5.5 ADDCN shall claim institutional overhead while implementing the partnership programs or projects with the donor agencies and organizations.
- 5.5.6 The overhead of the institution shall be determined by mutual agreement according to the nature of project.
- 5.5.7 The fund collected from the consulting service shall be spent in the following areas:

- a. Capital formation of the ADDCN;
- b. Strengthening ADDCN's office.
- c. Welfare of the employees of the ADDCN.
- d. Human resources development of employees and officials of the ADDCN

**5.6 Rational and economic utilization of the property and resources**

A policy shall be followed for rational and economic utilization of the property and resources of the ADDCN. For this, separate regulations will be enacted regarding the services and welfares of the employees and authorities.

**5.7 An arrangement of reserve fund:** A policy shall be followed for depositing money into the reserve fund of the ADDCN and investing money from such fund in the specified sector as per specified procedure.

- a) An interest shall be received by depositing the money from the reserve fund to the fixed/saving account opened in the "A" class Bank as classified by Nepal Rastra Bank.
- b) The Executive General Secretary of the ADDCN, upon approval of the committee, can invest the money from the reserve fund in the debentures, credit cards, securities and debit cards issued by Nepal Rastra Bank or by the financial institution, listed to and licensed by the Government of Nepal.
- c) Physical properties can be bought by the proceeds of the reserve fund in the name of ADDCN.