

## **Local Level Institutional Self-Assessment System: Technological Innovation in Public Sector**

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### **Abstract**

After restructuring the governance system from unitary to federal with substantial power and resources to local level, web based Local Government Institutional Capacity Self-Assessment (LISA) system has been introduced as an innovative tool to track the performance of local governments in Nepal. The LISA intends to improve local governance which can be considered as a public sector innovation following the global trend of ICT development and e-governance. The incentive mechanism and institutional readiness are the crucial components to internalize the new system in any organization. The study illustrates that these components are poorly addressed in LISA which challenges the sustainability of the system. Moreover, the analysis shows that the issues of legal ground of the system, rewarding mechanism, IT infrastructures and IT friendly human resources at local level, quality assurance and data security, etc. are not adequately addressed to fully implement the system in future. Furthermore, capacity development and technical backstopping to the local governments are essential to make the system successful in tracking the performance of local levels. In this regard, this article presents a case of web-based institutional performance assessment system implemented at the local level governance.

*Keywords: ICT in Governance, Performance Assessment, Local Government*

### **Background and Context**

Information and Communication Technology (ICT) has been an important tool to improve the performance of all types of organizations. Public organizations are always in the pressure to improve their performance. Public managers have to struggle to manage and track the performance of their departments and employees. In the recent years, public organizations have been introducing technological innovations to improve and track their performances. Innovation designates a broader platform of new ideas, process, practice and objects (Rogers, 2003, p. 12).

New developments in IT have challenged traditional notions of administration, management, organization, accountability, and engagement. The extensive use of ICT and digital information promote more efficient, transparent, effective and accountable government. (J. Ramon Gil-Garcia, 2017). Nowadays, governments have been applying different technological tools and

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applications to simplify working process and increase efficiency and effectiveness of the public offices. For instance, mobile applications, open data, social media, technical and organizational networks, sensors, data analytics, and more are embedded in the working environment of government which indicates the development of the concept of ‘digital government,’ to improve efficiency of administration, management, and governance (Gil-Garcia et al. 2017, p. 634).

Nepal has transformed from unitary to federal system of governance in 2015. The Constitution has clearly divided the state power in three spheres of the governments: federal, provincial and local. It has given considerable power and autonomy to the local governments. Within the jurisdiction absolute rights, local governments have authority to generate local revenue, formulate their own laws, plans and programs, and implement them.

The local governments are door-step governments to the people. As a ‘whole of the government,’ local governments are responsible to provide basic public services such as: education, health, drinking water and sanitation, irrigation, electricity, agriculture and livestock. Moreover, they have to develop local infrastructures, such as local roads and bridges, buildings etc. They have various regulatory authorities, including vital registration, market monitoring, NGO mobilization, dispute management, and others.

The local governments are in the different stages of institutional development. Out of 753 local governments, there are 6 metropolitans, 11 sub-metropolitans, 276 municipalities and 420 rural municipalities. The metropolitan cities including the capital city, Kathmandu, and sub-metropolitan cities are previously well-established and developed cities while most of the municipalities and all rural municipalities are newly established and nascent in terms of organizational development. The newly established local governments are in the process to set their own systems, structures, process and standards.

The performance of local governments is a prime concern for succeeding decentralization and federal system in Nepal. Since local level is the foundation of leadership development, fostering democracy and providing basic services to the citizens, their success or failure carries significant meaning to all the stakeholders.

In the recent years, the new concepts of public management, development of ICT and the changed context have created some sorts of pressure to improve the performance of the local governments. The demand side is strong enough to raise the voice but supply side has not been sufficiently strengthened to cope with the new challenges and satisfy the service seeker in general. Nepal has also entered in the digital era following the global trends in IT development of 21<sup>st</sup> century.

The Government of Nepal has recently introduced an innovative tool of institutional performance assessment mechanism called “Local- Government Institutional Self-Assessment- LISA” at local level. LISA is a web-based performance assessment system which is supposed to help the local governments to be more efficient, transparent, and accountable. The “LISA guideline 2020” envisages a continuous assessment mechanism to improve the overall performance of Local Governments.

## **Objectives of the Study**

The main objective of the study is to analyze the determinant factors to impact on the success of adoption and implementation of LISA system in Local Governments of Nepal. Secondly, it aims

to identify implementation challenges of LISA in order to improve the performance of Local Governments reflecting their institutional strengths and weaknesses.

### Conceptual Framework

The following conceptual framework has been used in this study:

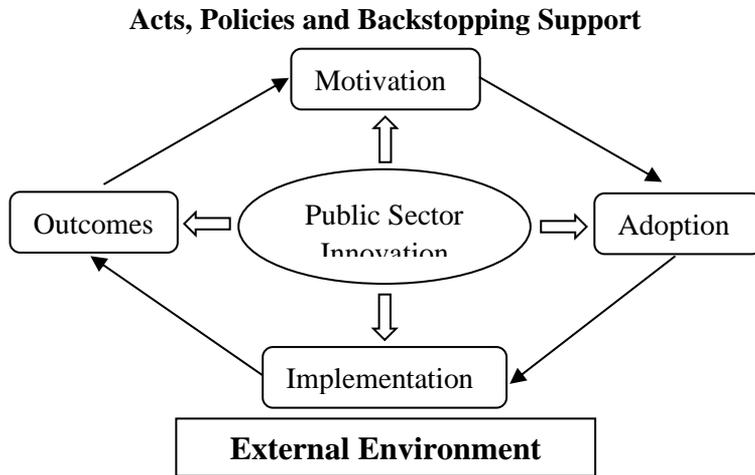


Fig 1: Public Sector Innovation Cycle

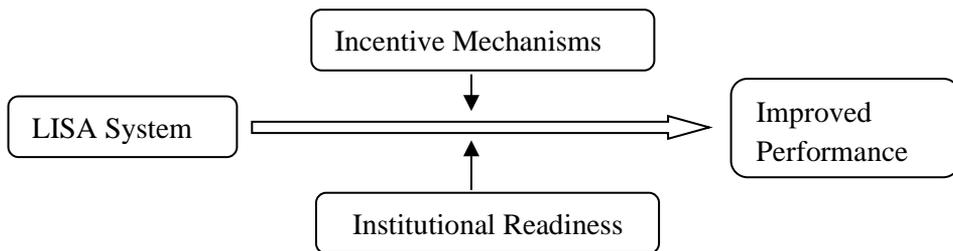


Fig 2: Analytical Frame

### Methodology

This study was qualitative in nature. It was based on the desk review of the various documents produced by academia, researchers and the Government authorities. Basically, secondary data from different sources were used in the study. Local government related acts, policy documents, reports including web-based publications were used as the sources of information to conduct the research.

### LISA as an Innovative Tool in Local Governance

#### Brief Overview on LISA

The LISA provides a broader perspective of the performance of all the local governments in a single dashboard. This platform provides an opportunity to bench mark the local governments from the notion of comprehensive dimensions. The system analyses strengths and weaknesses of the particular local government. The preamble of the LISA guideline 2020 states that the main objective of LISA is to assess organizational strengths and weaknesses, increase competitiveness and develop capable and effective local governments. This tool provides a check-list to the local governments through which they can evaluate different components of the local government's functions, including governance systems and procedures, administrative mechanisms, as well as fiscal systems and service delivery systems. Assessment also helps to monitor the progress and identify priority areas which inform the local government to carry out institutional development strategy.

The assessment is web-based controlled from the central level. Participatory approach of assessment has been applied, which ensures rigorous discussion among employees and elected representatives. It should be carried out in an annual basis by the local governments. The result of LISA should be approved by board of executives and endorsed by the local assembly and made published. There is the provision of quality assurance to be administrated from Federal Government.

There are 100 indicators from ten different broad areas including: Governance, Organization and Administration, Annual Planning and Budgeting, Financial Management, Service Delivery Mechanism, Judicial work performance, Physical Infrastructure Development, Gender Equity and Social Inclusion, Environment Protection and Disaster Management, Coordination and Collaboration (MoFAGA, 2020). The indicators are classified as result indicators (45 percent), process indicators (35 percent), and overall scenario indicators (20 percent). Each indicator carries one mark.

The assessment process passes through the given steps: (1) Orientation on LISA concept and procedures to LG officials, (2) Assign a focal person, (3) Assessment of all Divisions/Sections/Units, (4) Compilation of all the initial assessments, (5) Discussion, review and approval of result by municipal executive, (6) Disclosure of the assessment report, (7) Reporting to District Coordination Committee (DDC), Office of the Chief Minister and Council of Ministers (OCMCM) and Ministry of Federal Affairs and General Administration (MoFAGA), and (8) Discussion and endorsement by Local Assembly. The local governments are responsible to ensure power supply, internet connectivity, and IT equipments required to make the system functional.

### ***Motivation, Adoption and Implementation***

#### **Motivation**

This system was designed from within the government at federal level. Being a liaison as well as responsible for capacity development of local governments, MoFAGA has taken the lead role to design this system. The system was designed in broad consultation with different stakeholders and was piloted in selected local governments to check its practicality, reliability and appropriateness in ground reality.

The following incentive mechanisms have been provisioned in the system to motivate the local governments.

- **Bench marking of LGs:** The LISA provides the basis for the bench marking of all the local governments at national level. The guideline has mentioned the provision of announcement of the best performing local government in annual basis.
- **Fiscal transfers from federal government:** Federal government provides fiscal transfers to the local governments. The intergovernmental fiscal management act 2017 has provisioned four types of transfers: equalization grant, special grant, conditional grant, and complementary grant. According to the National Natural Resource and Fiscal Commission Act 2017, fiscal commission may apply five percent of the total equalization grant on the performance of the local governments. Meanwhile, the LISA guideline also provides the basis for performance assessment of the local governments.

The system provides platform to share the initiatives taken by local level which is supposed to promote competitiveness among the local governments. The system broadly indicates development priorities and supports for optimal utilization of the limited resources at local level. In addition, the assessment system intends to promote transparency and accountability of the local governments.

### **Adoption and Implementation of the System**

The initiative was taken from the federal level which can be classified under the coercive type of institutional isomorphic pressure. Adoption of the system by the local governments has been made mandatory by the ministerial level decision at MoFAGA. The local governments are in the process of adoption and implementation of the system now. About 66 percent of local governments have practiced this tool in the FY 2020-21 (LISA Dashboard, MoFAGA, GoN).

### **Expected Outcome**

This system provides a huge platform for bench marking of the local governments. It is expected that the system increases the competitiveness among the local governments. At the same time, there is a separate sector of cooperation and coordination in the evaluation system. The indicators under cooperation and coordination promote the local governments to engage in partnerships with neighboring local governments as well as increases communication and sharing with higher level of governments. These practices are supposed to support for successful implementation of cooperative federalism in Nepal.

The results of LISA have to be published in official web-site, print and online media by the local governments. The stakeholders and public at large can access these results and make their opinion on the performance of local government. It is expected that this mechanism promotes transparency and accountability of the local governments.

### **Analysis of the Factors Affecting to Adopt and Internalize LISA at Local Level**

Most of the innovations more likely experience the challenges in implementation. LISA also can have some challenges in its implementation process. For instance, there are the challenges of

institutional readiness, ownership and motivation. Furthermore, ill-defined incentive package and quality assurance mechanism have been challenging to the sustainability of the system.

### ***Institutional Readiness***

#### **Physical Infrastructure and Resource**

The local governments have just started to practice the system from the last year. They have to establish system, structure and process to fully functionalize their offices. Exercise of LISA requires constant power supply, reliable internet connectivity, IT equipment, etc. Out of 753 local governments 21 percent do not have regular power supply, 7 percent do not have reliable internet connectivity and 15 percent have not set computerized system at office yet. Moreover, 10 percent local governments do not have IT officer and/or dedicated IT staff who is supposed to handle the whole online process of assessment (Government of Nepal, 2020). It shows that the level of readiness in terms of physical infrastructure and human resource is poor at the local level which creates challenges in implementing the tool.

Furthermore, innovation cost is negatively related to innovation adoption (Damanpour & Schneider, 2008, p. 498). Fulfilling all these prerequisites of IT infrastructure development may incur high cost to the local governments which might de-motivate them to exercise this tool.

#### **Motivation and Ownership**

As mentioned above, the system was designed from the federal level. Although the pilot project made efforts to represent local governments from different aspects as explained above, there is a high chance of understanding the system by local governments as an imposed tool from the federal level. This might create the situation of not buying-in the system by the local governments.

Researchers have shown that the education of the manager is positively related to innovation adoption. Similarly, it is also shown that a manager's age can negatively affect innovation and change in organizations. (Damanpour & Schneider, 2008). Level of education is directly related to the innovativeness and adoption of new technology. Higher level of education most likely promotes for higher tendency of adopting new technology and vice versa. On the other hand, it has been observed that lower age of an individual has high chance of being innovative and adoptable to new technology (Jung & Ejermo, 2014). In the context of local government, most of the Mayors are from the age of above fifty years with lower level of education. Moreover, they have lower level of digital literacy and awareness. So, there is high chance of reluctance with the political leader in adopting LISA tool.

Similarly, attitude, values and behavior of an individual promotes innovation. In innovative culture, employees know that their ideas are valued and they feel free to express new ideas and share information (Joanna et al., 2008). The organizations are hierarchical, and the organizational

culture is characterized by top down, and controlled which less likely supports in adopting and implementing LISA at local level.

### ***Incentive Mechanisms***

#### **Reward system**

The LISA guideline stipulates that the MoFAGA may announce best performing local government on the basis of LISA score. There is no other legal provision that makes mandatory to establish reward and punishment mechanism at local level based on LISA score. Local governments might not be motivated to practice this tool in long run without any rewards.

#### **Financial Incentives**

This tool has to be practiced on their own resources by the local governments. Moreover, they have to finance for the IT infrastructures which is the most fundamental requirement to practice web based assessment system. At the moment, most of the local governments have been allocating budgets on physical infrastructures such as roads, irrigation, drinking water and so forth. There are no such financial incentives in place provided by federal government through any conditional grant or programmatic support to develop IT infrastructures at local level.

The LISA guideline indicates that LISA results might also be considered as one of the bases for the fiscal transfers to the local governments. However, there is no clear linkage between the incentive provision mentioned in LISA guideline and National Natural Resource and Fiscal Commission Act.

### **Findings**

Based on the above analysis, the major findings can be summarized in following ways:

- ***LISA as an Innovative tool to improve local governance:*** Similar kind of performance measurement system called Minimum Condition and Performance Measure (MCPM) was practiced in the past at local level. Rewarding mechanism was introduced based on the score of MCPM. After restructuring the governance system from unitary to federal with substantial power and resources to local level, web-based LISA has been set up as an innovative tool to track the performance of local governments. It can be considered as a public sector innovation to improve local governance in Nepal.
- ***Legal provision:*** LISA guideline has been approved from the ministerial level decision. The guideline is based on the section 80 of the Local Government Operation Act 2017 (LGOA) which stipulates about the use of ICT at local level. The provision of self-assessment is missing in the LGOA. It is found that there is no strong legal basis taken from the LGOA which provides mandatory provision to implement LISA by local governments.
- ***Quality assurance:*** Although the LISA guideline has provided the responsibility of quality assurance to MoFAGA, still there is no any mechanism in place to cross check the LISA score claimed by local governments. The tendency of people to score high in self-assessment is a common phenomenon. There might be the chance of data manipulation in the system. Unhealthy competition might occur among the local governments to be a best performer. This type of self-biases might raise the question on the reliability of the assessment system.

Similarly, there is another challenge of data security of the system. This system carries a lot of essential information of local governments. If the system is not protected in appropriately, there is a high risk of data misuse, hacking and system collapse.

- **Sustainability:** The LISA tool has been designed with a sophisticated IT system. At present, central government has supported an IT officer to each of the local governments through a project. IT officers are responsible to manage whole IT system at local level. The local governments neither have permanent IT staffs nor are the permanent staffs skillful in IT system. So, it could be difficult to handle the tool in future once the project support ends. In addition, the government has been investing on IT officer for his/her capacity development. In case, for some reason, if IT officer is discontinued, local government would not be able to continue the web-based assessment system.

Furthermore, as discussed above, this system has been designed on the basis of ministerial level decision at MoFAGA. There is not any legal basis to enforce the local governments to practice this tool. At the moment, as discussed before, the institutional readiness does not seem very much supportive to fully implement LISA tool at local level. Incentive mechanism is one of the major factors to motivate local governments in adopting and internalizing any innovations. However, there is no any incentive mechanisms in place to materialize the incentive provision mentioned in the guideline. Until and unless an attractive incentive mechanism is not introduced, local governments would not be motivated to continue the system in future.

## **Conclusion and Recommendations**

This system is very new and innovative approach of performance tracking of local governments. As described above there are challenges to implement the system. Dedication and commitment of all the stakeholders is crucial to overcome these probable shortcomings and to implement the system in achieving the objective of establishing vibrant local governments.

In order to cope with the challenges, some interventions and motivating mechanisms should be adopted. The following measures should be undertaken for the sustainability of the system:

### ***Legal Ground of LISA***

The tool has been introduced with the ministerial decision through a LISA guideline. The guideline cannot create legal binding to the local governments to implement LISA. In order to make the system mandatory to the local governments Local Government Operation Act should be amended to incorporate LISA.

### ***IT Infrastructure Development***

There are remote villages where there is no electricity and internet connectivity. Managing these facilities requires huge financial resources and high technical skills which are out of the capacity of local governments. Hence, the federal and provincial governments should pay high attention in developing infrastructures to provide electricity and reliable internet facility in each local government.

### ***Capacity Development***

The institutional capacity of the local governments is poor which has been hindering the performance of the local governments. Higher order of the governments should provide capacity development trainings based on their needs and demands. Skill transfer mechanism should be ensured through regular coaching, mentoring and backstopping so that the system can run smoothly in future even if they do not get any programmatic support from the federal level. Broader consultation, communication, and regular interaction mechanism should be introduced to facilitate the local governments in exercising LISA.

### ***System Security And Quality Assurance***

The government data platforms are always in high risk of system collapse. To prevent the system from such a risk, the system should adopt sufficient measures of data security. In order to ensure security and provide necessary technical backstopping, a permanent team of experts could be managed at federal and provincial level.

Moreover, a robust system of quality assurance should be introduced to ensure the reliability and validity of the system. The system should have sufficient check points to minimize the risk of data manipulation. Selected high scoring local governments could be re-assessed through third party evaluation system. Third party for quality assurance could be hired from any of the government owned training academy including Staff College.

### ***Incentive Mechanism***

An incentive mechanism such as rewards, additional fiscal transfers, capacity development supports should be introduced in connection with the result of LISA. The incentives will motivate the local governments to improve their performance and share it through LISA.

Based on the LISA score, best performing local governments should be declared, and rewarded at provincial and federal level in an annual basis. The nationwide recognition of best performing local governments increases competitiveness and motivates them to improve their performance.

The provision of performance-based transfer in NNRFC act could be linked with LISA score which could be instrumental to materialize the legal provision of NNRFC act.

Local governments should develop their capacity development plans (CDP) based on the LISA results. Special capacity development fund could be provided to the poor performing local governments to implement their CD plans. Technical assistance and backstopping support from federal and provincial level could be provided to fulfill their capacity gaps.

A concept of Innovative Partnership Fund (IPF) has been introduced under the Provincial and Local Governance Support Program (PLGSP). IPF promotes and incentivizes the local governments to initiate and introduce new ideas, methods, approaches, and tools for better service delivery, local economic development and improving livelihood of the people. One of the criteria in selecting the project from the local level under IPF could be the performance of the local government measured by LISA tool.

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