

Dwarika Nath Dhungel, Mahendra Raj Sapkota
and Marit Haug with Pradyuman Prasad Regmi

Decentralization in Nepal: Laws and Practices



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Norwegian Institute for Urban and Regional Research

Decentralization in Nepal: Laws and Practices

Dwarika Nath Dhungel, Mahendra Raj Sapkota
and Marit Haug with Pradyuman Prasad Regmi

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Abstract: This report analyses the legal framework for local governance in Nepal and how it is practiced in six districts. It focuses specifically on transfer of resources and delivery of services, how various groups participate in local planning, decision-making and implementation of projects and programmes, and relations between local governance institutions and the central government. This research forms part of a comparative study of the Philippines, Sri Lanka and Nepal on 'Decentralization as a way of resolving conflict'.

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Preface

This monograph offers a detailed account of how local governance functions in Nepal based on extensive fieldwork in 6 districts and 17 village level local bodies within these districts. The research has been part of a comparative research project on ‘Decentralization as a strategy for resolving conflict’ funded by the Research Council of Norway.

NIBR would like to thank the research team at the Institute for Integrated Development Studies (IIDS) for their commitment and professionalism throughout the study. It has been a real pleasure working with the team headed by Dwarika Nath Dhungel and quietly supported by Mahendra Raj Sapkota and Pradyuman Prasad Regmi.

NIBR is deeply grateful to all those who gave of their time for interviews: political party officials, government officials, and civil society members. We thank all those who shared their insights and experiences with the team during focus group discussions in the villages. Participants of the two stakeholder meetings held in Kathmandu offered constructive comments to the draft report. The report would not have taken its present shape without their invaluable support. We want to thank the Executive Director Dr. Bishnu Dev Pant and his staff at the IIDS for their help, in particular Devendra Shrestha and Govinda Ghimire. Likewise, Ms. Niru Upadhaya Dhungel deserves special thanks for all the support she extended to the study team during the preparation and finalization of the study report.

Finally, we hope the study will provide insights on local governance to the framers of the new constitution.

Oslo, November 2011
Marit Haug, Research Director, NIBR

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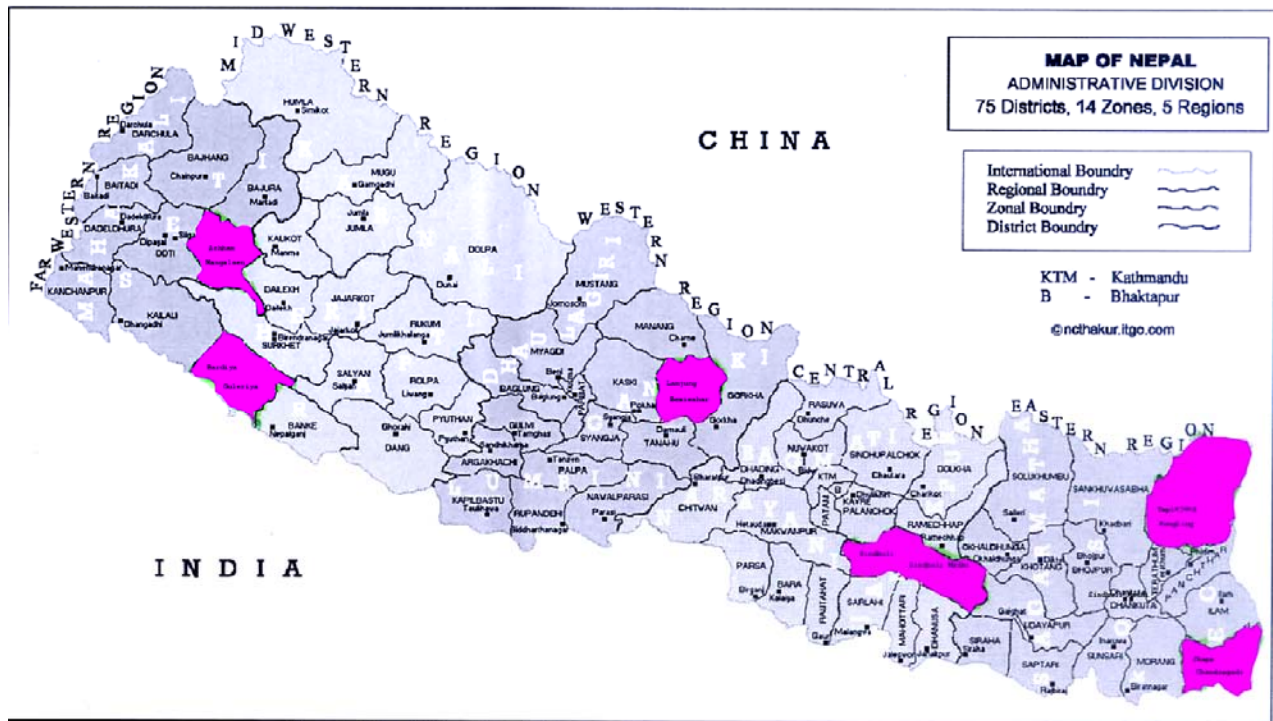
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Maps of the Districts and Village Development Committees Studied

Map 1



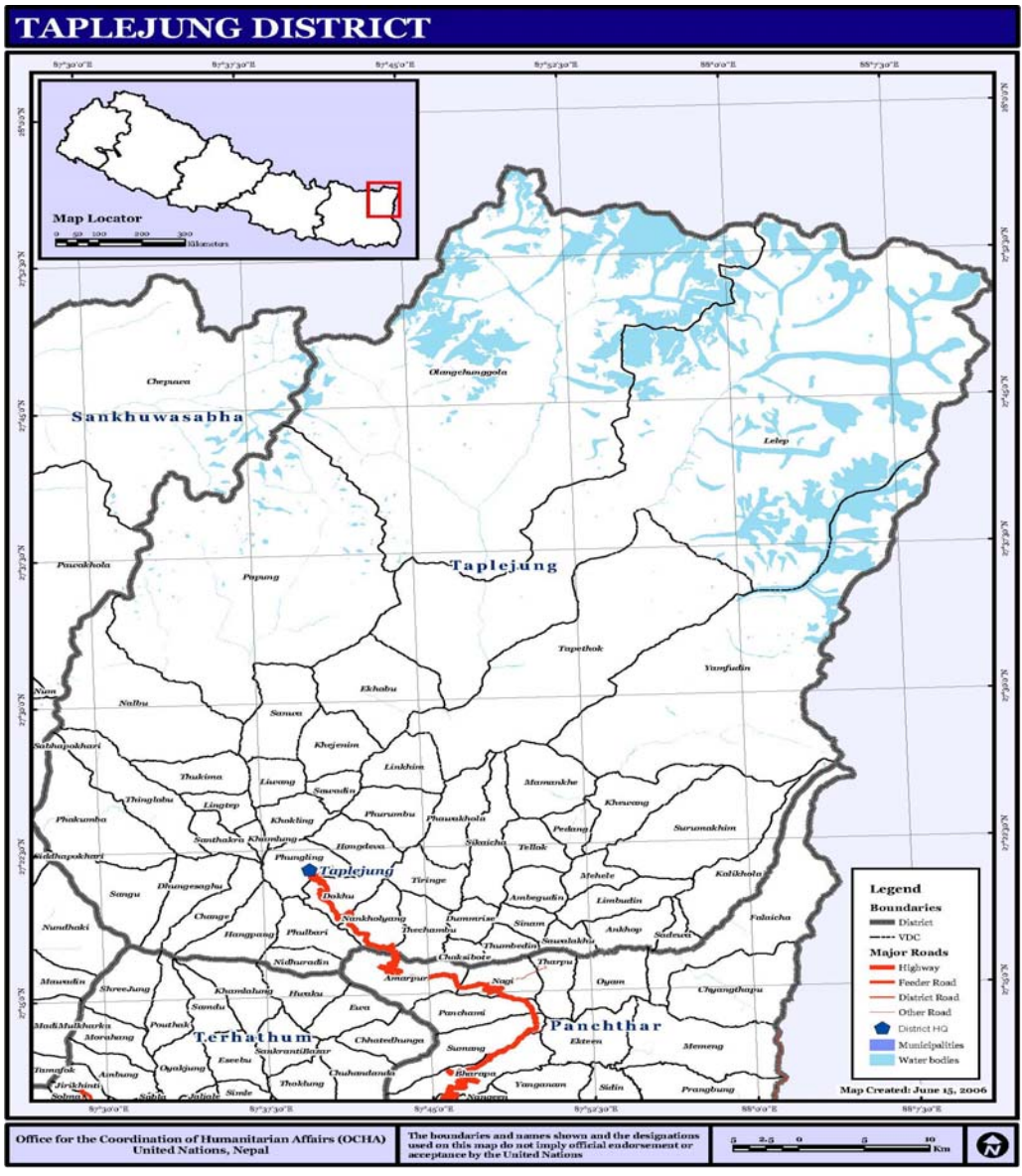
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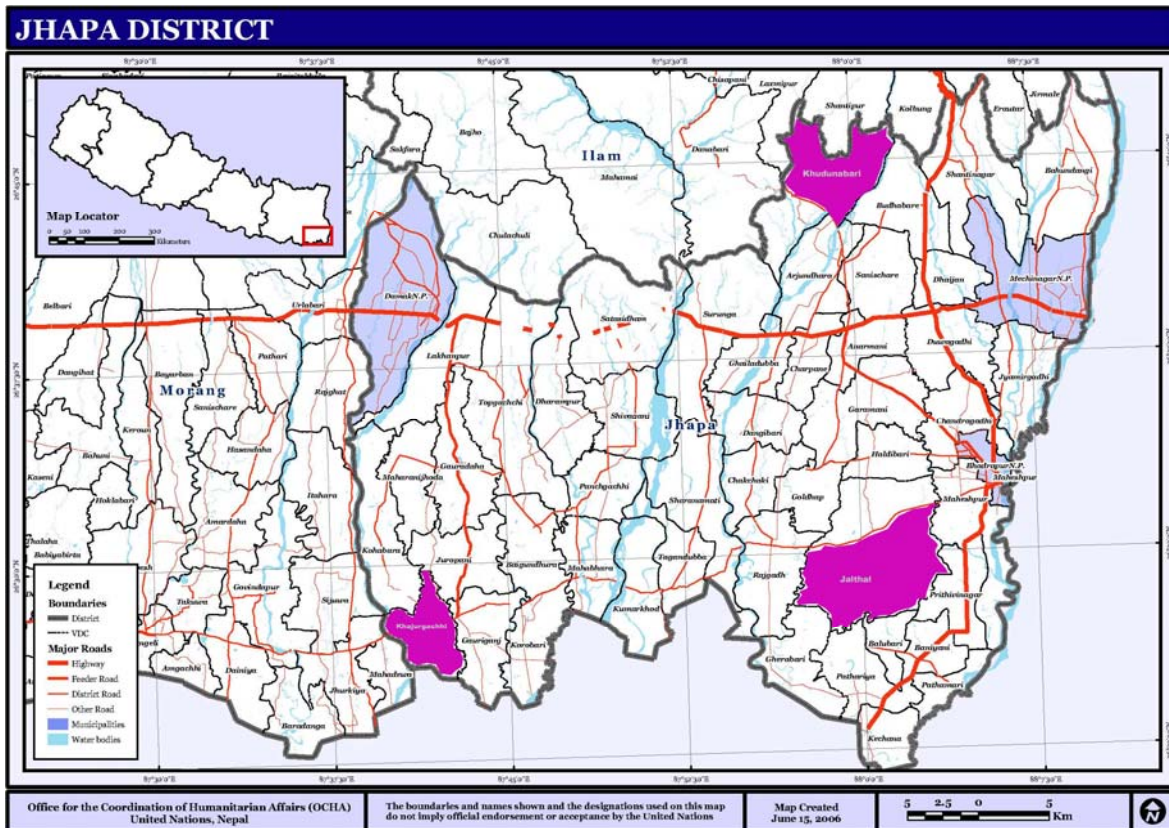
Districts Maps (From East to West)

Map 2: Taplejung



Source: Office for the Coordination of Humanitarian Affairs (OCHA) United Nations, Nepal.

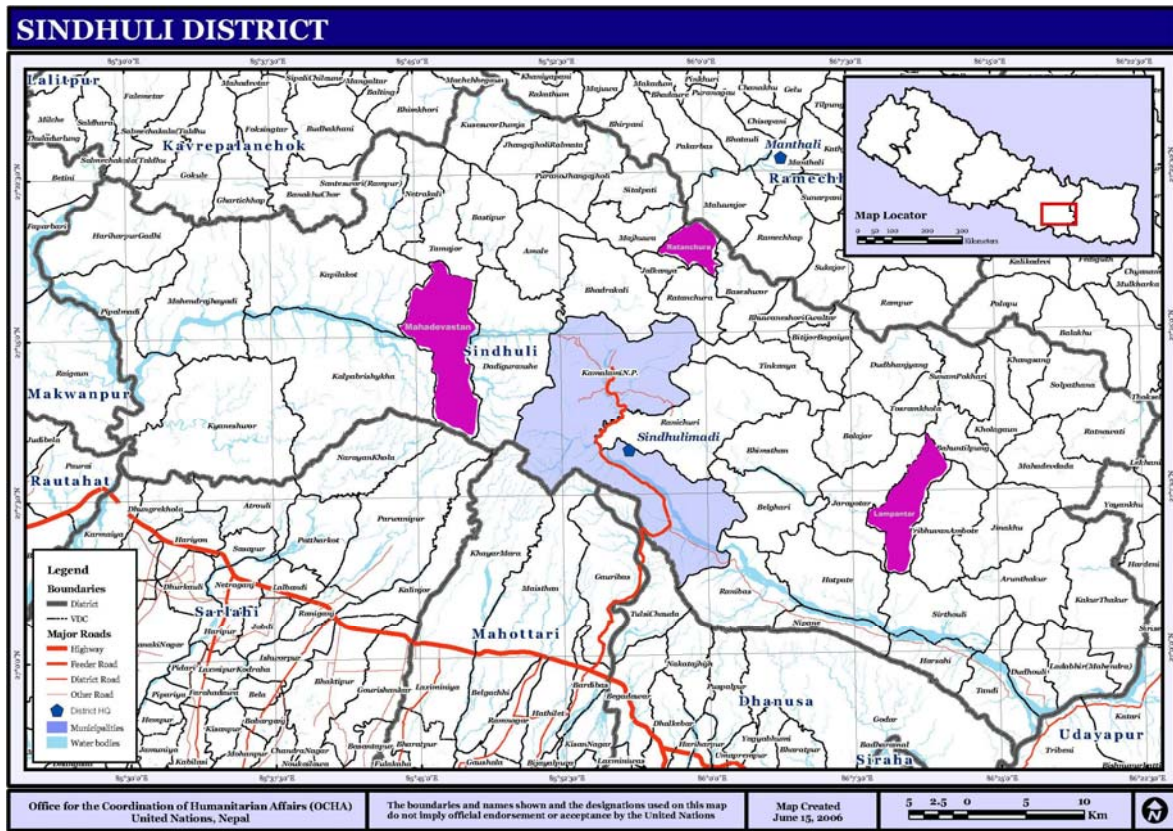
Map 3: Jhapa



Source: Office for the Coordination of Humanitarian Affairs (OCHA) United Nations, Nepal.

Note: Red Highlighted Studied VDCs

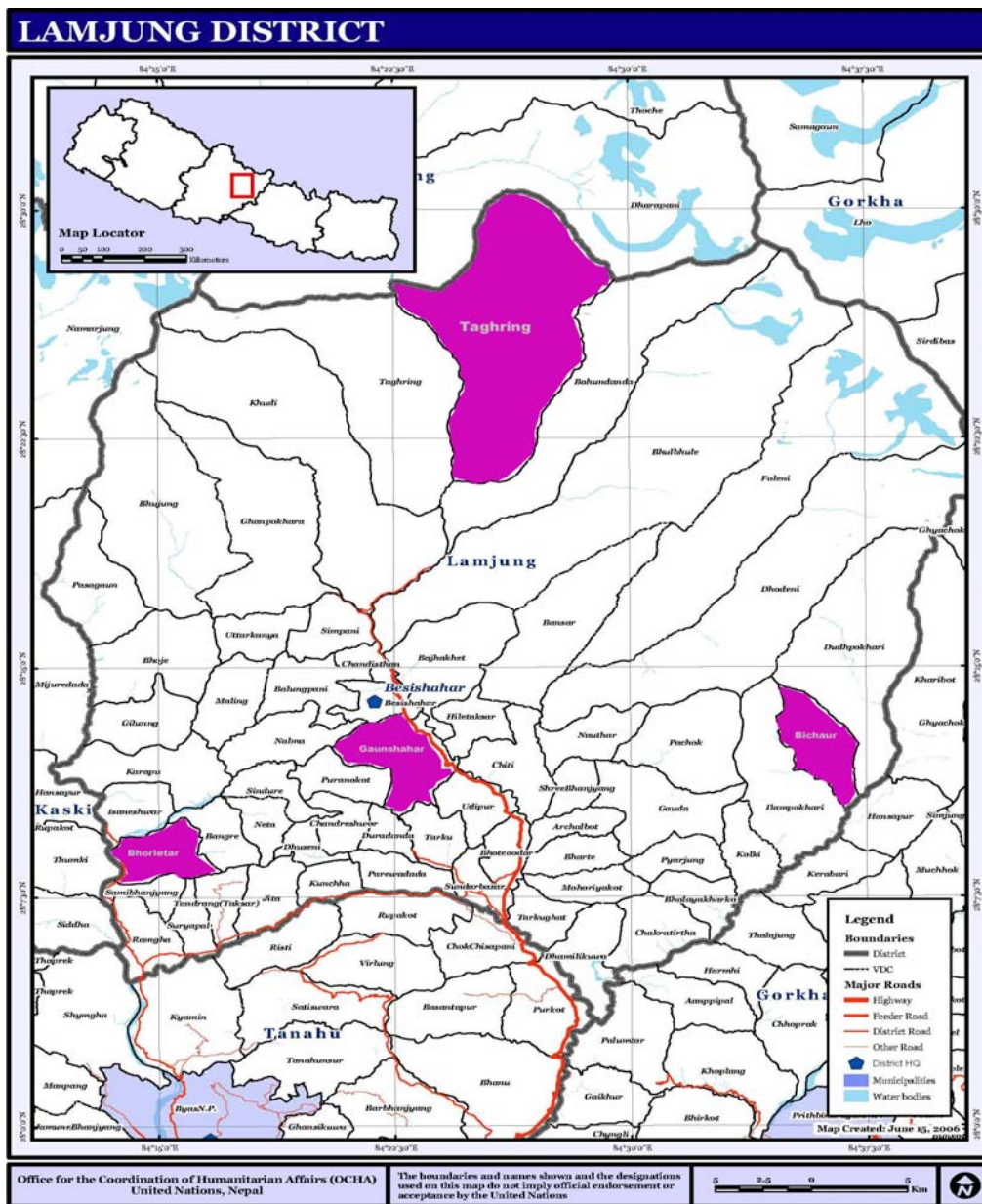
Map 4: Sindhuli



Source: Office for the Coordination of Humanitarian Affairs (OCHA) United Nations, Nepal.

Note: Red Highlighted Studied VDCs

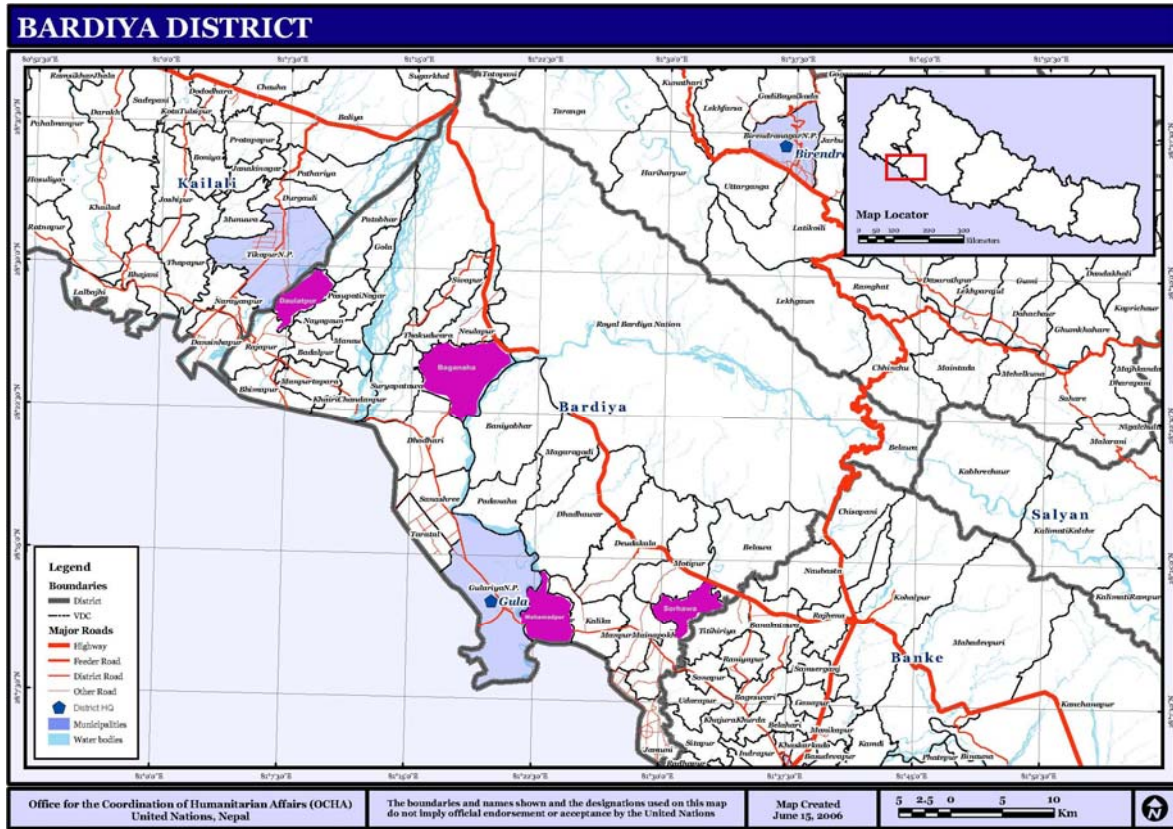
Map 5: Lamjung



Source: Office for the Coordination of Humanitarian Affairs (OCHA) United Nations, Nepal.

Note: Red Highlighted Studied VDCs

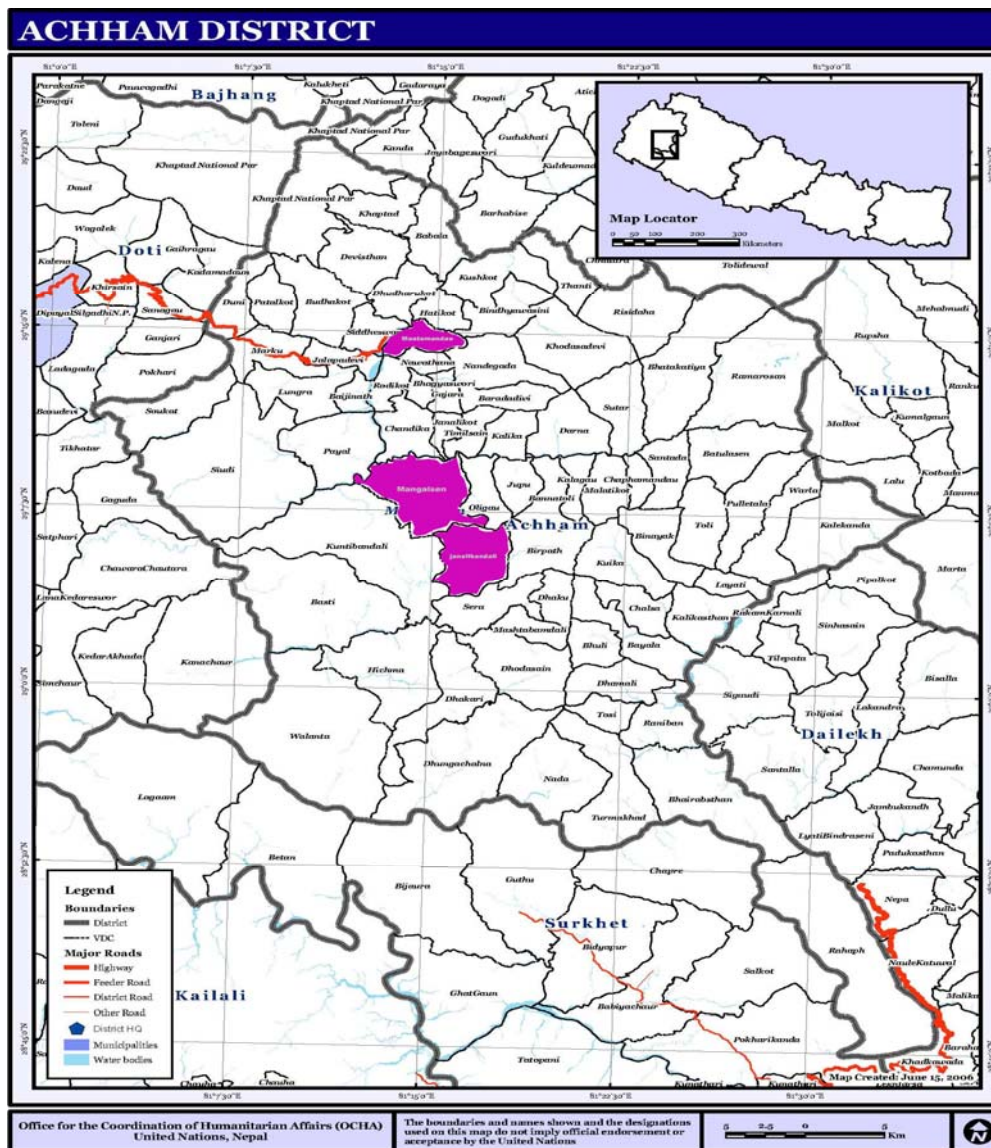
Map 6: Bardiya



Source: Office for the Coordination of Humanitarian Affairs (OCHA) United Nations, Nepal.

Note: Red Highlighted Studied VDCs

Map 7: Achham



Source: Office for the Coordination of Humanitarian Affairs (OCHA) United Nations, Nepal.

Note: Red Highlighted Studied VDCs

Summary

Dwarika Nath Dhungel, Mahendra Raj Sapkota and Marit Haug with Pradyuman Prasad Regmi

Decentralization in Nepal: Laws and Practices

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The village development committees (VDCs) and the district development committees (DDCs) along with urban units (municipalities) constitute local bodies (LBs) in Nepal. This study assesses the role and performance of the VDCs and DDCs as development actors since 2008. How do these bodies function considering the decade-old civil war and the on-going debate on a new federal constitution? Over the last few years, the government has taken various measures to increase popular participation including representation in the planning process at the local level (district and sub district level) matched by a corresponding increase in financial allocations to LBs. In this process, development partners have also contributed. Expectations are that popular participation in local development, especially from marginalised sections of society, will increase as a result. This study takes a critical look at these assumptions, seeking to bring out the real issues and dilemmas that LBs encounter.

The study findings are based on fieldwork in six of 75 DDCs (Taplejung, Jhapa, Sindhuli, Lamjung, Bardiya and Achham) and in 17 of 3,915 VDCs. The fieldwork was carried out in 2009 and 2010. Case study methodology was used to collect data through extensive interviews with key informants and through focus group discussions. In addition, discussions were held with the political parties, government officials, donors and associations of LBs. Also, numerical data and documents on the workings of LBs were collected.

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The study has been funded by the Research Council of Norway as part of a comparative research project on decentralization and conflict coordinated by the Norwegian Institute for Urban and Regional Research (NIBR). On behalf of the Kathmandu-based Institute for Integrated Development Studies (IIDS), individual professional researchers were involved in this study.

Decentralization was adopted as Nepalese government policy in the 3rd Plan period (1965-70) to associate and involve the people in the decision-making process with specific reference to planning and development at the local level. Since then, this has been followed as a development strategy by the country. Currently, local bodies (LBs) exercise and manage local development activities per the Local Self Governance Act (LSGA), 1999 and Local Self Governance Regulations (LSGR), 1999, Local Body (Financial Administration) Regulations 2007 as well as other related rules and operational manuals.

In the absence of elected bodies since 2002, the VDCs are run by a committee headed by the respective VDC secretaries with two other government employees. At the district level there is no government-constituted committee, but the local development officer (LDO) operates and manages the DDC. Due to the absence of elected representatives, the government through its executive decisions established an all-party mechanism (APM) to advise government employees at both the VDC and DDC levels. The main strengths and weaknesses, dilemmas and challenges facing the LBs are discussed below. Whereas the APM plays a critical role in the planning of projects and programmes, user's committees (UCs) are the most important implementation modality.

The dominance of the All Party Mechanism (APM) and the absence of elected representatives

The absence of elected representatives in the LBs is widely believed by all categories of informants to be the main reason for their poor functioning. Although local politicians through APM are involved in decision-making processes, no mechanisms exist to hold them accountable to the population for those decisions.

Although the APM is merely an advisory body to the LBs, it has emerged as all-powerful in the planning process at both the VDC

and DDC. The APM plays a role in the collection, compilation and finalisation of programmes/projects for funding by the VDC and DDC; it even determines which members of the UCs will implement and manage the programmes and projects accepted for implementation. The real planning process begins not in the open-session meetings of the concerned LBs, but in the closed-door sessions, in which only persons selected by the APM with the concurrence of the VDC secretary or LDO are allowed to participate and other interested persons, including women, are denied entry.

After receiving the programmes from the VDCs for funding support, the DDC APM reviews and finalises them and the district-level programmes for financing and implementation. The main influences on programme finalisation are the bias of the APM members, influence of certain politicians and pressure of the people on the political leaders. As in the VDC, influence of the big three political parties (UCPN Maoist, NC and CPN UML) prevails in the DDC.

Low representation of women and Dalits in decision-making bodies

Despite the LSGA's mandatory provision for the participation of women and other weaker sections of society in the village council (VC) and district council (DC), as well as in the VDC and DDC, no mandatory provision has been made for their representation at the VDC and DDC level APMs. However, local women (in both an institutional and individual capacity) were invited to attend VC and DC meetings. As to their inclusion in the closed-door meetings in which programmes are identified and approved for funding, there are mixed findings. Nevertheless, women's awareness of village-level development activities seems to have increased. However, Dalits were not effectively represented either in planning processes or in the APM at the village as well as district level.

Overburdened office bearers: VDC secretary and LDO

The VDC secretaries are performing the roles and responsibilities of both the political head and the administrative chief of the VDC. Present functions of a VDC secretary include providing or making various recommendations such as for citizenship certificate or

passport; executing vital registration activities; revising and maintaining voters lists; accomplishing the planning, implementation, supervision and monitoring of block-grant-based VDC-level programmes; providing certification for completed projects; looking after the maintenance of completed projects; performing internal and getting final auditing of accounts done; implementing literacy programmes; distributing old-age, widow and handicapped pensions under the social security programme; collecting land revenue; and coordinating with APM.

Often, VDC secretaries also bear responsibility for more than one VDC. As a result, most VDC secretaries had difficulty in carrying out their responsibilities from the VDCs and were, therefore, stationed at the DDC and managing their VDC-level work from there. Moreover, on the third day of every month, the secretaries attend a meeting at the DDC secretariat. Hence, the VDC secretaries looking after more than one VDC spend one week at each VDC, one week at their liaison office in the DDC and one week on the road. They work the whole month with no holidays.

The absence of elected DDC chairpersons has also overburdened the LDOs in terms of workload and put them in a difficult position. The chief district officer (CDO) is considered the representative of the government in the district. The rank or status of the LDOs (class two officers) is similar or even lower than that of the CDO, mostly in the Tarai districts. Similarly, the status of the district-level heads of other sector offices, such as agriculture, livestock, health and education, is similar to that of the LDO. Hence, discussions with the officials of district-level sector offices revealed that LDOs face inconvenience in carrying out the responsibility of the DDC chairperson.

Moreover, due to frequent transfers of LDOs, mostly based on personal whims of political decisions makers at the central secretariat, LDOs do not bother to understand the district situation or remain unaware of district conditions.

Meaningless devolution

Despite claims of the government that the programme-planning responsibility of agriculture/livestock extension, primary health care and primary education has been devolved to the DDC for six years, the planning process in these sectors remains the same as it

used to be. The programmes in these sectors are discussed neither in VDC nor VC meetings.. The district-level annual programmes of these sectors are prepared by the district offices: District Agriculture Development Office (DADO), District Livestock Services Office (DLSO), District Education Office (DEO) and District Public Health Office (DPHO), based on the ceilings and guidelines received from their respective departments. No major changes in the planning processes in these sectors were observed.

The only change that has taken place through devolution is in the budget-release process. Prior to implementation of the devolution, the allocated budget for approved programmes was directly released by the District Treasury Control Office (DTCO) to DADO, DLSO, DEO and DPHO based on authorisation from their respective central departments. Now the allocation to devolved programmes is being transferred through the DDC.

Conflicts in the formation of the user's committees and elite domination

In general, conflicts are common during the formation of the UCs because of the interest of local political people to include their own supporters in the decisive positions (chairperson, secretary and treasurer) of the committee. Particularly, intense conflict among local leaders of different political parties arises over the post of chairperson. Conflict in the committee's formation in the study VDCs was generally mitigated through consensus about dividing the decisive positions. Nevertheless, the chairperson practically runs the committees by entering into agreements with the DDC, receiving funds released from the DDC, undertaking implementation work, arranging for technicians during the implementation and authentication of project completion and maintaining and managing the records of the total funds received from the DDC.

The use of contractors

As opposed to the principle of forming UCs, there is a widespread practice of committees furtively contracting out construction work to local contractors. Usually, the committees covertly contract out the work to contractors to make a profit. Similarly, the committees also secretly contract out the construction work at lower prices than the allocated amount. But all the authorised transactions with

the DDC are conducted by the chairpersons of the UCs. DDC personnel remain helpless to take action against the committees even when they know that the works have been contracted out.

Shortage of technical personnel

The UCs need certification of work progress to receive payment instalments from the DDC after verification of accomplished works by technical personnel of the DDC/district technical office (DTO). Likewise, certification of work completion by a DDC/DTO employee is needed to receive final payment. Such certification in most cases is done without spot verification regardless of the quality of work. The shortage of technical personnel has also caused the UCs to implement many projects with haphazard costing, which results in vast cost differences between proposed and actual costing. Usually, the actual costing is far higher than the proposed costing.

No supervision or monitoring

The study also revealed that no mechanism for monitoring implementation either at the local level or at the district level exists. Most of the programmes remain unmonitored. Even though the annual progress review of the programmes is conducted at the DDC after the end of each fiscal year, it is conducted only as a formality. The users also feel that 'common property is nobody's property'.

Incomplete and poor quality projects

For these reasons, mentioned above, most of the projects implemented by the UCs have remained incomplete, or the quality of completed works has been poor. This was corroborated by almost all political persons, government officials and members of the public.

No repair and maintenance

Arrangements for repair and maintenance of implemented projects suffer from a lack of funding in all the study districts. As most of the UCs cease to exist after the completion of programmes, projects are left uncared for, and nobody takes responsibility for their repair and maintenance.

Increased grant amount without institutional capacity

The rapid expansion of grants to LBs in recent years largely represents merely a top-down effort, without consideration of institutional capacity at the local level.

Dependency on central grant

VDCs/DDCs have not been able to generate sufficient revenue from their own resources for various reasons, such as a small level of business at the local level and the absence of services and facilities for imposing taxes and service charges; the unwillingness of local representatives to go heavily for direct taxes, organisational weakness/lack of trained personnel in the VDCs/DDCs and lack of interaction between taxpayers and LBs. As a result, their activities are largely dictated by the annual central grants. This has not only made them dependent on the centre but has also resulted in less motivation to gather resources on their own, thereby creating a moral hazard. Moreover, because of their excessive dependence on the central grant, they are forced to act as agents of the central government.

Finally, ministers and powerful political leaders are usually involved in allocating extra-budgetary programmes to the districts.

Study Team

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Marit Haug

Pradyumna Prasad Regmi

Field Team

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II. Bardiya and Achham 1. Dwarika N. Dhungel 2. Mahendra R. Sapkota 3. Pradyumna P. Regmi 4. Monoj Pyakurel	Nov.8 – 28, 2009
III. Tapalejug and Jhapa 1. Dwarika N. Dhungel 2. Mahendra R. Sapkota 3. Pradyumna P. Regmi 4. Santa Bahadur Pun	March 28 - April 11, 2010

Acronyms

AC	Accounts Committee
ADDCN	Association of District Development Committees Nepal
AG	Auditor General
APM	All-Party Mechanism
CA	Constituent Assembly
CBS	Central Bureau of Statistics
CDO	Chief District Officer
CO	Community Organization
CPA	Comprehensive Peace Agreement
CPN ML	Communist Party of Nepal Marxist Leninist
CPN UML	Communist Party of Nepal United Marxist Leninist
CPN, Maoist	Communist Party of Nepal, Maoist
CPN, United	Communist Party of Nepal, United
CSMC	Community School Management Committee
DADO	District Agriculture Development Office
DDC	District Development Committee
DDP	District Development Plan
DEO	District Education Office
DIMC	Decentralization Implementation and Monitoring Committee
DLSO	District Livestock Service Office
DPHO	District Public Health Office
DTCO	District Treasury Control Office
DTO	District Technical Office
FGD	Focus Group Discussion
FPTP	First-Past-the-Post
FY	Fiscal Year
GDP	Gross Domestic Product
GNP	Gross National Product
GoN	Government of Nepal
HDI	Human Development Index
HLDCC	High Level Decentralization Coordination Committee
IPFC	Integrated Plan Formulation Committee
LA	Local Authority
LB	Local Body

LBFAR	Local Body (Financial Administration) Regulations
LBFC	Local Body Financial Commission
LDO	Local Development Officer
LGCDP	Local Governance and Community Development Programme
LSGA	Local Self Governance Act
LSGR	Local Self Governance Regulations
MC	Minimum Condition
MCPMs	Minimum Conditions and Performance Measures
MJF	Madheshi Janadhikar Forum
MJF, Loktantrik	Madheshi Janadhikar Forum, Loktantrik
MoF	Ministry of Finance
MoLD	Ministry of Local Development
MoPR	Ministry of Peace and Reconstruction
MuAn	Municipality Association of Nepal
NAVIN	National Association of Village Development Committees in Nepal
NC	Nepali Congress
NGO	Non-government Organisation
NLSS	Nepal Living Standard Survey
NPC	National Planning Commission
NSP	Nepal Sadvabana Party
NSP, Anandi Devi	Nepal Sadvabana Party, Anandi Devi
PAO	Planning and Administration Officer
PM	Performance Measures
PPP	Purchasing Power Parity
RJP	Rastriya Janamukti Party
RPP Nepal	Rastriya Prajatantra Party, Nepal
RPP	Rastriya Prajatantra Party
SAARC	South Asian Association for Regional Cooperation
SJMM	Samyukta Jatiya Mukti Morcha (United Ethnic Liberation Front)
SLRP	Sanghiya Limbuwan Rajya Parishad
SP, Mahato	Sadvabana Party, Mahato
TMLP	Terai Madhesh Loktantrik Party
UC	User's Committee
UCPN, Maoist	United Communist Party of Nepal, Maoist
UNDP	United Nations Development Programme
VDC	Village Development Committee
VDP	Village Development Plan
VDS	Village Development Secretary

1 Introduction

Decentralization is one of the most frequently used terms to consider the powers, functions and authorities of the local body/authority/government; to discuss the role of community organisations in the development process, especially in the planning and management of local development programmes; and in improvement in efficiency of the governmental organisation. The term comes from the French term *décentraliser+action*¹ and is normally used to discuss the dispersion of functions and powers from a central authority to regional, local bodies and other organisations. Hence, Dele Olowu (1999) aptly said that decentralization as a concept evokes different images to different people 'policymakers, administrators, political scientists and the public' and 'any one writing on decentralization has a fairly largely body of literature to draw upon, which presents constraints as well as opportunities'. A host of writers, bi-lateral and multi-lateral organisations and academic institutions have considered the meaning, scope and utility of decentralization as a concept.

For decades, decentralization was understood as a strategy adopted by the central government to shift the workload of the officials of the central ministry or department to lower level staff within the organisation or to those working in the field offices. This approach to decentralization has to be understood as deconcentration². The transfer of authority to elected local bodies with a view to empowering them with respect to their decision-making power towards matters of local concerns, both civic and developmental,

¹ Webster's Third New International Dictionary, 1996.

² Defined as the 'delegation of adequate authority for the discharge of specified functions to staff of a central department who are situated outside the headquarters' (Maddick 1963).

is commonly referred to as devolution³. For some, the term decentralization should not only be used to discuss the powers, functions and duties of formally established local bodies, but it should also include community-based and indigenous organisations and their relationship with local bodies. In this view, the inter-relationship between the local bodies/authorities and the various forms of other local bodies in relation to the planning and management of civic and development activities at the local level has to come under the purview of decentralization.

Other scholars have expanded its scope to include the process of delegation⁴, deregulation⁵ and privatisation⁶. Rondinelli et al. defined decentralization as 'the transfer of responsibility for planning, management and resource raising and allocation of them from the central government and its agencies to: (a) field units of central government ministries or agencies, (b) subordinate units or levels of government, (c) semi-autonomous public authorities or corporations, (d) area wide regional or functional authorities, or (e) nongovernmental private or voluntary organizations' (World Bank 1984).

In the literature on development, decentralization is seen as a development strategy to be used to empower the people in the planning and management of development programmes. Agrawal (1999) wrote that 'at least until the 1970s, the state often retained its primacy as the instrument that could accomplish equitable development. The 1970s registered a marked global change in existing visions of development—a change which came to blossom in the mid-1990s...strong regional differences and national variations in the timings and reasons for this whereby analysts began to view the...local community rather than the central state as the more appropriate vehicles to pursue development objectives. In general, the somewhat vague concepts of Alternative

³ Defined as 'the legal conferring of powers to discharge specified or residual functions upon formally constituted local authorities' (ibid).

⁴ Referred to as 'transfer of authority to public corporations or special authorities outside the regular bureaucratic structure' (Ostrom et al. 1993).

⁵ Deregulation is defined as 'dismantling of price controls, quotas or other barriers to entry so that market forces determine saving, investment and consumption decisions of economic actors (Agrawal et al. 1999).

⁶ Privatisation is defined as 'transfer of responsibility for public functions to voluntary organisations or private enterprises' (Rondinelli and Nellis 1986).

Development and the related shibboleths of sustainable development, participatory development, development with human face, and people-centred-led development can all be mapped onto the need to involve actors at the local community level in development' (Agrawal et al. 1999).

Hence, decentralization can also be viewed as a policy measure adopted to enable involvement of the people in the development process, especially in development planning at the local level. By bringing government closer to the people, decentralization in theory allows for stakeholder's representation and participation in planning, implementation and management of development programmes. From this perspective, the role of stakeholders/people becomes that of planner and manager of development programmes. This notion is reflected in Resolution No. 1929 of the Economic and Social Council of the United Nations, which defines people's/citizen's participation as an integral element in local, regional and national development plans and programmes for economic growth, social equity and regional balance.

Devolution, as a specific form of decentralization, provides the framework for people to participate in planning and decision-making processes at the local level through elected local bodies. As 'powerlessness and voicelessness are the crucial elements of poverty as stated by the poor themselves' (Narayan et al. quoted in Hyden and Court 2000), the right of stakeholders to participate in the decision-making processes that concern them has become central to the rights-based development agenda. This means 'the constant improvement of the well being of the entire population and of all individuals on the basis of their active, free, and meaningful participation in development and in their fair distribution of benefits resulting therefrom' (Centre for Development and Human Rights, 2004). Thus, the state should create an enabling environment so that people, especially the poor and disadvantaged sections of society, can claim rights and entitlement to participate in the decisions that affect their lives.

From this perspective, participation can be considered a process which, in the context of social-economic development, comprises four analytically distinct but in practice interrelated process: (i) people's participation in the decision-making process for

identification of developmental needs to determine social priorities and goals and the allocation of resources, (ii) citizen's contribution to development projects and programmes (contributions in cash, labour and kind), (iii) participation in evaluating such projects and programmes and (iv) sharing equitably in the benefits derived from development efforts (benefits may be material, cultural, civic and psychological) (Knall 1978). From this definition, 'it becomes clear that popular participation is concerned with the identification of needs, determination of societal goals, implementation, monitoring and evaluation of plans and programmes and sharing of benefits' (Dhungel 1981).

The above four elements form our conceptual framework for discussing people's participation (including representation) in the local planning process in Nepal in the context of the Local Self Governance Act, 1999 (LSGA). In other words, our concern is with the participation of stakeholders including their representation, especially marginalised and weaker sections, including women, in the planning process of the local self governance bodies (LBs), i.e. participation in identification and selection of the programmes/projects, and allocation of resources, implementation of the identified and selected programmes/projects and sharing benefits accrued from project implementation.

Participation that includes representation is important not only from a development perspective, but also from a conflict resolution perspective. By making provision for people's participation in the political process, in particular participation of the marginalised and other disadvantaged sections of society, both unitary and federal states have adopted decentralization as a conflict mitigating strategy to address the grievances of minorities - religious or others - to save these states from being broken into pieces. The extent to which the LSGA contributed to inclusion of disadvantaged groups in decision making at the local level (district and sub district levels) in Nepal is therefore of importance from a conflict management perspective as well as from a development perspective.

1.1 Study Rationale

Nepal has been pursuing a policy of planned development since 1956. Thus far, it has implemented eleven periodic plans, including the recently completed Three-Year Interim Plan (2007-2010). Nepal is now on the verge of implementing another three-year plan. In addition, since the dawn of its democracy in 1951, Nepal has been pursuing a policy of involving people in the development of the country, especially in those areas in which they have a direct stake through the pursuit of decentralization as a development strategy. For the purpose of creating an institutional framework through which people can participate in the development process, the country has been divided into a number of village units (3,915), urban units (58)⁷ and districts (75). In addition, for the purpose of allocating resources in an equitable manner to all the geographic regions, the country has been divided into five development regions⁸, with a headquarters in each of these regions.

A local authority/local body (LA/LB)⁹, except at the regional level, has been established by the government through the enactment and implementation of the LSGA. The government has tried to promote and ensure access of stakeholders in the political and decision-making process to the planning and management of development programmes at the local level by establishing an LB in each of the 3915 village units, 58 urban units and 75 districts, i.e. village development committee (VDC) in the village units, municipality in urban units and district development committee (DDC) at the districts, which has so far been considered the focal point for both the regulatory and development functions.

From all perspectives, Nepal, after more than two hundred years of modern history, is now in a process of transformation. This is

⁷ As of August 2011, the government has added 45 new municipalities to the already existing 58. This means there will be fewer VDCs.

⁸ Eastern, Central, Western, Mid-western and Far-western development regions with Dhankuta as the headquarters of the Eastern Region, Hetuada as the headquarters of the Central Region, Pokhara as the headquarters of the Western Region, Surkhet as the headquarters of the Mid-western Region and Dipayal as the headquarters of Far-western Region (Map 1).

⁹ The term local authority is used in the Interim Constitution, 2007 whereas the term local body is used in the LSGA. However, for our purposes, we use the term from the LSGA.

the result of the end of the decade-long violent insurgency by the Communist Party of Nepal, Maoist (CPN, Maoist) [now Unified Communist Party of Nepal, Maoist (UCPN Maoist)], signing of the Comprehensive Peace Agreement (CPA) of November 21, 2006 by the government with this party, adoption of an Interim Constitution 2007 and ultimately elections to the Constituent Assembly (CA) with representation from 25 political parties (Appendix 1). Through amendments to the Interim Constitution 2007, the CA has declared the country to be a federal republic. The CA is now drafting a new constitution, which was originally expected to be promulgated by May 10, 2010. However, due to delays in framing the new constitution caused by differences among the political parties, the CA could not promulgate the new constitution as expected. Therefore, the political parties have now extended the term of the CA to November 30, 2011. In the process of transformation, many of the country's institutions and structures are dying out and new ones are in the making.

After the CA's acceptance of the federal polity, politicians debated how to design a new federal structure that recognises the country's diversity, as they think federal governments often apply the exact opposite approach to that of a unitary government by explicitly recognising the rights of the different ethnic groups in a national system of ethnic accommodation. It is believed that accommodation of national minorities is the key to stability and unity (Schou and Haug 2005). However, one thing on which there is consensus among almost all the players represented in the CA is that Federal Nepal will have a three-tier governance structure, central government, state/provincial governments and local governments. Therefore, decentralization remains a major agenda of discussion from the perspective of having more participation of the people in the political process and planning and development at the sub-national level among the players concerned. In particular, the role of local government in these matters would remain a major item of discussion among the designers of Federal Nepal.

Experience of the country in the field of local government, especially understanding how the LSGA works in real-life situations, could provide information useful in designing the new local government system and framing a new legal framework to delineate the powers and functions of the LBs and their

relationship with the governments under the new political setup. In this context, this research aimed to analyse the workings of the LSGA and the participation, including representation of the people in general and marginalised sections in particular, in the planning and development process at the local level (district and sub district levels).

1.2 Objectives of Study

The prime objective of the research was to focus on the workings of existing mechanisms of decentralized local governance in the context of the LSGA with the objectives of analysing whether or not there has been:

- I. Increase in participation (including representation) in the planning process with focus on women, Janajatis and Dalits, especially after the promulgation of the Interim Constitution of Nepal in 2007
- II. Resource allocation systems more sensitive to demands of marginalised groups;
- III. Increase in the mobilisation of local resources by the LBs (DDC/VDC);
- IV. More autonomy to the LBs in decision making, service delivery and benefit sharing; and
- V. Increase in responsiveness and accountability in both the LBs and the centre in the planning process; and decrease in conflict in benefit sharing at the local level.

1.3 Methodology

The study used qualitative methods based on both a desk study and fieldwork. The research was not based on a sample survey, but on selected case studies of districts and selected VDCs within the districts. The case study approach was adopted because the study aimed to assess the on-going process of decentralization at the local level (sub-district and district level) through the application of existing legal frameworks, acts, rules and regulations, policies, plans and annual programmes of the government and LBs.

Relevant reports and documents constituted the sources of secondary data and information for the desk study. The primary data and information were collected through focus group discussions (FGDs), interviews with key informants, including political leaders, civil society members and human rights workers at the centre, and, during the field study, at the local level (district and sub-district levels). Researchers were personally involved in data collection and discussion with stakeholders. Research tools (such as FGD guides) were prepared to conduct the field study, which included checklists for:

- I Data and information collection at the district and sub-district levels,
- II Discussions with political parties at central/district level and government officials and key informants at the central/district level, and
- III Focus group discussions (for beneficiaries).

The checklists for data collection and those for discussion with political parties and government officials/key informants sought information mainly on institutional design of the LBs, political access and participation, resource allocations to the LBs, service delivery by the LBs, dispute settlement and local institutional capacity for conflict management. Similarly, the checklist for FGDs covered information on group formation, composition and knowledge of the development programmes and participation in the planning process, including benefit sharing and conflict mitigation measures (Appendix 2).

After preparing the checklists, six districts for the field study were finalised (Map 1 and Appendix 3). The basis of district selection was development region, geographical region, conflict intensity, remoteness, inhabitation of Dalit/Advashi/Janajati and disadvantaged groups (Table 1.1). Conflict intensity depended on the number of deaths per 1,000 among the population during conflict (adopted from a study entitled 'An Empirical Analysis of Civil Conflict in Nepal by Institute of Governmental Studies', California, Berkeley, 2006). The study team conducted intermittent field studies on 55 days.

Table 1.1 *Field Study Districts*

S. No.	Region	Geographical Regions	Districts	Selection Criteria
1.	Eastern	Mountain Terai	Taplejung Jhapa	Partly accessible, Limbu ethnic group dominated district with high conflict intensity. Accessible, multi-ethnic Advasi people residing district with low conflict intensity.
2.	Central	Hill	Sindhuli	Partly accessible, Tamang ethnic group dominated district with high conflict intensity.
3.	Western	Hill	Lamjung	Partly accessible, Gurung ethnic group dominated district with very high conflict intensity.
4.	Mid-western	Terai	Bardiya	Accessible, Tharu ethnic group dominated district with high conflict intensity.
5.	Far-western	Hill	Achham	Partly accessible, remote Dalit population dominated district with very high conflict intensity.

During the field study, the study team was involved in carrying out the following activities:

- I Discussion with the chief district officer (CDO), local development officer (LDO) and DDC officials and other knowledgeable persons for:
- Appraising the purpose of district study,
 - Requesting them to suggest VDCs to be visited by the study team,
 - Requesting them to make relevant data and information available

- Finalisation of the study VDCs, three to four VDCs (Maps and Appendix 4) per district were as follows:
 - Taplejung: No VDCs were studied.
 - Jhapa: Jalthal, Khudunabari and Khajurgachhi.
 - Sindhuli: Lampantar, Ratanchura and Mahadevsthan.
 - Lamjung: Bichaur, Gaunshahar, Bhorletar and Taghring.
 - Bardia: Sorhawa, Mohammadpur, Bagnaha and Daulatpur.
 - Achham: Janalibandali, Mangalsen and Mastamandu.
- II Contact with the related VDC secretaries for:
 - Appraising the purpose of study,
 - Requesting VDC-level data and information be made readily available, and
 - Arranging FGDs and other meetings with VDC people.
- III Collection of relevant data and information from the DDC.
- IV Visits to the VDCs:
 - For FGDs including women about programme planning (Appendix 5).
 - For separate discussions with Dalits about their participation in programme planning and implementation.
- V Discussions with the district-level political party leaders who presently sit on the district and village council meetings (VC and DC meetings) that finalises the programmes, and
- VI Discussions with officials of concerned district sectoral offices (Appendix 6).

After the field study of Sindhuli and Lamjung, the findings from these two districts were presented in a one-day seminar on 3 August 2009 held in Kathmandu so as to receive comments on the findings. The participants of the seminar included 35-40 Nepalese

experts on decentralization and local governance (Appendix 7)¹⁰. Similarly, another one-day seminar was held on 20 January 2011, again in Kathmandu, to present the draft report of the study. The seminar was attended by Nepalese as well as foreign participants¹¹. The relevant comments and observations were taken into account while finalising the monograph.

1.4 Limitations

The LSGA dwells not only on the village- and district-level local government bodies, but also deals with the composition, powers, functions, duties of the urban local body (municipality) and relationship of the village local body with the district-level government body, the DDC. There has been an increase in the urbanisation process over the years requiring attention to the functioning of the municipality, but this study does not dwell upon the planning process of the municipality. Hence, it is limited to the people's participation including representation, especially that of marginalised and weaker sections of society in the planning and development processes of the VDC and DDC. It may be mentioned that exclusion of these groups in the process and denial of access to resources at the local level were capitalised on by the CPN Maoist during its decade-old insurgency.

The other limitation is the number of VDCs and DDCs covered by the study. It includes only 17 of the 3,915 VDCs and 6 of 75 DDCs. However, the study has tried to explore people's participation including representation, particularly of marginalised and weaker sections, including women, in the planning process of the local self governance bodies through the case study approach.

¹⁰ The seminar also included Ms. Marit Haug and Mr. Arild Schou from the Norwegian Institute for Urban and Regional Research, and country coordinators of study Prof. Miriam Coronel Ferrer, Department of Political Science, University of the Philippines and V.T. Thamilaran, Senior Lecturer at the Faculty of Law, University of Colombo. Ms. Miriam and Mr. Thamilaran presented experiences of the Philippines and Sri Lanka, respectively, regarding conflict situations. These participants were present because the study was being simultaneously conducted in Nepal, the Philippines and Sri Lanka. The seminar was also a pre-presentation of the country papers to be presented in the Sixth International Convention of Asia Scholars held in Daejeon, South Korea during 6-9 August 2009 by the country coordinators of the study.

¹¹ Ms. Marit Haug also participated in this seminar.

2 Country Scenario

Nepal, located on the southern slopes of the Himalayas and bound by the two big countries of Asia—the People’s Republic of China (Tibetan Autonomous Region) on the north and the Republic of India on the south—is a founding member of the South Asian Association for Regional Cooperation (SAARC). With an area of 147,181 square kilometres, Nepal is expected to have a population of 28.58 million in the year 2011 (CBS, 2009).

Geographically, the country can be broadly divided into three belts: mountains, hills and Tarai or Madhesh. From a socio-cultural point of view, ‘Nepal is a multi-ethnic, multi-cultural and multi-lingual country’. Although scholars have contested the way the people living in these belts were counted and presented in successive national censuses, Nepal’s 2001 census enumerated 103 distinct castes and ethnic groups, including an ‘unidentified group’. With regards to religion, the people of Nepal embrace Hinduism (80.62 per cent), Buddhism (10.74 per cent), Islam (4.20 per cent) and Kirant (3.6 per cent). The remaining Nepali people belong to other religions (CBS, 2003). Linguistically, scholars have identified 71 linguistic groups which, from the perspective of the family they belong to, can be divided into four broad language groups: Indo-Aryan, Tibeto-Burman, Austro-Asiatic and Dravidian (Report of the National Language Policy Recommendation Commission, 1994). Nepali, however, has been accepted as the *lingua franca* and official language, with other languages accepted as national languages (Article 5, The Interim Constitution of Nepal, 2007).

Agriculture is the country’s main source of income. Its share in the country’s real gross domestic product (GDP) in 2009 was about 33 per cent (MoF, 2010). Some 66 per cent of households are dependent on agricultural activities (MoAC, 2009). Trade, manufacturing and services are the non-agricultural sectors that generate income for the people of the country.

2.1 Planned Development Efforts

Nepal has followed a planned development system to improve the living conditions of its people since 1956, when it launched its first periodic plan, 1st Five Year Plan 1956-61. Thus far, Nepal has implemented eleven periodic plans, and the 12th is in the offing. In the course of implementing the periodic plans (during the 4th Plan, 1970-75), the country was divided into five development regions with the purpose of allocating the national budget and undertaking development programmes in all the regions in an equitable manner. Each of the five development regions consists of areas from all three geographical belts (i.e. mountains, hills and Tarai/Madhesh), and each region has its own headquarters (see footnote no 8). Each of these regional headquarters has a host of public-sector offices with senior officers acting as field officers of the government of Nepal (GoN).

The other mechanism established by the government at the local level to associate and engage the people in the decision-making process, especially in planning and development of the areas concerned, is the two-tier system of the local body (LB) viz. the village development committee (VDC)/municipality and district development committee (DDC). Altogether, there are 4,048 such LBs (3,915 VDCs, 58 municipalities and 75 DDCs) in the country¹². Since the beginning of the 1960s, the two-tier LBs have been involved in planning and development at the local level. Decentralization was adopted as the policy in the 3rd Plan period (1965-70) to associate and engage the people in the decision-making process with specific reference to planning and development in the areas within the territorial boundary of the LB. After restoration of the multiparty democratic system in 1990, especially after 1999, LBs managed this responsibility per the Local Self Governance Act (LSGA), 1999 and Local Self Governance Regulation (LSGR), 1999, Local Body (Financial Administration) Regulations, 2007 as well as other related rules and operational manuals.

Despite these efforts, Nepal's socio-economic conditions are still far from satisfactory, which is reflected by the country's Human Development Index (HDI). Nepal's HDI is estimated at 0.553,

¹² See footnote 7 for the latest figures.

with an HDI rank of 144th in 2009 (HDR, 2009). The adult literacy rate of those 15 years and older was 56.5 per cent and the combined gross enrolment ratio was 60.8 per cent (Ibid). The gross national product (GNP) per capita income of the Nepali people is US \$470 and the GDP per capita purchasing power parity (PPP) is US \$1,049 (Ibid). Various forms of disparity among the different geographic regions, the exclusion of many from the development mainstream and marginalisation (Appendix 8) remain the major development problems and sources of conflict in the country.

2.2 Armed Insurgency and Comprehensive Peace Agreement

Nepal went through a traumatic and bloody decade from 1996 to 2006 due to an insurgency raised by the former Communist Party of Nepal (CPN), Maoist and the current Unified Communist Party of Nepal (UCPN), Maoist, which caused extensive damage to lives and property. The Maoists claimed that they started the insurgency to correct political, social, economic, regional and ethnic inequities by overthrowing the existing unitary political system¹³. Thus, one issue that came to the fore through the insurgency, which had also been raised by the development thinkers and others, was the notion that discrimination, marginalisation and exclusion had to be addressed through the creation of space in all geographic areas and

¹³ The Maoist insurgency started with a 40-point demand in February 1996 related to different dimensions of nationality, people's democracy and livelihood. Maoists believed that the existing structural problems of the country, including its semi-feudal structure, regional disparity and oppression of nationalities, could not be solved through reforms under the existing political system and, therefore, they waged a People's War starting in February 1996 to establish a new democratic system to replace the semi-feudal structure of the state. Thus, their district-level movements were also directed towards achieving this national-level goal. During and after the Maoist conflict, various studies were conducted. These studies indicated that the insurgency resulted from rage against a long legacy of caste- and ethnicity-based domination; inequality, landlessness, and a general lack of opportunity reinforced by complex systems of caste and related discriminatory patterns; widespread poverty and underdevelopment; wider dissatisfaction with the democratic political class at the centre due to political instability, corruption, unemployment and bad governance; and over-centralization of power, including ineffective implementation of LSGA.

all sections of society had to participate in the decision-making process and have equitable access to national resources.

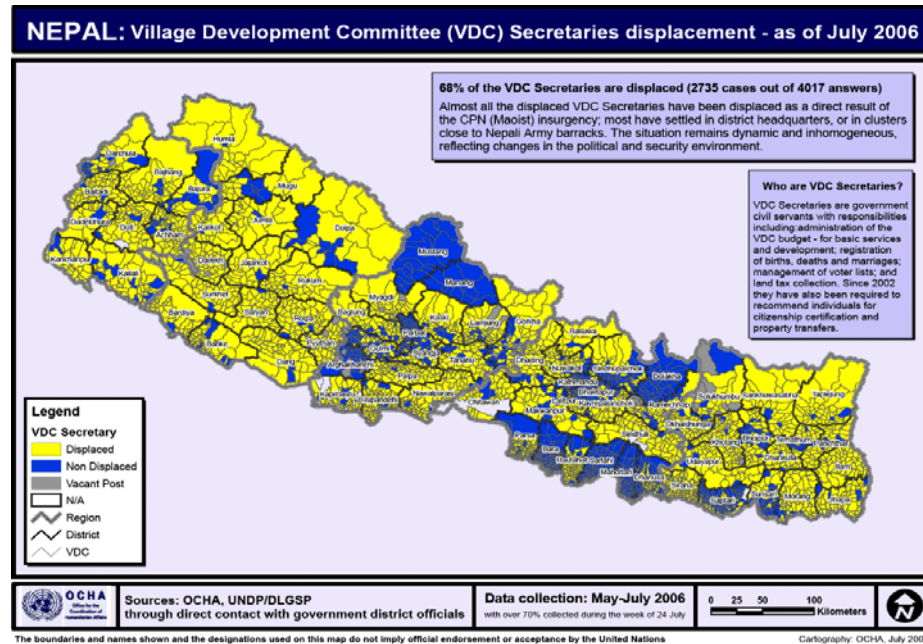
2.3 Local Bodies Affected by the War

The decade-long insurgency badly affected the LBs particularly the VDCs. The VDC buildings were either burnt down or damaged. The presence of government in the villages was almost absent; however, district headquarters to some extent were secure. Based on the information available from the Ministry of Peace and Reconstruction (MoPR), the number of VDCs affected during the conflict was 1,186 (burnt down or damaged); of these, 222 VDCs have already been reconstructed, 555 VDCs are undergoing reconstruction and 409 VDCs are to be reconstructed. The MoPR has further said that the number of affected VDCs in the study districts was 155 (Taplejung: 33 VDCs, Jhapa: 40 VDCs; Sindhuli: 9 VDCs, Lamjung: 31 VDCs, Bardiya: 16 VDCs and Achham: 26 VDCs). A difference exists between the government-prepared list of affected VDCs and observations from the field visits conducted for the present study. For example, none of the study VDC buildings in Jhapa were destroyed, but the MoPR's list shows that the Jalthal and Khudunabari VDCs were destroyed. Similarly, the Lamapantar, Ratchura and Mahadevsthan VDCs in Sindhuli were destroyed; the Ratanchura VDC has been reconstructed. These VDCs do not appear in the government's list. For the Lamjung district, the name of the destroyed VDC in Bhorletar does not appear. However, the VDCs of Gaunsahar (which was partially destroyed but quickly restored) and Bichaur do appear in the list. In the case of Bardiya, the Sorhawa VDC has rightly been included in the list. However, the studied VDCs of Achham have their buildings and are not rightly included in the list.

The Maoists warned most VDC secretaries not to perform their duties. At the same time, the secretaries faced the problem of rampant extortion from the same Maoists. Due to these circumstances, the VDC secretaries were compelled to leave the VDCs and be stationed at the district headquarters. Therefore, during the period of conflict, the capability of VDCs to render services to the common people was extremely and adversely affected. Service seekers were forced to travel to the district headquarters from their respective villages to receive services.

Although the VDC secretaries did understand the difficulties faced by the villagers, they were helpless. Figure 2.1 shows the displacement of VDC secretaries during the conflict.

Figure 2.1 *Displacement of VDC Secretaries*



The VDC secretaries were not only displaced, some were even killed. According to the Association of VDC Secretaries, 18 VDC secretaries were killed during the insurgency and 8 were killed in the post-conflict period.

The insurgency ended in November 2006 when the government and CPN Maoist party signed the Comprehensive Peace Agreement (CPA). Upon signing the CPA with the CPN Maoist, the country entered into a new phase. It got rid of the Constitution of the Kingdom of Nepal 1990 and replaced it with a new Interim Constitution, the Constitution of Nepal 2007, which abolished the monarchy. It did away with the unitary system of polity and

introduced a federal structure¹⁴. According to the Interim Constitution, these measures were taken to address the discrimination that exists in the country. Under the provisions of this constitution, the country elected the Constituent Assembly (CA) in April 2008, which is now in the process of drafting a new constitution; the process was expected to be completed by May 2011¹⁵, but it is (as of September 2011) still continuing. One aspect on which there is almost universal consensus among the players represented in the CA is that Federal Nepal will have a three-tier governance structure: central government, state/provincial governments and local governments. The importance of the local government is also emphasized in the Interim Constitution, 2007.

¹⁴ 'Having determined upon the progressive restructuring of the state in order to resolve the existing problems of the country relating to class, caste, region and gender ... Declaring Nepal as a federal democratic republican state, upon duly abolishing the monarchy' (Preamble).

¹⁵ Originally, the CA was to promulgate the new Constitution in May 2010. As this deadline could not be met due to the differences among the political parties, the term of CA was extended by one year to May 2011. However, owing to the continued differences among the political parties, the tenure of CA has again been extended. The new date set for the promulgation of new constitution is November 30, 2011.

3 Local Governance Reforms and Decentralization

Local self-governance has been part and parcel of Nepalese life (Appendix 9). However, the process of involving and associating the local people in the planning and development process at the local level began in the 1960's when the government, first of all, established a country wide network of local bodies (LBs) through the enactment of required laws. Afterwards a decentralisation programme was launched to formally decentralise the powers and responsibilities to the LBs from the government. At present after the enactment of LSGA, it is also a legal framework that deals with the powers and functions of the LBs. In addition, it is considered to be a framework in resolving conflicts through the provision for participation of women, the less powerful and the disadvantaged of society in the decision-making processes by the LBs.

3.1 Under the Panchayat Regime (1962-1990)

In its preamble and in provisions in the directive principles of state policy, the Constitution of Nepal 1962, under which the country was ruled for three decades (1960-1990), propounded decentralization as the main state policy to involve the people in the planning and development of the country. Towards the attainment of these goals, the government first established a country-wide network of local institutions, originally a three-tier system: village/town panchayat, district panchayat and zonal panchayat (the zonal level was later abolished). The laws¹⁶ to

¹⁶The Village Panchayat Act 1962, the Town Panchayat Act 1962 and the District Panchayat Act 1962.

delineate their composition, powers and functions were enacted and promulgated in 1962. In addition, several other acts and conceptual innovations, such as the Decentralization Plan 1965, Decentralization Act 1982 and Decentralization Working Procedure Rules 1984, were initiated during this period to encourage, as claimed by the system, more involvement with local institutions in the development process, mainly in local development plans and programmes. However, the power-sharing arrangement between the government and local institutions/bodies was more in form than spirit, as the system itself was highly centralised. Furthermore, the LBs were treated more as extended arms of the government by the then government than as autonomous legal entities. Thus, decentralization under the panchayat system appeared to be a hybridisation of de-concentration and delegation of administrative power and authority rather than a true devolution.

3.2 After 1990, the Local Self Governance Act, 1999

In 1990, the panchayat system was formally discarded after the promulgation of the Constitution of the Kingdom of Nepal 1990. Unlike the constitution of 1962, this constitution did not mention decentralization in the preamble, but did mention it in the Directive Principles and Policies of the State as one of the state policies. It was noted that

It shall be a chief responsibility of the State to maintain conditions suitable to the enjoyment of the fruits of democracy through wider participation of the people in the governance of the country by way of decentralization, and to promote general welfare by making provisions for the protection and promotion of human rights, by maintaining tranquility and order in the society (*Article 25.4*).

Likewise, in another article of the constitution, LBs are referred to in the following manner:

Fifteen members, three from each of the Development Regions, to be elected [to the Upper House of Parliament] in accordance with law on the basis of the system of single

transferable vote by an electoral college consisting of the Chief and the Deputy Chief of the Village town level Local Authorities and the chief, deputy chief and the members of the District level Local Authorities (Article 46.C).

Since the LBs had already become part of Nepalese life, the government that came into power after restoration of the multi-party system decided to maintain the existing two-tier local authorities with a name change, VDC, municipality and DDC, and promulgated separate acts governing the VDC, municipality and DDC. However, in late 1995, a High Level Decentralization Coordination Committee (HLDCC) chaired by then Prime Minister Sher Bahadur Deuba was constituted to unify all the prevailing DDC, VDC and municipality acts and to prepare a comprehensive framework for local self-governance. Based on recommendations from the HLDCC, the LSGA, 1999 and Local Self Governance Regulation (LSGR), 1999 were promulgated.

The LSGA and LSGR promulgated during the 9th Plan period provide a detailed framework for decentralization and constitute a basis of good governance at the grassroots level. In other words, upon enactment of the LSGA, all existing laws on LBs viz. the Village Development Committee Act 1991, the Municipality Act 1991, the District Development Act 1991 and the Decentralization Act 1982 were repealed. The LSGA and its regulations are the laws that offer basic policy on decentralization and regulate the structure and functioning of LBs. The underlying principles with which the government, based on the content of the constitution's preamble, enacted this law are:

- I. Make provisions conducive to the enjoyment of the fruits of democracy through the utmost participation of the sovereign people in the process of governance by way of decentralization,
- II. Institutionalize the process of development by enhancing the participation of all the people including the ethnic communities, indigenous people and down-trodden as well as socially and economically backward groups in bringing out social equality in mobilizing and allocating means for the development of their own region and in the balanced and equal distribution of the fruits of development,

-
- III. Have institutional development of local bodies capable of bearing responsibility, by providing such responsibility and power at the local level as is necessary to formulate and carry out plans, and
 - IV. Constitute local bodies for the development of the local self-governance system in a manner that they are able to make decisions on the matters affecting the day-to-day needs and lives of the people, by developing local leadership.

Clause 3 of the LSGA deals with the principles and policies of the Act. In accordance to which, the government through this law wanted to pursue the following principles and policies for development of the local self-governance system:

- I. Devolution of such powers, responsibilities and means and resources as are required to make the LBs capable and efficient in local self-governance,
- II. Building and development of institutional mechanism and functional structure in LBs capable of considering local people and bearing responsibilities,
- III. Devolution of powers to collect and mobilise such means and resources as are required to discharge the functions, duties, responsibility and accountability conferred to the LBs,
- IV. Having the LBs oriented towards establishing civil society based on democratic processes, transparent practices, public accountability and people's participation in carrying out the functions devolved on them,
- V. For the purpose of developing local leadership, arrangement of an effective mechanism to make the LB accountable to the people in its own areas, and
- VI. Encouraging the private sector to participate in local self-governance in the task of providing basic services for sustainable development.

The main provisions of the act are as follows:

1. Legally

- Endorsing the concept of local self-governance and devolution.
 - Defining principles and policies of decentralization, making the policy binding on all.
 - Creating the Decentralization Implementation and Monitoring Committee (DIMC) under the leadership of the prime minister as the key policy-making body on decentralization.
2. Devolving of wider sectoral authority along with judicial authority to LBs.
 3. Providing:
 - Compulsory participatory bottom-up planning, periodic planning and resource mapping for all LBs.
 - Separate Local Service Act and Local Service Commission.
 4. Authorizing:
 - LBs, especially DDCs, to establish their own sectoral units and demand transfer of government-performed sectoral tasks to them.
 - DDCs to hire their own professional staff with provision for government civil servants to join the service of local governments.
 5. Basing district funding on the block grant model with all central funding deposited into a district development fund.
 6. Expanding taxation and service fee collection authority of LBs and recognition of their rights in natural resources.
 7. Including provision for creation of a Local Body Financial Commission (LBFC).
 8. Taking in provision for revenue sharing between the local and central government and among LBs.
 9. Embracing provision for compulsory representation of women (20 per cent) in LBs and space for representation of deprived and disadvantaged groups through nomination.
 10. Making LBs more accountable and transparent through provisions such as councils and various committees, including audit committee.

Nepal Development Forum, 2002 proposed that all the development agencies must realize the importance of decentralization and capacity building of LBs and other stakeholders. The long-term vision of decentralization per the 10th Plan (2002-2007) was to devolve authority, accountability, resources and manpower to the LBs; develop and create a mechanism for their institutional development and an action-oriented structure for the LBs, mobilise and collect resources at the local level; set up civil societies with the people's participation; develop an effective mechanism for developing local leadership accountable to the people; encourage private-sector participation in delivering services for sustainable development and fully set up a local self-governance system.

The 10th Plan (2002 - 7) aimed to actively involve people in the development process through decentralization. In this context, the main strategies of the plan were to:

- I. Give autonomy to the LBs to perform duties pursuant to the objective of the LSGA,
- II. Enhance the institutional capacity of LBs to enable them to deliver services to the people and to function responsibly,
- III. Enhance extensively the people's participation in the local development process, and
- IV. Make LBs capable of mobilising internal and external resources.

3.3 The Interim Constitution of Nepal, 2007

Like the Constitution of the Kingdom of Nepal 1990, this constitution speaks to ending discrimination and exclusion and creating an inclusive and democratic country with a role for LBs in the development of the country. As to the nature of the state, Part 17 of this constitution says that Nepal would be an

inclusive and democratic federal state with no discrimination based on class, caste, language, sex, culture, religion and region (Article 138).

In relation to local self-governance, the same part of the constitution states that:

The election to local self governance related authorities shall be held based on decentralization and devolution of authority in order to promote the participation of people, to the maximum extent possible, in the system of governance of the country by creating such environment as is conducive to the exercise of sovereignty by the people even from the local level, deliver services to the people at the local level and have institutional development of democracy even from the local level (Article 139.1).

The organizational structure, framework, territory and mode of formation of the local self-governance related authorities shall be as provided by the law (Article 139.3).

Similarly, concerning the mobilisation and management of revenue, the constitution expresses:

There shall be mobilization and allocation of responsibilities and revenue between the Government of Nepal and the local self-governance related authorities as provided by law in order to make the local self governance related authorities accountable for the identification, formulation and implementation of local level plans, while maintaining equality in the mobilization, appropriation of means and resources and in the balanced and equitable distribution of the fruits of development with a view to strengthening the local self governance related authorities for local development (Article 140.1).

While mobilizing and allocating revenues...special attention shall be accorded to the overall upliftment of those classes and communities who are backward socially and economically in such a manner as to have a balanced and equal development of the country (Article 140.2).

Although the Interim Constitution, 2007 provided for various provisions on local self-governance-related authorities, the law on these matters is yet to be prepared and presented to the Constituent Assembly (CA) for approval. The Interim Constitution itself has provided for an interim arrangement until finalisation of the shape of the new LBs and election to the local self-governance-related authorities. The constitutional arrangement in this regard is as follows:

Interim local authorities shall be formed at the district, municipal and village levels by the Government of Nepal, with the consent and participation of the political parties, which are actively involved at the local level pending the election to the local authorities (Article 139.2).

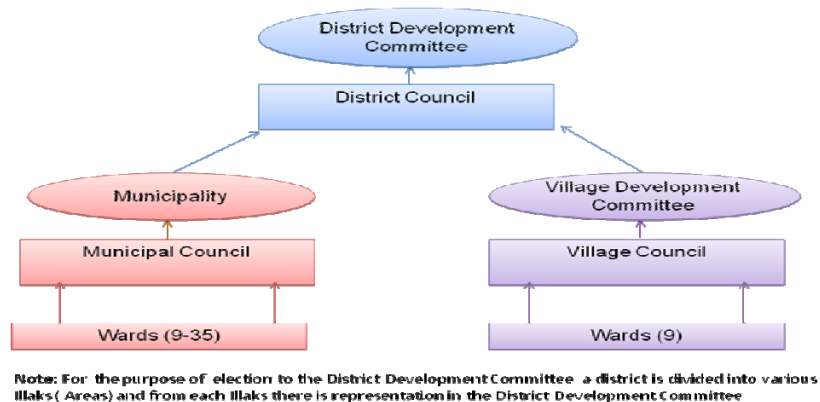
Based on the above provision, the Government of Nepal (GoN) has provided continuity to the two-tier LB system, i.e. VDC/municipality and DDC, and entrusted (until August 2010) the responsibility of running these bodies to government employees, i.e. village development secretary (VDS), executive officer (EO) and local development officer (LDO), with advisory support from representatives of the political parties in the form of membership in the all-party mechanism (APM). The LBs have been allowed to continue to perform their responsibilities per provisions of the LSGA.

In addition, the framers of the new constitution, especially its Committee on the State Restructuring and Distribution of State Power, has recommended to the CA that Federal Nepal should have a three-tier governmental structure—central, provincial and local—and also three special areas at the local level: autonomous areas, protected areas and special areas where the managing authority would have the power to determine the protection of resources and the promotion of the culture and traditions of the people living in the area.

4 Organisational Structure

The Local Self Governance Act (LSGA) 1999 provides for the institutional design, or organizational structure, of the local bodies (LBs) through which the people at the local level are supposed to participate in creating and managing development plans and programmes (Figure 4.1). In other words, it is through the LBs that people are supposed to participate in the planning process, mainly the planning and management of development plans and programmes. The LSGA provides for deliberative and executive bodies in each of the local bodies.

The village council (VC) and the district council (DC) are the deliberative bodies, whereas the village development committee (VDC) and district development committee (DDC) are the executive bodies. Per the LSGA, these bodies were to operate and be managed by elected office bearers with the support of a secretary and other professionals (Appendix 10). The office bearers to these bodies were to be elected for a five-year period, with their tenure to expire on 15/16 July of their fifth year of service. However, there has not been an election to these bodies upon the completion of the term of elected officials in 2002; government employees with support and advice of a committee constituted from among the representatives of the political parties active at the local level run and manage the LBs. In other words, the VDC and DDC have not had elected representatives since mid-July 2002 and are being managed by government employees with advice from the all-party mechanism (APM).

Figure 4.1 *Organisational Relationship between Local Bodies*

4.1 Present Structure

All the studied VDCs have a committee headed by the VDC secretary, with two other government employees located at the village or sub-district level. Mostly, the other government employees are from the agriculture or livestock and health sectors. The government has nominated junior-level officials of agriculture and livestock service centres and sub-health posts to act as the members of the VDC. These people perform the functions, powers and duties of both the VC and VDC. However, according to some of the VDC members, the VDC secretary actually runs the VDC and members just endorse decisions made by the chairperson, the VDC secretary.

Unlike at the VDC level, the government has not constituted a committee at the district level. It is the local development officer (LDO) who is running and managing the DDC. In addition, the LDO exercises the total power of the DDC and DC. In other words, the LDO has been entrusted with the responsibility of performing the functions, powers and duties granted to the DC and DDC by the LSGA.

4.2 All-Party Mechanism

A temporary arrangement in the form of an APM, as already mentioned, has been initiated by the government of Nepal (GoN) at both the village and district levels with a view to providing advisory services to government employees who manage the VDC and DDC. Such a mechanism was introduced per provisions of the Interim Constitution. Per the directive of the GoN issued 9 July 2009, the APM would comprise the representatives of all those political parties that contested the First-Past-the-Post (FPTP) during the election to the Constituent Assembly (CA) held in 2008. The political parties represented in the APMs of the studied VDCs and DDCs are listed in Tables 4.1 and 4.2.

Table 4.1 *Composition of APM in the Study VDCs*

S. NO.	District/VDC	Representing Political Party
1.	Jhapa Jalthal	UCPN Maoist, Nepali Congress (NC), Communist Party of Nepal United Marxist and Leninist (CPN UML), Communist Party of Nepal Marxist and Leninist (CPN ML), Nepal Sadvabana Party Anandi Devi (NSP Annadi Devi), Rastriya Prajatantra Party (RPP) ¹⁷ and Sanghiya Limbuwan Rajya Parishad (SLRP).
	Khudunabari	UCPN Maoist, NC, CPN UML, RPP, Rastriya Prajatantra Party Nepal (RPP Nepal), Rastriya Janamukti Party (RJP), CPN ML and SLRP.
	Khajurgachhi	UCPN Maoist, NC, CPN UML, CPN ML, Sadvabana Party Mahato (SP Mahato), RPP and SLRP.
2.	Sindhuli Lampantar	UCPN Maoist, NC and CPN UML.
	Ratanchura	UCPN Maoist, NC, CPN UML and Communist Party of Nepal, United (CPN United).
	Mahadevsthan	UCPN Maoist, NC and Samukta Janamorcha. ¹⁸
3.	Lamjung Bichaur	UCPN Maoist, NC and CPN UML.
	Gaunsahar	UCPN Maoist, NC and CPN UML.
	Bhorletar	UCPN Maoist, NC and CPN UML.
	Taghring	UCPN Maoist, NC and CPN UML.

¹⁷ RPP has been split into two parties: RPP and RPP (Nepal).

¹⁸ Samyukta Janamorcha has been united with the UCPN Maoist.

S. NO.	District/VDC	Representing Political Party
4.	Bardiya Soharwa	UCPN Maoist, NC, CPN UML
	Mohammadpur	UCPN Maoist, NC, CPN UML, Madhshi Janadhikar Forum (MJF) ¹⁹ , Terai Madhesh Loktantrik Party (TMLP), Nepal Sadvabana Party (NSP) ²⁰ , (NSP, Anndi Devi) and RPP, Nepal.
	Bagnaha	UCPN Maoist, NC, CPN UML and RPP.
	Daulatpur	UCPN Maoist, NC, CPN UML, Madhesi Janadhikar Forum Lokatantrik (MJF Lokatantrik) and RPP.
5.	Achham Janali Bandali	UCPN Maoist, NC, CPN UML and CPN ML.
	Mangalsain	UCPN Maoist, NC, CPN UML, CPN ML, MJF Lokatantrik and RPP.
	Mastamandu	UCPN Maoist, NC, CPN UML and RPP.

Source: Field Study VDCs.

¹⁹ MJF has been split into two parties: MJF and MJF (Lokatantrik).

²⁰ NSP has been split into three parties: NSP, SP (Mahato) and NSP (Anandi Devi).

Table 4.2 *Composition of APM in the Study Districts*

S. No.	DDC	Representing Political Party
1.	Taplejung	UCPN Maoist, NC, CPN UML, RPP, RPP (Nepal) and SLRP.
2.	Jhapa	UCPN Maoist, NC, CPN UML, RPP, RPP (Nepal), RJP, CPN ML and SLRP.
3.	Sindhuli	UCPN Maoist, NC, CPN UML, CPN United and Samukta Janamorcha.
4.	Bardiya	UCPN Maoist, NC, CPN UML, MJF, TMLP, NSP, NSP (Anandi Devi) and RPP (Nepal).
5.	Lamjung	UCPN Maoist, NC, CPN UML and RPP.
6.	Achham	UCPN Maoist, NC, CPN UML, CPN ML, MJF, Loktantrik and RPP.

Source: Field Study DDCs.

Per provisions of the LSGA, the VC, VDC, DC and DDC were to have the representation of women and other sections of society (Appendix 10). Therefore, the expectations were that the political parties would also send women, Janajati²¹, Dalit²² and other

²¹ According to the Adibasi Janjati Uthan Pratisthan Act 2002 (Indigenous Nationalities Upliftment Academy Act 2002), indigenous nationalities (Adibasi/Janajatis) have been defined as those races or communities having: their own mother tongue, traditional customs and separate cultural identity, separate social structure and unwritten or written history. Fifty-nine races and communities constituting about 36 percent of the total population are included under the category of indigenous nationalities: (1) Kisan, (2) Kumal, (3) Kusbadia, (4) Kusunda, (5) Gangain, (6) Gurung, (7) Chepang, (8) Chhantyal, (9) Chhaintrotan, (10) Jirel, (11) Jhangad, (12) Dolpo, (13) Tangwe, (14), Tajpuria, (15) Tamang, (16) Tin Gaunle Thakali, (17) Topkegola, (18) Thakali, (19) Thami, (20) Tharu, (21) Thudam, (22) Danuwar, (23) Darai, (24) Dura, (25) Dhanuk (Rajbansi), (26) Dhimal, (27) Newar, (28) Pahari, (29) Phree, (30) Bankaria, (31) Baramo, (32) Barha Gaunle, (33) Bote, (34) Bhujel, (35) Bhote, (36) Magar, (37) Majhi, (38) Marphali Thakali, (39) Mugali, (40) Meche (Bodo), (41) Yakha, (42) Rai, (43) Raute, (44) Rajbanshi (Kocha), (45) Rajhi, (46) Larke, (47) Limbu, (48) Lepcha, (49) Lhopa, (50) Lhomi (Singsawa), (51) Walung, (52) Byasi, (53) Sherpa, (54) Satar (Santhal), (55) Siyar, (56) Sunwar, (57) Surel, (58) Hayu, (59) Hyolmo.

²² Dalits, per the recently passed law, i.e. Jatiya Bhedabhav Thatha Kasur Sajaya Act 2068 (Caste Discrimination and Crime Punishment Act 2011) are those who have been socially, economically, politically, academically and religiously excluded from the national mainstream and who have been declared as the

marginalised sections of society as their representatives to the APM. However, very few from these groups were included by the political parties in both the VDC (Table 4.3 and Figures 4.2 and 4.3) and the DDC (Table 4.4 and Figure 4.4).

untouchables by the Mulki Ain (law of the land) of 1910 (BS), which was based on the Hindu caste system. The Dalits have no geographic or traditional homelands and they are scattered all over the country. According to the Census of 2001, Dalits constituted 13 per cent of the total population (Unequal Citizens, 2006).

Table 4.3 Representation of *Women, Caste, Ethnic Groups, Dalits and Others in the VDCs APM*

S. No.	District/VDCs	Gender		Caste/Ethnic Groups and Others			
		Male	Female	Brahman/Chhetri	Adivasi/Janajati*	Dalit	Unidentified
1.	Jhapa:						
	Jalthal	8	-	1	7	-	-
	Khudunabari	8	-	6	2	-	-
	Khajurgachhi	8	-	2	5	-	1
	Subtotal	24	-	9	14	-	1
2.	Sindhuli:						
	Lampantar	2	1	3	-	-	-
	Ratanchura	3	1	4	-	-	-
	Mahadevsthan	3	-	1	2	-	-
	Subtotal	8	2	8	2	-	-
3.	Lamjung:						
	Bichaur	3	-	2	1	-	-
	Gaunsahar	3	-	2	-	1	-
	Bhorletar	3	-	2	1	-	-
	Taghring	3	-	-	3	-	-
	Subtotal	12	-	6	5	1	-
4.	Bardia:						
	Sorhawa	7	-	3	3	-	1
	Mohammadpur	8	-	-	7	-	1
	Bagnaha	4	-	3	-	-	1
	Daulatpur	5	-	1	4	-	-
	Subtotal	24	-	7	14	-	3
5.	Achham:						
	Janali Bandali	4	-	3	-	1	-
	Mangalsain ²³	-	-	-	-	-	-
	Mastamandu	4	-	4	-	-	-
	Subtotal	8	-	7	-	1	-
	Total	76	2	37	35	2	4

* Adivasi & Janajatis are also indicated as ethnic groups

Source: Field Study VDCs.

²³ The political parties have not nominated their fixed representatives in the Mangalsain VDC of Achham. Whenever there is a VDC meeting, one person is deputised to attend it by the political parties. Different persons attend the VDC meeting at different times.

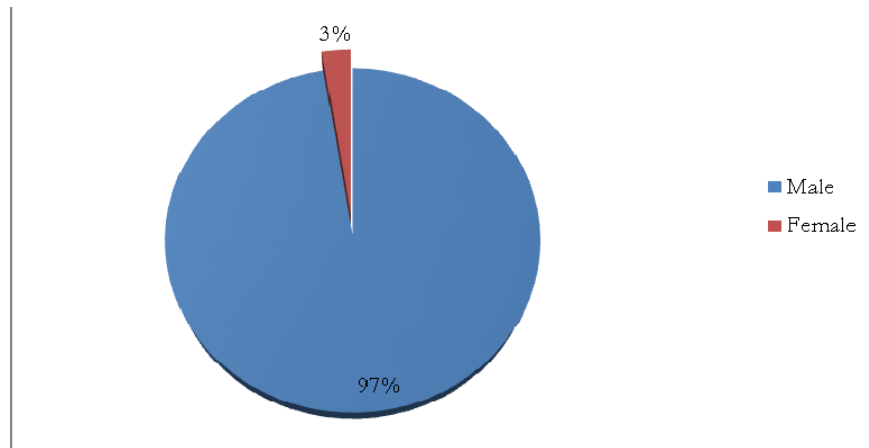
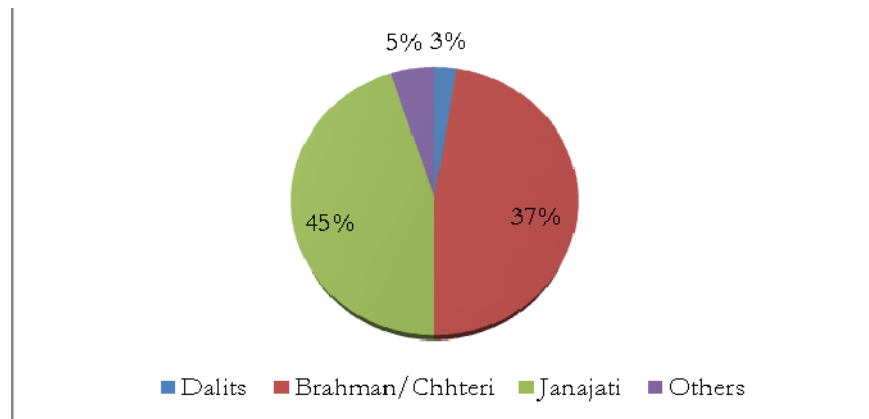
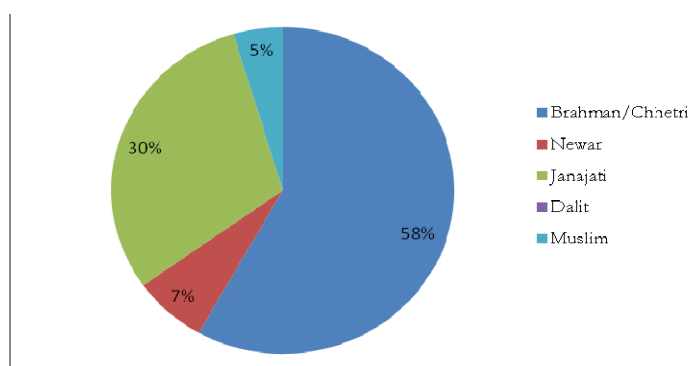
Figure 4.2 *Representation of Women in VDC APM*Figure 4.3 *Representation of Caste, Ethnic groups and Others in VDC APM*

Table 4.4 *Representation of Women and Caste, Ethnic Group and Others in DDCs APM*

S. No.	District	Gender		Caste/Ethnic Groups and Others				
		Male	Female	Brahman/Chhetri	Newar	Adivasi/Janajati	Dalit	Muslim
1	Jhapa	14	-	6	1	7	-	-
2	Sindhuli	5	-	4	1	-	-	-
3	Lamjung	4	-	3	1	-	-	-
4	Bardiya ²⁴	14	-	6	-	6	-	2
5	Achham	6	-	6	-	-	-	-
	Total	43	-	25	3	13	-	2

Source: Field Study DDCs.

Figure 4.4 *Representation of Caste Ethnic Groups and Others in DDC APM*



4.3 Observations

4.3.1 Low Representation of Women and Dalit

From the above figures, it is clear that the mechanism for representation of women and other groups is very poor. Except for two women (one each in the Ratanchura and Lampantar VDCs

²⁴ The Nepal Majdoor Kishan Party has yet to nominate its representative to the DDC Bardiya.

of Sindhuli), no other VDC has a woman representative in the VDC APM.

Similarly, no Dalits are represented at the DDC level and only two (one each in the Gaunshahar VDC of Lamjung and the Janali Bandali VDC of Achham) are represented at the VDC level. Even so, representation of ethnic groups (Janajatis) was almost equal to other higher caste people in the VDCs, mainly due to the higher concentration of different ethnic (Janajati) groups in the study VDCs of Jhapa and Bardia. However, the Brahmin/Chhetri group dominated the DDC APM. Thus, the APM in all the study DDCs/VDCs was dominated by males. The conditions of traditionally excluded groups, mainly women, have not improved, as women remain excluded even after the political parties' commitment to include them.

When asked about the poor representation of women and Dalits in the APM, women members responded bitterly that the political parties are always fascinated with them when they need to achieve a purpose, and once that purpose is achieved women are forgotten and neglected. The political parties, on the other hand, claimed that women and Dalits could not be included in the APM, mainly due to a lack of time as women are required to fulfil their household obligations and Dalits need to be engaged in earning their daily livelihood.

4.3.2 Absence of Elected Representatives

Almost all people interviewed during the field study were of the opinion that the absence of elected representatives at the LBs has been the major obstacle to their proper functioning. Those who now run the LBs, the political parties and almost all those with whom we had discussions during the field study, feel the absence of elected representatives. The UNDP/Ministry of Local Development (MoLD) study also found that 'the absence of elected local government has led to the VDC planning process being short-circuited with grassroots consultation either not happening or being run as a formality. Many respondents said that local politicians dominated decision-making on which projects should be funded from block grant money. These politicians have

not been elected and so are not formally accountable to local people'²⁵.

The running of the VDC/DDC by government employees for such a long period was aptly termed 'civil service supremacy in the LBs' by the district education officer (DEO) in the Achham district. Likewise, the annoyed Unified Communist Party of Nepal (UCPN), Maoist District Committee In-charge in Bardiya said that 'if the country could be run on the basis of consensus of the political parties, why could there not be consensus in forming the LBs; and the lack of consensus among the political parties to form the LBs is a big misfortune'. He further commented that due to the absence of the elected representatives, 'Sarbadaliya Samiti (APM) itself has become a burden'.

4.3.3 Overburdened VDC Secretaries and LDOs

Like the LDOs at the district level, the VDC secretaries are performing the roles and responsibilities of both the political head and the administrative chief of the VDC. Present functions of a VDC secretary include providing different recommendations such as for citizenship certificate or passport; executing vital registration activities; revising and maintaining voters lists; accomplishing the planning, implementation, supervision and monitoring of block-grant-based VDC-level programmes; providing certification for completed projects; looking after the maintenance of completed projects; performing internal and final auditing of accounts; implementing literacy programmes; distributing old-age, widow and disabled pensions under the social security programme; collecting land revenue and coordinating with the APM.

In addition to performing these functions, the VDC secretaries were also bearing responsibility for more than one VDC. For example, secretaries in Bichaur, Bhorletar and Taghring in Lamjung were also responsible for the Dudhpokhari, Ishaneswar and Ghermu VDCs, respectively; the secretary of Daulatpur in Bardia was also responsible for the Badalpur VDC; and the secretary of the Jalthal VDC in Jhapa was looking after the Haldibari VDC. There were only 20 VDC secretaries in Taplejung

²⁵ Assessment of Village Development Committee Governance and the Use of Block Grants (p. vi), UNDP/MoLD (2009).

for 50 VDCs, and one VDC secretary was looking after 3 VDCs. As a result, most of the VDC secretaries had difficulty in carrying out their responsibilities from the VDCs and are, therefore, stationed at the Taplejung DDC and managing their VDC-level work from there. Likewise, in Sindhuli, all the VDC secretaries of the study VDCs were providing their services from district headquarters. However, in Jhapa, Bardiya and Achham, the VDC secretaries were stationed in their VDCs. In Lamjung, except for the Gaunsahar VDC, VDC secretaries of other VDCs (Bichaur, Borletar and Taghring) were mostly stationed in district headquarters, as they looked after more than one VDC. A recent UNDP study (2010) reported that 40.5 per cent of the VDC secretaries were providing services from their VDC headquarters, while 36.42 per cent provided services from district headquarters; 22.3 per cent of VDC secretaries were permanently absent or their position remained vacant.

Service recipients are required to travel to the district headquarters or to the place where the VDC secretary is available at the time of taking up his or her service. However, due to the availability of cell phone service in most areas in the country, it has been easier for service recipients to track the whereabouts of the VDC secretary and make an appointment at a certain place or at the DDC, where most VDC secretaries maintain their liaison office.

Moreover, on the third day of every month, the secretaries attend a monthly meeting at the DDC secretariat. Hence, the VDC secretaries looking after more than one VDC spend one week at each VDC, one week at their liaison office in the DDC and one week on the road. They work the whole month with no holidays.

The UNDP/MoLD study also reported that ‘the absence of elected VDC officials has increased secretaries’ workloads whilst the resources and support to carry out their jobs has not increased. This will have adversely affected the efficiency of VDC functioning including the effective use of block grants²⁶.

An underground group called Samyukta Jatiya Mukti Morcha (SJMM) has been warning the VDC secretaries to immediately resign or face action. Owing to the threats, VDC secretaries are

²⁶ Assessment of Village Development Committee Governance and the Use of Block Grants (p. 11), UNDP/MoLD (2009).

resigning en masse. The government and the political parties are yet to make any effort in this regard (Box IV.1).

Box IV.1 UN Concerned about Threats to VDC Secretaries

The United Nations Office for the Coordination of Humanitarian Affairs-Nepal has expressed serious concern about the mounting threats on Village Development Committee secretaries from Samyukta Jatiya Mukti Morcha (SJMM) and other parties in recent months.

According to Nepal Monthly Situation Update made available by the OCHA Nepal Office on Thursday, there had been numerous threats targeting local government officials across the country during the month of June. “VDC secretaries have been resigning en masse due to threats from SJMM as well as other groups and political parties,” said the report covering June 1-30.

“Of particular concern are the letters posted by SJMM to VDC secretaries demanding their immediate resignation and threatening action against those who do not comply.”

The report added that since January 2010, 1,239 VDC secretaries in 23 districts had received threats. During this period, 514 VDC secretaries have reportedly resigned across 11 districts, citing insecurity.

“Of these, 339 secretaries in eight districts have resigned due to threats from SJMM in June 2010,” it informed. “On July 1, the three main political parties urged VDC secretaries to return to work stating that the development work is being affected following their resignations at the end of the fiscal year. However, the secretaries have stated that they will return to work only after holding dialogues with the SJMM.”

Source: The Himalayan Times, 9 July 2010, Friday.

The absence of elected DDC chairpersons has also overburdened the LDOs in terms of workload and put them in a difficult position. The chief district officer (CDO) is considered the representative of the government in the district. The rank or status of the LDOs (class two officers) is similar or even lower than that

of the CDO, mostly in the Tarai districts. Similarly, the status of the district-level heads of other sector offices, such as agriculture, livestock, health and education is similar to that of the LDO. Hence, discussions with the officials of district-level sector offices have revealed that the LDOs face inconvenience in carrying out the responsibility of the chairperson of the DDC.

Moreover, it was also asserted that the LDOs are usually indifferent towards the problems of the sector offices even though they request the LDO to come to a decision about their problems in his capacity as the district chairperson. The LDO usually tries to avoid such situations and suggests that the related office tackle the problem by itself. The common opinion of all the district-level sector offices was that the presence of an elected DDC chairperson and members would have been helpful in decision making because they would have been accountable to the district and because they would have understood the district's situation.

Due to frequent transfers among LDOs, mostly based on personal liking or disliking of political decision makers at the central secretariat, the LDOs do not bother to understand the district situation and remain unaware of district conditions. According to the district secretary of CPN UML, Lamjung, the 'LDO and VDC secretary being government officials are more interested to pursue their own interests than the interest of people'.

Regarding the secretary *vis-à-vis* the number of VDCs, information from the Association of VDC Secretaries revealed that about 1,300 positions for VDC secretaries are vacant due to non-fulfilment of the position (800) and voluntary retirement (500). According to the National Association of Village Development Committees in Nepal (NAVIN), 50 per cent of the positions in the district of Dolakha are vacant. This problem has made one VDC secretary responsible for more than one VDC. According to the Association of VDC Secretaries, one VDC secretary is looking after two to five VDCs.

5 Participation in Programme Planning

The Local Self Governance Act (LSGA) has delineated functions, powers and duties to each local body (LB). Therefore, LBs have been entrusted with responsibility for creating civic amenities; providing services; protecting culture, language and traditions and undertaking social welfare and development activities, including infrastructures. In addition, LBs also maintain certain types of records and control over local life. Sections 28 and 189 of the LSGA provide a detailed list of activities describing the functions, duties and powers of the village development committee (VDC) and district development committee (DDC). When referring to the list, one can see that hardly any activity has been left out of the purview of the local bodies. In other words, the list of responsibilities entrusted to LBs in the form of functions, duties and powers is so exhaustive (Appendix 11) that if they performed all the identified functions, the local -level government offices would have only a few responsibilities.

VDCs have been entrusted with responsibility to perform 48 types of functions under 11 headings: agriculture; rural drinking water; construction and transport; education and sports; irrigation; soil erosion and river control; physical development; health; forest and environment; language and culture; and tourism and cottage industry, as well as other functions listed under the heading of miscellaneous.

As to the functions, duties and powers of the DDC, the LSGA has entrusted 48 functions to this body under 16 headings: agriculture; rural drinking water; settlement development; power works and transport; land reforms and land management; women and disadvantaged people; forest and environment; education and

sports; wage of labour; irrigation, soil erosion control and river training; information and communication; language and culture; cottage industry; health and tourism. In the list, one would find almost all the district-level programmes managed by the sector ministries of the government.

In addition, the sector ministry concerned is obliged to classify its programmes into several levels, i.e. village, municipal and district-level programmes. However, the LSGA does not specify whether the classified programmes at the local level (village, municipal and district) are to be delegated to the respective LB (Section 243). Nevertheless, the government claims that the district-level programmes of some agencies, discussed later, have been devolved to the DDC.

With regards to performing or meeting developmental responsibility, each LB is required to prepare a periodic and annual plan for benefits to the people living within its areas of jurisdiction. Per the LSGA, while preparing the annual programme or budget, the LB has to take into account local needs, its periodic plan, national plans and priorities and the resources available.

Although the LGSA emphasises the preparation of periodic and annual plans by the LBs, it does not specify how the periodic plans should be prepared. However, for preparation of the annual plan/programme, the LSGA emphasises a 14-step participatory and bottom-up planning process and provides for the linkage between local plans and national plans (Appendix 12).

According to provisions of the LSGA, LBs have to follow the steps listed below in the planning and management of annual plans/programmes and budget:

- I. At the grassroots level, the local body concerned, i.e. VDC, is to initiate the planning process through discussions with the residents of the settlements and among the respective ward committee members, including the ward chairperson²⁷, and prepare the list

²⁷ Since no elected members exist in the LBs, a temporary arrangement has been made by the government to have participation of the people in the planning process at the ward level in the VDCs. Per the Laingik Samanata tatha Samajik Samabesikaran Niti 2066 (Gender Equality and Social Inclusion Policy 2009), at each of the wards in the VDC, a Civic Ward Forum (CWF) with 30 to 45

of projects to be included in the annual programme to be approved by the respective assembly (VC) upon the recommendation of the executive body, VDC²⁸.

members would be constituted with representatives of women, children and other marginalised sections of the people who are to be elected by the respective organisations from amongst their members. In case the ward does not have an organisation in certain marginalised sections, the members of such group would be mobilised to form an organisation to represent it in the forum. At least 33 per cent of its members have to be women and the chairperson of the respective ward of the VDC, or his/her nominee, is to perform the role of its chairperson. In addition, the policy also provides for a Village Civic Forum (VCF), which is to be comprised of 30 to 45 members. Members would be drawn from CWFs, all village-based community organizations, human rights (Adhikar Karmi) workers, children's networks and other stakeholders. From its territorial jurisdiction, this body could be considered a village assembly. However, from the provisions of VDC Grant Operating Procedures 2010 on the Integrated Plan Formulation Committee (IPFC), whose composition is discussed below in detail, now could be considered the VC in the absence of an elected village council.

²⁸ Per the LSGR 1999, the VC as the deliberative body and final body in the approval of the annual plan and budget has been empowered to constitute different sub-committees for assistance and support in performing these functions. The committees that could be formed are: (i) Infrastructure and Construction Development Committee, (ii) Agriculture, Forest and Environment Committee, (iii) Population and Social Committee, (iv) Organization and Administration Committee and (v) Water Resources and Land Committee. In addition, the LSGA does provide a provision for the constitution of an advisory committee by the VDC, which is to have three to nine members, including social workers, intellectuals and persons having technical knowledge and skills, under the chairmanship of a person who is not a member of the VC; the committee would also have two other members nominated by the VC. This body is also supposed to provide necessary opinions, advice and recommendations on any subject within the working areas of the VDC.

The government had approved and implemented the VDC Grants Operating Procedures 2010 on December 26, 2010. Per Section 15 of the operating procedures, an advisory body in the form of an IPFC would be established at the VDC until the election of members to this body as representatives from various organisations and a chairperson, who would be either the VDC chairperson or his or her nominee. The groups represented in this committee are the political parties in the APM (one representative from each political party), non-governmental organisations, community organisations, other organisations, women-related organisations (two), ethnic, indigenous and backward community-related organisations and a children's club. Except for women, each is represented by one member elected by the organisation concerned from amongst its members. The women are to be represented by two members elected by the women-related organisations from among their members. The secretary to the VDC office has been nominated its member secretary. Although this body has been constituted as

Upon the approval of the annual plan by the VC concerned, that component of the plan for which support is required from the DDC is submitted to this body for its approval and inclusion in the annual District Development Plan (DDP).²⁹

However, those programmes, which the VDC intends to implement through its own resources, can be implemented upon final approval by the respective council (VC).

- II. While preparing the DDP, the DDC is also required to have inputs from the Ilakas (see Appendix 10 for the details of Ilakas), sector committees³⁰ and Integrated Plan Formulation Committee (IPFC)³¹

an advisory body, because of its composition it could be considered the deliberative body of the VDC.

²⁹ The DDP is supposed to consist of the programmes to be undertaken by the DDC from its own internal resources and government grants, programmes of the devolved sectors (agriculture/livestock, education and health), district-level programmes of those district-level offices of the government other than devolved offices, district-level programmes of non-governmental organisations and programmes of the VDCs for which support would be provided by the DDC from its internal resources and government grants.

³⁰ Sectoral Committees: So as to render necessary advice and suggestions to the District Council (DC), the DC could form the following sectoral committees, each with three members under the chairmanship of a member of the DC:

- Infrastructure and Construction Development Committee,
- Agriculture, Forest and Environment Committee,
- Population and Social Committee,
- Organization and Administration Committee, and
- Water Resources and Land Committee.

Because of the absence of elected members, the sectoral committees are also led by the heads of the district-level sectoral offices.

³¹ Integrated Plan Formulation Committee: So as to facilitate the planning process in the district, the DDC is required to form an Integrated Plan Formulation Committee (IPFC), as follows:

- Chairperson of the DDC – Chairperson
- Parliamentarians within the concerned district development area - Ex-officio Member
- Coordinators of the subject-wise plan formulation committees - Member
- The DDC vice chairperson in-charge of sectoral sections and representatives of the non-governmental organisations within the

before the DDP is finalized for submission to the DC for its approval.

- III. The DDP is to be first discussed by the DDC and approved for submission to the DC³², upon whose approval the DDC is supposed to submit those components of the DDP which would be undertaken with funding support of the government of Nepal (GoN) to the concerned department/ministries and the National Planning Commission (NPC) for approval and inclusion in the national budget.
- IV. After the DDP is approved by the DC, the devolved and sector programmes are required to be submitted to the government for inclusion in the national budget. Also, the programmes, including those of the VDCs from the DDP for which the DDC intends to have the support of the government, have to be forwarded to the government for inclusion in the national budget. Thus, for those programmes that have to be included in the national budget, the DDCs have to wait for approval of the national budget before programme implementation. And those programmes that the DDC is undertaking through its internal resources are implemented once

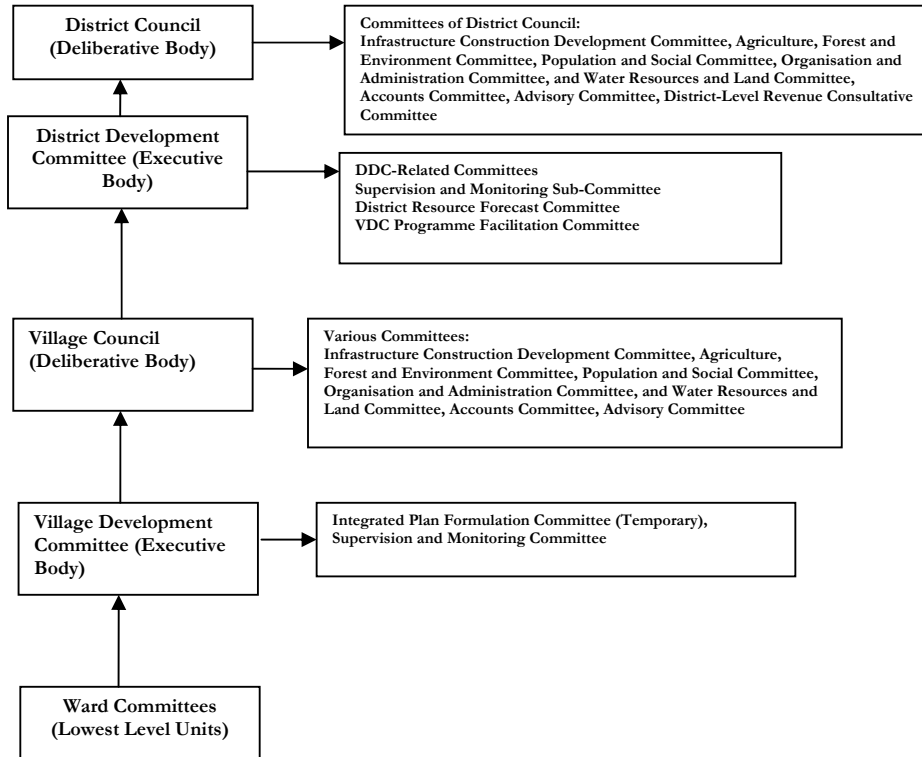
district relating to the programmes are the other members of this committee.

Because of the absence of elected officials, it is the LDO who performs the role of the IPFC on the advice of the APM for the purpose of planning.

³² Per Section 96 of the LSGA, the DDC has to prepare the estimation of the resources to be taken into account in preparation of the annual plans and budget by itself and other agencies. Like for the VDC, the government had approved and implemented the Grants Operating Procedures 2010 on December 26, 2010. These Operating Procedures 2010 also have a provision for the establishment of a Resources Estimation Committee to create a resource forecast and make it available to the lower level of the LBs with a view to facilitating their planning process, i.e. to make the resource forecast, develop and adopt the budget preparation guidelines for the VDC, subject matter offices, and recommend them to the DDC for approval. The committee consists of the DDC president or official performing this responsibility as the coordinator and LDO, chiefs of the District Treasury and Control Office (DTCO), District Technical Office (DTO), two district-level officers, including the WDO nominated by the coordinator, and one VDC secretary nominated by the coordinator as the members.

the DDP is approved by the DC. Figure 5.1. depicts the functional relationship of the LBs for planning and decision making.

Figure 5.1 *Planning and Decision Making Relationship between the VDCs and DDC*



- V. Once the annual programmes are finally approved by the respective body, the LB concerned has to make arrangements for their implementation and management, including the repair and maintenance of completed programmes and projects through the formation of either user's committees (UCs), non-governmental organisations (NGOs) or any other mechanism prescribed by the NPC/ministry concerned of the government/DDC (LSGA Sections: 49-51, 117, 205, 207-209).

To facilitate the local body in preparing its annual programme, the National Planning Commission (NPC) and concerned ministries are required to provide policy directives and information about the amount of grants—both tied and untied—to the DDC by considering its periodic plan. The DDC and other government agencies are obliged to send this information to the VDCs. For this purpose, a pre-planning/budgeting exercise must be conducted by the DDC.

Before the DC meeting, as part of the process of preparing the district development plan, the pre-budget/planning meeting needs to take place under the chairperson of the local development officer (LDO) and with the presence of the all-party mechanism (APM) members and district-level officers. In this meeting, they discuss the guidelines received from the centre and determine the guidelines to be sent to the grassroots-level bodies for the formulation of their annual plans. Furthermore, they specify planning cycle datelines, i.e. VC meetings for the approval of their respective budget and plans, as well as datelines for the Ilaka-level meetings, meetings of the subject matter committees, IPFC meetings and DC and DDC meetings for discussions and finalization of the annual district development plan (DDP).

While selecting programmes or projects for inclusion in the annual plan, local bodies are required to prioritise those projects that provide immediate benefit to the local people in terms of employment and income generation; increase agriculture production in which the local capacity, skill and labour are used to the maximum; protect the environment and provide direct benefit to the poor, deprived and weaker sections of society, including women³³. They are also required to plan and manage their

³³ Per Section 43.3 of the LSGA, while formulating its plan, a VDC is to give priority to projects which are production-oriented and from which returns may be obtained sooner, raising living standards, income and employment, giving direct benefits to the rural people and contributing to poverty alleviation, which can be operated with low cost and people's large-scale participation, to be operated through local means, resources and skills, providing direct benefits to women as well as backward classes and children and that can contribute, protect and promote the environment. Section 201 of the act provides that, while formulating the plan, the DDC shall give priority to programmes which give direct benefit to the general public and are employment and generate income; contribute to increase agriculture products; which can be operated through local means, resources and skills and capacity; and which contribute to protect and promote the

programmes in conjunction with the plans and programmes of other local bodies (e.g. community organisations and NGOs) and must reflect the programmes of these bodies in their own annual plan and programme.

To ensure that the voices of the weaker sections of society are heard during the planning process, the government has made provision for different committees at the district level under the sponsorship of the LDO in his capacity as the head of the DDC. They are the Dalit Utthan Samanwaya Samittee (Dalit Upliftment Coordination Committee) and Adivashi/Janajati Zilla Samnanwaya Samiti (Indigenous and Ethnic District Coordination Committee); and for women and children, the government has made a different arrangement under the Gender and Children Right Mainstreaming Policy (Appendix 13). While making the allocations during the planning process, it is mandatory for the LB to allocate 35 per cent³⁴ of the capital grant received from the government for programmes targeting these groups.

environment and income-generating and skill-oriented programmes for backward and downtrodden tribes, communities, women and children.

In addition to these provisions, the Operating Procedures 2010 added others for which the local body has to give priority in the annual planning exercise. Section 16 of the VDC Grants Operating Procedures 2010 prescribes that the VDC has to give priority to (i) ongoing and incomplete and those projects which can be repaired and maintained with less cost, (ii) projects identified by social mobilisers and that would benefit the targeted population, (iii) projects that would provide immediate employment and income raising and can be implemented through local labour, skill, resource and technology, (iv) projects having comparative advantage in the agriculture and non-agriculture sectors, (v) projects that would increase the incomes of the respective local body, (vi) from among the similar projects those projects for which optimal people's participation can be mobilised and that are guided or directed by the DDC periodic and sector plans.

Similarly, the District Development Committee Grants Operating Procedures 2010, through Section 17, has also added a list to what has been made in the provisions of the LSGA with regard to this matter. According to this section, the DDC has to give priority to ongoing and incomplete projects, projects identified or specified by the DDP and other sectoral periodic plans, projects identified by the social mobilisers and benefiting target groups, projects that could be undertaken through local skill, labour resource and technology and projects that would immediately create employment and income opportunity, and projects that would raise the internal revenue of the DDC.

³⁴ Per the LB Grants Operating Procedures 2010, the LBs have to set aside the amount of the untied total capital grant for three items. They are (i) allocation to targeted population within the prescribed limit, (ii) amount for the matching grant

The responsibility of preparing and approving the local-level programmes of agriculture/livestock extension, primary health care and primary education, as claimed by the government agencies concerned, has also been devolved to the LB. The other district-level offices, mainly related development agencies, have to prepare their annual programmes and submit them to the DDC for approval by the DC and inclusion in the DDP before submitting them to their parent ministries for approval and inclusion in the national budget.

5.1 Planning in Reality

5.1.1 Pursuing Planning Steps

Before the DC meeting, as already mentioned above, a pre-budget/planning meeting has to be organised by the LDO in his/her capacity as the chairperson of the DDC, with the presence of the APM members and district-level officers to discuss the guidelines received from the centre, determine the guidelines to be sent to the grassroots-level bodies for the formulation of their annual plans and decide the planning cycle to be followed during the preparation of the DDP. From Table 5.1 it becomes evident that the studied LBs are normally following the prescribed steps in the preparation of their plans.

and (iii) allocation for economic/social/infrastructure development-related programmes/projects and various types of promotional activities. In addition, the LBs could set aside 3 per cent to 5 per cent for the contingency purpose from the total amount set aside for the capital expenses.

As to the percentage of amount to be set aside for the targeted groups from the untied capital grants, the local bodies have to allocate a minimum of 10 per cent to benefit poor women from all sections of society, a minimum of 10 per cent for the benefit of poor children of all sections of society and a minimum of 15 per cent for socially and economically backward sections (senior citizens, Dalit, ethnic/indigenous groups, disabled, Madeshi, Muslim and other backward people) and areas and the people declared as the targeted section by the government through gazette notification. Of the amount set aside for the targeted people and area, at least 70 per cent must to be spent for providing direct benefit to the targeted population or area, and beneficiaries should constitute at least 5 households (10 households in the case of municipal areas and in the case of support from the DDC) and, in the decisions of the projects, they should have a role or participate. In addition, the procedures have also provided for the nature of projects to be funded under this provision (Appendix 14).

Table 5.1 *Planning Cycle Datelines (Actual)*

District/Fiscal Year	Pre-Planning Meeting at the District Level	VDC Meeting	VC Meeting	Ilaka-Level Meeting	Subject Matter Committee Meeting	Integrated Planning Committee Meeting	DDC Meeting	DC Meeting
Taplejung (2009/10)	December 2008		X	X	May 2009	May 2009	May 2009	May 2009
Jhapa	NA	NA	NA	NA	NA	NA	NA	NA
Sindhuli (2007/08)	X	X	X	April 2007	April 2007	April 2007	X	April 2007
Lamjung (2008/09)	February 2008	X	December 2007-February 2008	April 2008	May 2008	May-June 2008	July 2008	July 2008
Bardiya (2009/10)	December 2008	X	December 2008 - April 2009	February 2009	March 2009	May 2009	May 2009	May 2009
Achham (2007/08)	December 2006	X	Within the prescribed date.	January - February 2007	January - February 2007	March 2007	X	April 2007

Source: Concerned DDCs.

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5.1.2 Following the Planning Steps as a Mere Formality

The Village Level

At the village level, the planning process, which starts in settlements and moves through ward committees before being discussed at the VDC level, has remained ineffective due to the absence of elected representatives. The settlement meetings are taking place in the form of village-level meetings, considered as the VC meeting of the VDC. Such meetings are convened by the VDC secretary with the consent of the APM to discuss the proposed plans and programmes for the next fiscal year.

Village-level meetings in the form of a Khula Satra (open session) of the residents of the VDC have been initiated over time to act as the VC. Ex-elected representatives, representatives of the political parties, representatives of organisations for women, Dalit, ethnic and indigenous groups, disabled persons, teachers and other active persons at the village level, the heads or staff of the village-level unit of government and NGOs are invited to this session. In such meetings, the people from the different sections frequently ask to comment on the proposed plans and programmes. The open session is to discuss matters related to annual plans in a broad sense and determine broad guidelines for the selection of projects.

However, the actual decision on projects is made in the Banda Satra (closed-door session) on the second or third day of the meeting. In the closed-door session, a small group discusses the programmes for the annual plan in a much more relaxed manner and makes the decisions taking into account different factors, such as needs, resources and demands of the various sections and areas, including the marginalised sections, the poor and disadvantaged areas. In such meetings, the VDC secretary and other members of the VDC, members of the APM, members of the political parties and other local influential persons are invited to help make the decisions. The VC meetings for the different fiscal years (i.e. between 2007-8 and 2009-10) and the representation of various groups in the Khula Satra (open session) is shown in Table 5.2.

The village-level meeting to finalise the annual programmes for the coming fiscal year, per the prescribed 14 steps, must be convened

and completed by the second week of January of the previous fiscal year (FY). Even so, the mass meetings in the study VCs were generally held between January and March of the current FY after receiving the government allocation for the programmes.

With regards to the people's participation in the VC in the open session, the number of participants ranged from the minimum 16 in the Jalthal VDC of Jhapa to the maximum 185 in the Mangalsen VDC of Achham. Because of the absence of any mechanism requiring a minimum number of participants, meetings were held regardless of the number of participants. By caste/ethnicity, Brahmin/Chhetri (B/C) groups dominated the aggregate participation, with 45.10 per cent of the total participants, followed by Janajati groups with 30.48 per cent (Table 5.2 and Figure 5.2). However, Janajati groups outnumbered other groups in the Jalthal and Khajurgachhi VDCs of Jhapa, the Mahadevsthan VDC of Sindhuli, the Taghring VDC of Lamjung and the Mohammadpur and Daulatpur VDCs of Bardiya as a result of their higher inhabitation in these VDCs (Figure 5.3).

Table 5.2 *Participation in VCs in Khula Satra (Open Session) by Caste, Ethnic Groups, Gender, Dalits and Others*

S. No.	District/VDC	Meeting for Fiscal Year	Participation Number						
			B/C	Adivasi/Janajati	Dalit	Newar	Muslim	Unidentified	Women
Jhapa									
1	Jalthal	2009/10	5	6	-	-	-	5	2
2	Khudunabari	2008/09	31	10	5	-	-	11	14
3	Khajurgachhi	2008/09	3	14	1	-		4	4
Sindhuli									
4	Lampantar	2008/09	57	12	8	4		4	9
5	Ratanchura	NA	NA	NA	NA	NA	NA	NA	NA
6	Mahadevsthan	2008/09	29	83	-	10	-	5	18
Lamjung									
7	Bichaur	2008/09	31	10	2	-	-	-	11
8	Gaunshahar	NA	NA	NA	NA	NA	NA	NA	NA
9	Bhorletar	2008/09	19	7	1	1	-	1	3
10	Taghring	2008/09	11	52	2	1	-	1	16
Bardiya*									
11	Sorhawa	2008/09	20	16	6	-	6	6	5
12	Mohammadpur	2008/09	12	103	6	-	41	18	54
13	Bagnaha	2008/09	39	25	1	3		27	5
14	Daulatpur	2007/08	11	29	1	-	-	16	3
Achham									
15	Janali Bandali	2008/09	78	-	10	-	-	3	4
16	Mangalsen	2008/09	121	-	44	-	-	20	31
17	Mastamandu	2008/09	76	-	13	-	-	7	20

Source: VDC concerned.

(i) VDCs of Taplejung not included. (ii) 67 people participated in the VC meeting in the Ratanchura VDC, disaggregated information of caste/ethnicity and gender was not available. (iii) Adivashi/Janajati also includes Madhesi people in Terai districts such as Jhapa and Bardiya. (iv) B/C denotes Brahmin/Chhetri. (v) NA denotes not available.

Figure 5.2 *Participation in VC Meetings by Caste, Ethnic Groups, Dalits and Others*

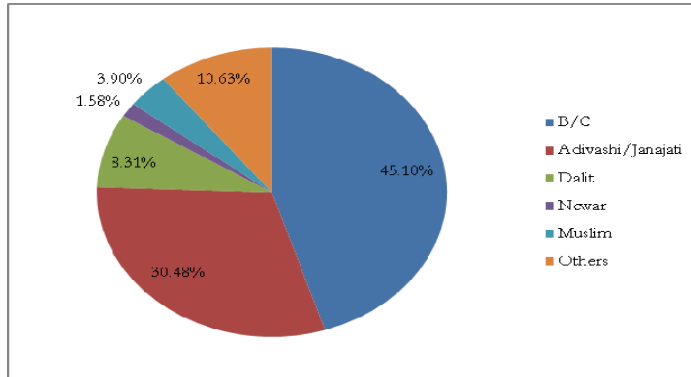
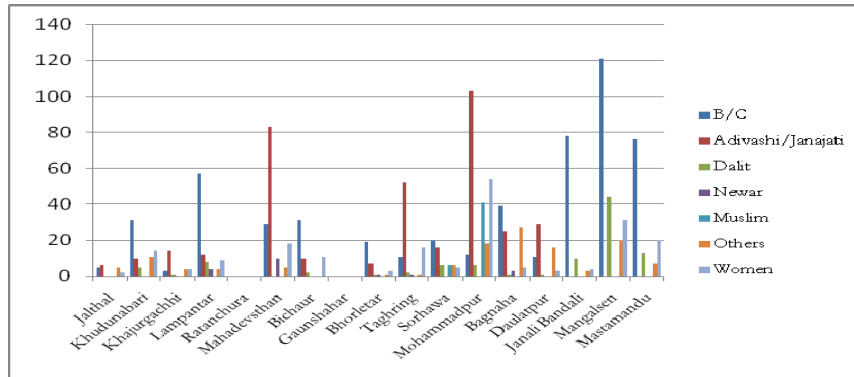


Figure 5.3. *Participation in VC Meetings by Caste, Ethnic Groups, Dalits, Gender and Others by VDC*

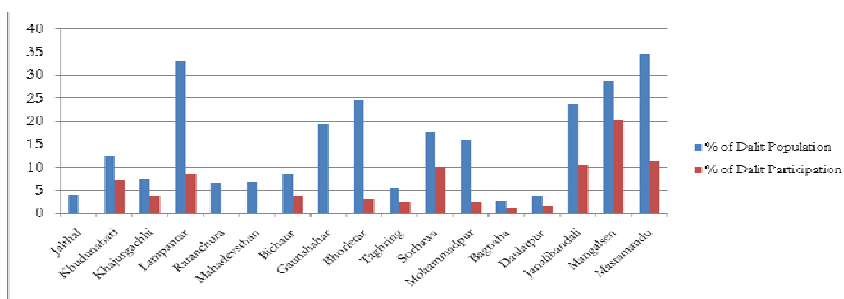


Dalit Participation

Aggregated Dalit participation in the VC meetings, as already shown in Figure 5.2, was found to be 8.31 per cent. Their participation was highest in Achham VDCs, with about 18 per cent of the total participation. This is because Achham has the highest Dalit population (28 per cent of the total district population) among the districts of Nepal. Among the VDCs in Achham, high participation of Dalits was found in the Mangalsen VDC where 44 Dalits (23.78 per cent of the total VDC

participants) took part in the VC meeting (Table 5.2 and Figure 5.3). In the VDCs of other districts, participation of Dalits was low, with 6.32 per cent in Jhapa VDCs, 3.77 per cent in Sindhuli VDCs, 3.60 per cent in Lamjung VDCs and 3.63 per cent in Bardiya VDCs. Figure 5.4 presents Dalit participation compared to their population in the VDCs.

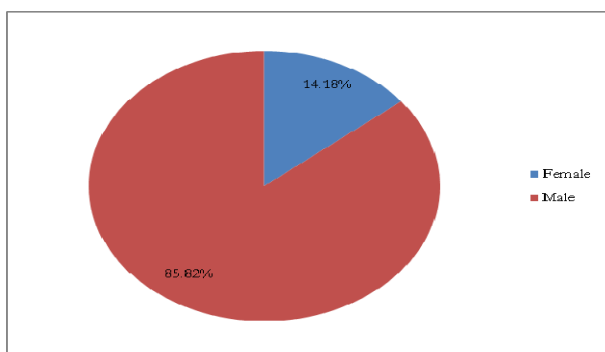
Figure 5.4 *Dalit Population vis a vis Their Participation in VC Meetings*



Women's Participation

Regarding women's participation in the VC meetings, in total, 14.18 per cent of participants in the meetings were women (Figure 5.5).

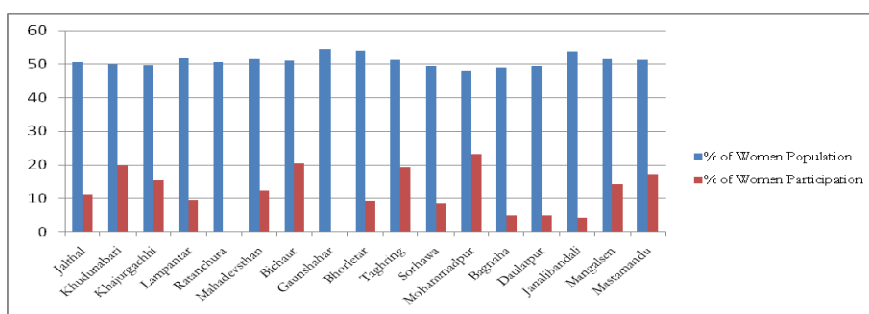
Figure 5.5 *Women's Participation in VC Meetings*



Among the VDCs of the study districts, the highest participation of women in VC meetings was found in Lamjung VDCs with 17.75 per cent followed by Jhapa VDCs with 17.39 per cent. In other districts, women's participation was 11.30 per cent in

Sindhuli VDCs, 14.79 per cent in Bardia VDCs and 12.88 per cent in Achham VDCs. Women's participation in VC meetings was highest with 23.08 per cent in the Mohammadpur VDC of Bardia, followed by Bichaur (20.37 per cent), Khudunabari (19.72 per cent), Taghring (19.28 per cent) and Mastamandu (17.24 per cent). The lowest participation of women was found in Janali Bandali, with 4.21 per cent (Figure 5.6).

Figure 5.6. *Women Population vis a vis Their Participation in VC Meetings*



Figures 5.4 and 5.6 show that participation of the Dalit in VC meetings is low, and that of women is too low in proportion to their population in the study VDCs. Particularly, women's participation has remained very low from the standpoint of their share of the population, which is around 50 per cent of the total VDC population in all the VDCs.

The UNDP/Ministry of Local Development (MoLD) has also reported low representation of women and Dalits in the planning process. This study revealed 'only limited involvement of women and disadvantaged group people in VDC planning and only few targeted benefits directed at them'³⁵.

Ilaka Level

Ilaka-level meetings are held to discuss plans and programmes of the respective Ilaka for submission to and inclusion in the district programme. However, again due to the absence of elected Ilaka-

³⁵ Assessment of Village Development Committee Governance and the Use of Block Grants (p. viii), UNDP/MoLD (2009).

level members at the DC, it is government employees and representatives of the political parties or members of the APM who fulfil this role.

District Level

The programmes submitted from the Ilaka-level meetings are discussed in the subject matter committees (SMCs)³⁶ and IPFC. Nevertheless, again the staff of the DDC and district-level offices and members of political parties and the APM dominate the discussion and finalisation of programmes for submission to the DDC for discussion, approval and submission to the DC.

The DC meeting is chaired by the LDO. The other invitees include APM members, the chief district officer (CDO), district-level chief of police and army, district judge, district-level government and non-government officers, teachers, professors, journalists, lawyers, representatives of the political parties, organisations for women, Dalits, disabled, ethnic and indigenous groups and others, at least on opening day. In some districts, along with the welcome address and other messages, the programmes for the next FY are presented and on the same day all the proceedings of the DC are completed. In some districts, on the second day, a closed-door meeting is held with a few participants—the LDO, members of the APM, representatives of political parties active at the national level and other influential personalities in the districts—to make the final decision on projects to be funded under the grants (general or tied).

In the case of the village-level plan, the DC must decide on the plans to be funded from its own resources and those to be forwarded to the government for funding. Similarly, it also needs to decide which of the DDC programmes are to be funded through its own resources and which are to be forwarded to the government for funding from the central budget. In addition, the DC also recommends the district-level sector programmes to be included in the annual programme of the sector ministry concerned. Once the DC makes all these decisions, the DDC writes to the grassroots-level local body and the government and

³⁶ Because of the absence of elected members at the DDC, the subject matter committees are now being chaired by the heads of the concerned district-level offices.

takes action to implement those district-level projects through its own resources per the decision of the DC.

With regards to the sector programmes, the DC only forwards the programmes prepared by the sector agencies, and takes note of the programmes prepared by the national and international NGOs working at the district level.

In the DC meetings, the aggregated participation of the B/C group was overwhelming with 64.65 per cent, followed by Advashi/Janajati with 16.09 per cent (Table 5.3 and Figure 5.7). In all the districts, these groups' number of participation was highest among the total participants (Figure 5.8). However, participation of Advashi/Janajati in DC meetings in Taplejung was much higher than in other districts as the majority of the district population comprises a Janajati group called Limbu.

Table 5.3 *Participation in DC Meetings by Caste, Ethnic Groups, Gender and Others*

S. No.	District	Meeting for the FY	Participation Number						
			B/C	Adivasi Janajati	Dalit	New ar	Muslim	Unidentified	Women
1	Taplejung	2008/09	69	48	3	5	-	12	13
2	Jhapa	2007/08	124	15	2	8	-	22	17
3	Sindhuli	NA	NA	NA	NA	NA	NA	NA	NA
4	Lamjung	2009/10	141	31	3	18	2	19	30
5	Bardia	2009/10	90	23	10	4	4	18	17
6	Achham	2008/09	46	-	9	-	1	-	8

Source: District Development Plans of DDCs.

Note: 1. B/C denotes Brahmin/Chhetri.
2. NA denotes not available.

Figure 5.7 *Participation in DC Meetings by Caste, Ethnic Groups, Dalits and Others*

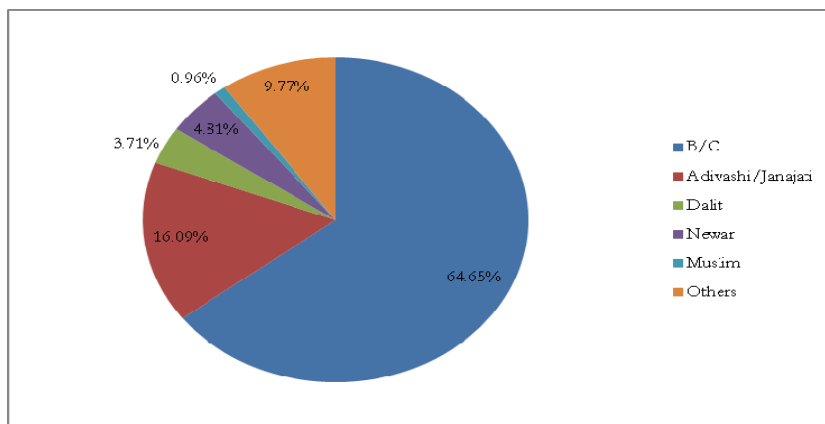
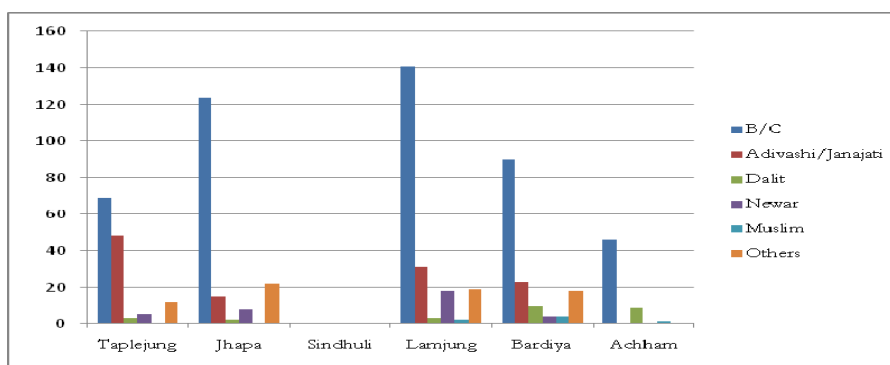


Figure 5.8 *Participation in DC Meetings by Caste, Ethnic Groups, Dalit, and Others by District*



Dalit Participation

Aggregated participation of Dalits in DC meetings was merely 3.71 per cent (Figure 5.7 and 5.8), with the highest (16.07 per cent) in Achham and the lowest (1.17 per cent) in Jhapa. Their participation in DC meetings in Taplejung, Lamjung and Bardia was 2.19 per cent, 1.40 per cent and 6.71 per cent, respectively.

Women's Participation

Similarly, the aggregated participation of women in DC meetings was 10.47 per cent (Figure 5.9). Figure 5.10 shows the number by gender participation in DC meetings. The highest participation (14.55 per cent) was found in Achham, followed by Lamjung with 12.45 per cent. The lowest participation was found in Taplejung (8.84 per cent). Women's participation in DC meeting in Jhapa and Bardia was 9.14 per cent and 10.90 per cent, respectively.

Figure 5.9 *Participation in DC Meetings by Gender*

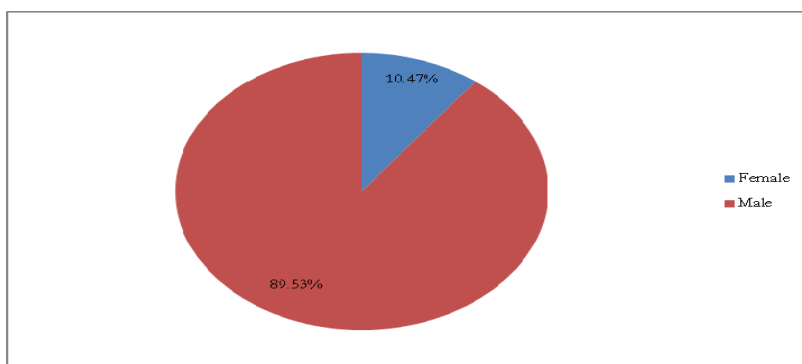
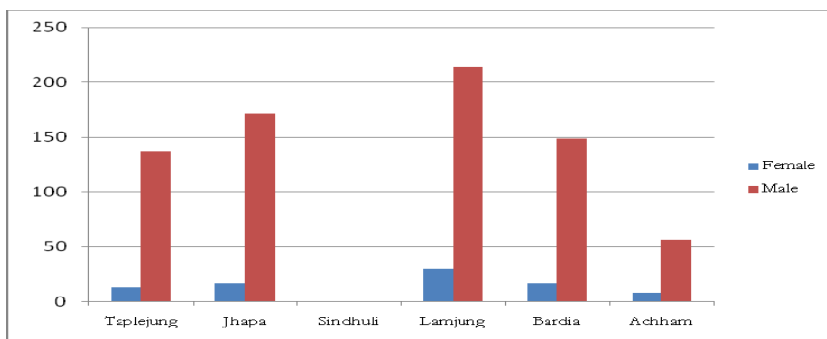


Figure 5.10 *Participation in DC Meetings by Gender by District*



Like in the VDCs, participation of Dalits in the DC meetings was low and that of women was too low from the standpoint of their share in the population, which is about half the district population.

5.2 Programmes/Projects Discussed and Selected

5.2.1 VDC-Level Programmes/Projects

The types of programmes/projects discussed and selected in VC meetings comprised small local-level infrastructure and social-sector programmes on different subjects such as rural roads and tracks, irrigation, river control, electrification and education, health and drinking water. Moreover, programmes/projects related to agriculture, including livestock, forest and the environment, were also discussed and selected. Targeted programmes for the empowerment of women, children, youth, Advashi/Janajati, Dalits and disabled people also formed part of the VDC-level programmes/projects. The number of VDC-level programmes/projects ranged from the minimum of 7 programmes in Janali Bandali in FY 2008/09 to the maximum of 58 programmes in Khudunabari in the same FY. Information on the types and number of VDC-level programmes/projects is presented in Figures 5.11 through 5.15 (Appendix 15).

Figure 5.11 *VDC-Level Programmes of Jhapa VDCs (2008/09)*

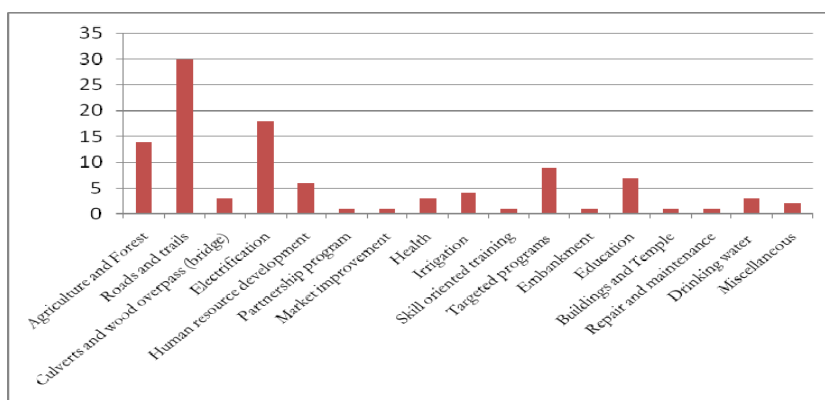


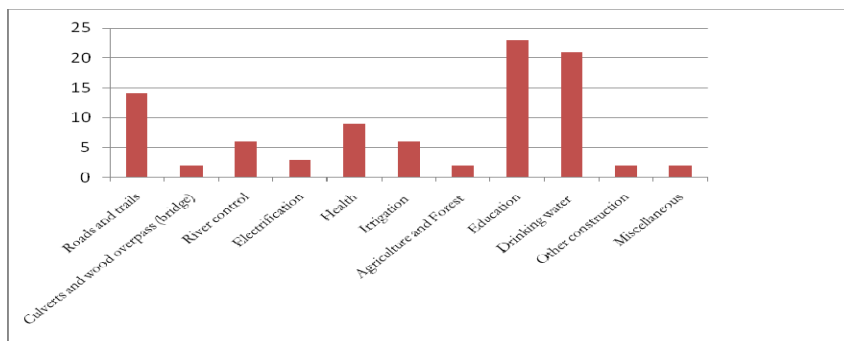
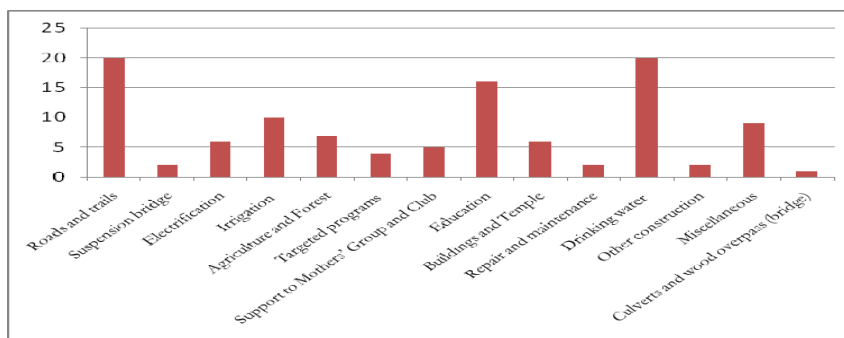
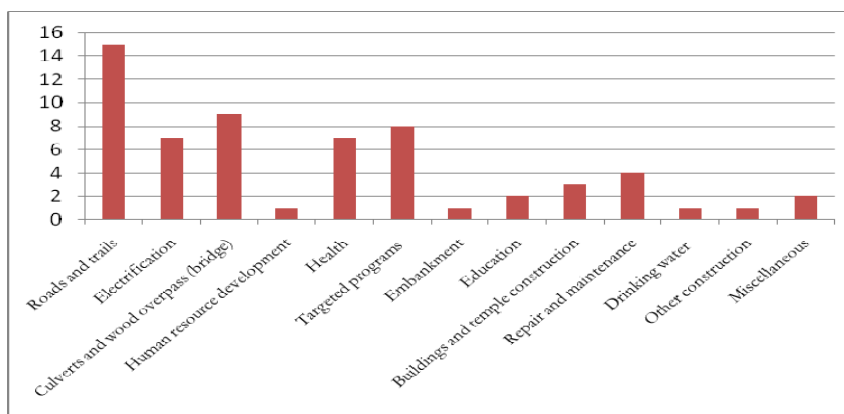
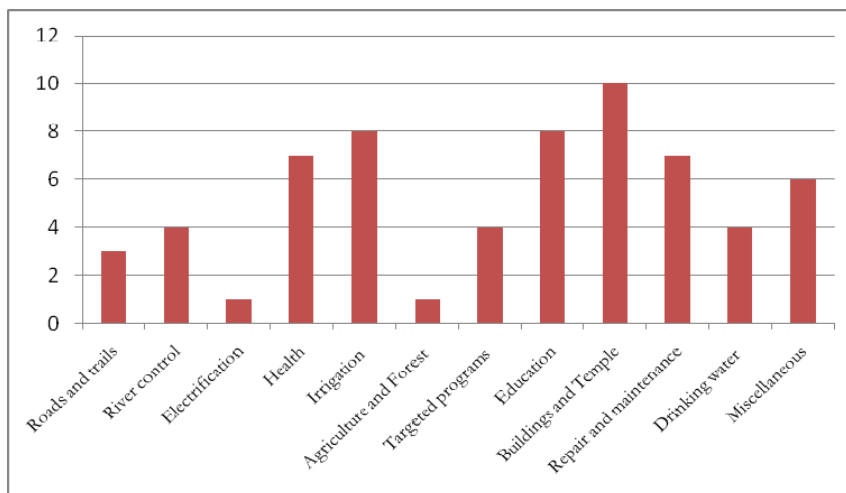
Figure 5.12 *VDC-Level Programmes of Sindhuli VDCs (2008/09)*Figure 5.13 *VDC-Level Programmes of Lamjung VDCs (2008/09)*Figure 5.14 *VDC-Level Programmes of Bardiya VDCs (2008/09)*

Figure 5.15 *VDC-Level Programmes of Achham VDCs (2008/09)*

5.2.2 DDC-Level Programmes/Projects

The types of programmes/projects discussed and selected in the DC meetings are more or less similar to the VDC-level programmes/projects. However, they differ among the districts according to district requirements. Information on the types and number of DDC-level programmes/projects is presented in Figures 5.16 through 5.21 (Appendix 16).

Figure 5.16 DDC-Level Programmes of Taplejung (2008/09)

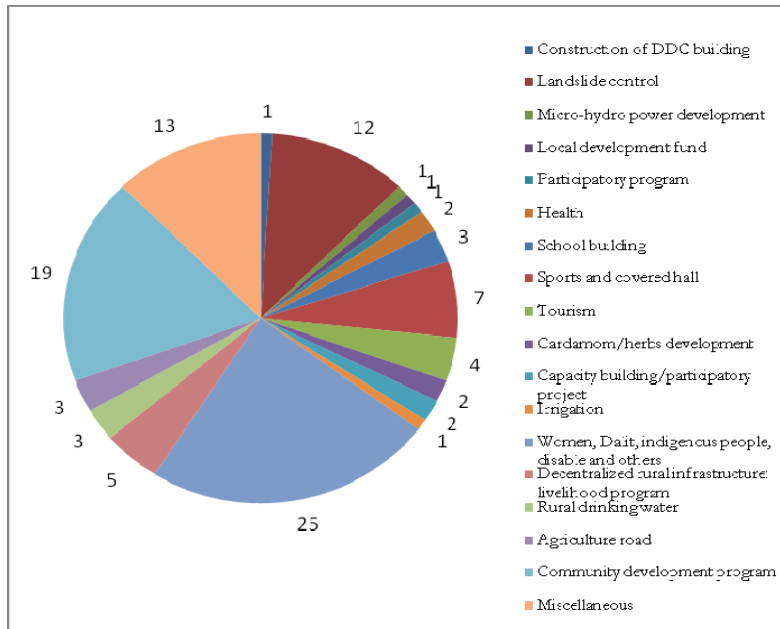


Figure 5.17 DDC-Level Programmes of Jhapa (2007/08)

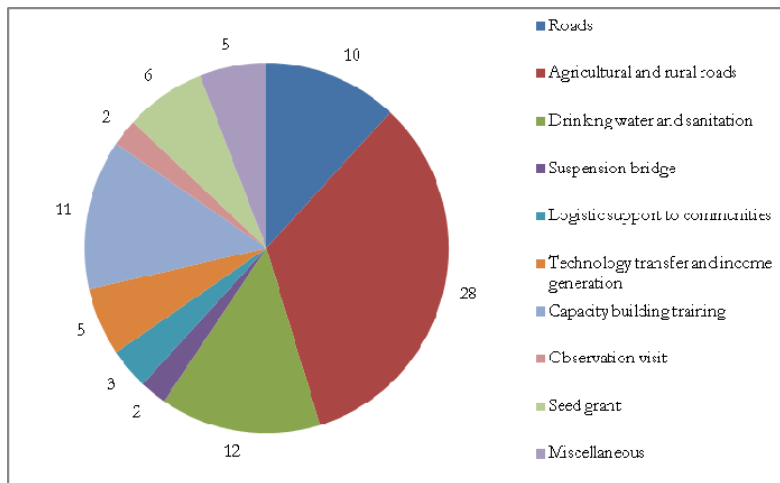


Figure 5.18 DDC-Level Programmes of Sindhuli (2007/08)

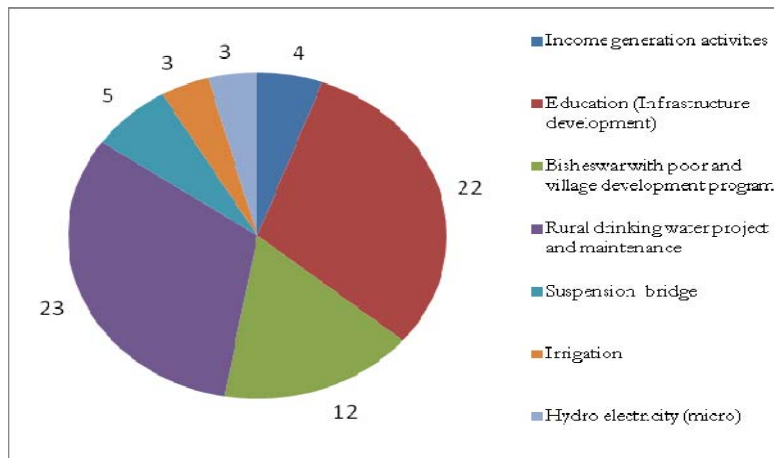


Figure 5.19 DDC-Level Programmes of Lamjung (2007/08)

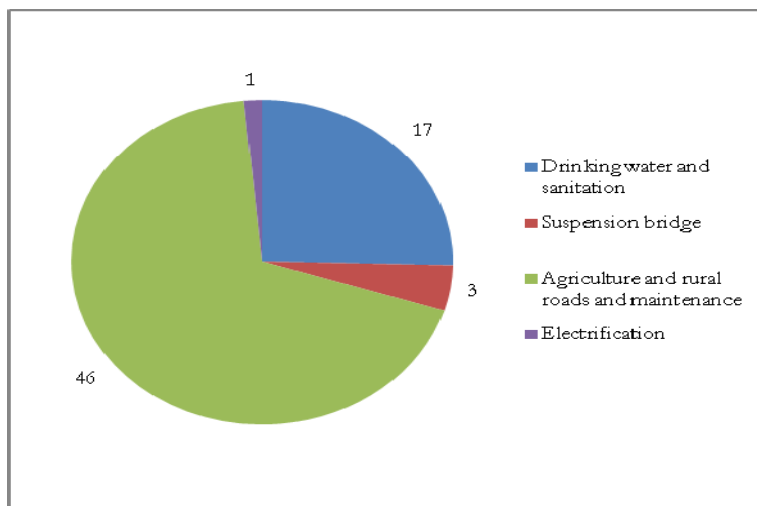


Figure 5.20 DDC-Level Programmes of Bardiya (2009/10)

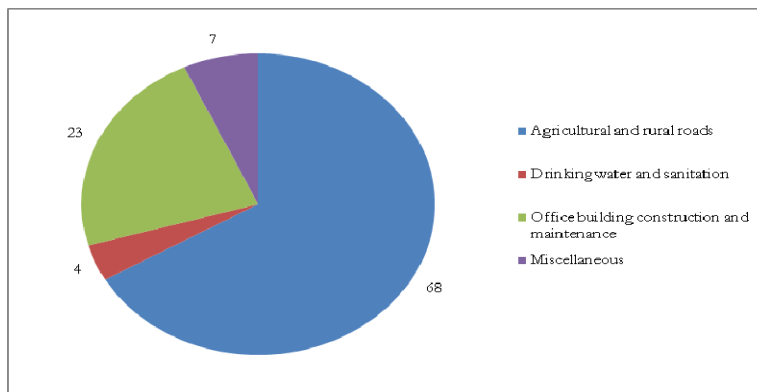
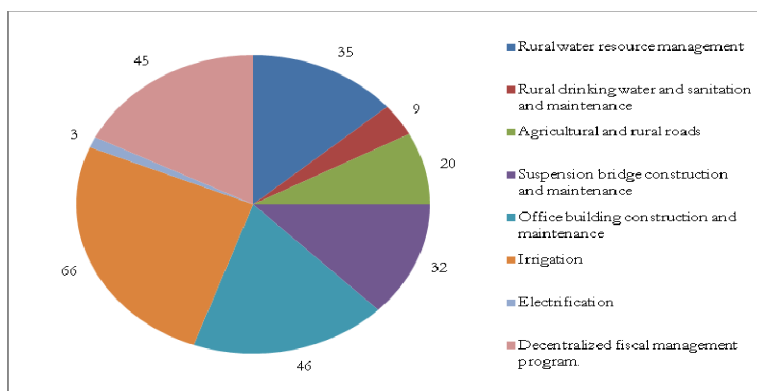


Figure 5.21 DDC-Level Programmes of Achham (2008/09)



5.3 Observations

5.3.1 Resolution of Demands and Domination of APM

Although the APM is merely an advisory body to the LBs, it has emerged as all-powerful in the planning process at both the VDC and DDC. This body plays a role in the collection and compilation of programmes/projects for funding by the VDC and DDC and

even decides the members of the UCs to implement and manage the programmes and projects (discussed in detail in the next chapter 6) accepted for implementation.

To fulfil the formality of bottom-up planning, the general practice/process is followed by the APM. In almost all the study VDCs, the members of this body either ask their respective party members to collect the ward-level projects from each ward through their supporters or visit the wards themselves for discussion with local people to identify programmes for funding by the VDC.

Although the VDC secretary and APM claimed that the ward people are informed prior to such ward-level meetings, people in many VDCs, particularly women, complained that they were unaware of such meetings. However, the focus group discussions (FGDs) have also revealed that whoever was informed did participate in such meetings but that participation was less compared to meetings conducted in the days of elected representatives (FGD in Janali Bandali). After such general ward-level meetings, the APM members again separately discuss the programmes for implementation during the closed-door session of the VC meetings. During the FGD in the Mahadevsthan VDC (Sindhuli), the participants expressed that they were asked for all-party consensus for the programmes they wanted to propose for their locality. They further indicated that such advice discouraged them first because they were not allowed access to the APM members and, second, because getting consensus would be difficult even if they could approach the all-party members. However, in some VDCs such as Gaunshahar (Lumjung), Mangalsen (Achham), Bagnaha (Bardia) and Khudunabari (Jhapa), people were also asked to submit their individual programmes to the VDC office/secretary.

Although the open sessions of VC meetings were supposed to be used to discuss the identified programmes and prioritise them, our study revealed that this exercise is a one-way communication intended merely to let people know about the proposed programmes/projects. When the rationale for including certain programmes or projects was raised, according to our respondents, their voices were usually left unheard.

Respondents from almost all the study districts revealed that the real planning process begins in the closed-door session, in which only persons selected by the APM are allowed to participate, and other interested persons, including women, are denied entry. Participation of people in such meetings ranged between 10 and 15 persons, with women generally absent. The VDC secretary and APM members in the initial plan preparation meeting identify the number of persons to take part in the closed-door session of the VC meetings. During the discussion in such meetings, per FGD discussants, some stakeholders in the Bhorletar VDC (Lumjung district) and the Ratanchura VDC of Sindhuli did raise their voices and demands through the windows of the rooms in which the meeting was being held. However, such voices and demands, according to FGD participants, were not taken seriously by participants in the closed-door session.

One interesting comment expressed by one of the FGD participants in this regard in the Bhorletar VDC was, 'Tamasha Heriyo Samosa Khaiyo (Got entertained and ate snacks)'. In other words, all programmes/projects are scrutinized in the closed session of the VC meetings by the APM members and people selected by them. Even within the APM, members from three big parties (UCPN Maoist, NC and CPN UML) are more influential and most of the programmes they select for their own area. The voices of smaller parties are generally ignored.

After receiving the programmes, the DDC APM reviews and finalises them for financing and implementation. As reported by the VDCs, only about 25 per cent of the programmes submitted by the VDCs are selected by the DDCs for financing and implementation, mainly on lack of resources. The general tendency of the VDCs is such that they demand more programmes/projects for funding support than are actually needed with the expectation that more funds will be received. For instance, programmes/projects worth NRs. 10 million were demanded by the Bhorletar VDC of the Lamjung district for FY 2008/09, which was reduced to NRs. 1.9 million by the DDC APM. The main biases of programme finalisation are bias of the APM members, influence of certain politicians and pressure of the people on the political leaders. The DDC APM members also prioritise the programmes/projects of their own area even if programmes/projects in other areas are more urgent. As in the VDC, influence of the big three

parties prevails in the DDC. The APM, at both the VDC and DDC, is all-powerful and it decides everything in the name of the people, but in most cases the people do not know what has been decided.

Here, it is worth quoting the CDO of Lamjung who said, 'based on my experience as LDO, due to the absence of elected representatives, the big three parties, the UCPN, Maoist, the NC and the CPN UML, have become all-powerful and other members of the DDC representing smaller parties are merely used as a rubber stamp to sign on whatever the big three decide'. This situation was evident in all the study districts. Domination of the big three parties in every matter, whether essential or not, has been excessive. One interesting comment expressed by an FGD participant in the Bhorletar VDC in the Lumjung district in this regard was, 'Khasi katna pani tin dal ko sahamati chahine kuro bhai sakyoo (Three-party consensus has become necessary even to slaughter a goat for personal purposes)'.

Despite the fact that the domination of the three parties was observed in the studied districts, it was also observed that they both agree and disagree on the selection of certain types of programmes. In the selection of projects, mainly related to agriculture, roads and education, no conflict of interest was found among the APM members. However, conflict among the political parties included in the APM was observed in other types of projects. For example, in the district of Lamjung, an intense difference was found among the three major political parties (UCPN Maoist, NC and CPN UML) regarding the site for the construction of a vehicular bridge over the Marsyangdi River to provide easy access to the VDCs of Constituency Number 1 across the river from the district headquarters.

The conflict became so intense that it reached the central level and, because of political pressure, the government was compelled to allocate resources for three bridges (one bridge for each party) within a distance of 4 km over the last two years. No bridge has been completed; nor is one expected to be completed for years as the government will not be able to allocate required resources to all the three bridges. During FY 2008/09, the finance minister was ready to allocate resources for the completion of one bridge within one year if the conflicting political parties could arrive at

consensus. According to the DDC officials, there is no hope for such consensus. Had the political parties arrived at consensus, one bridge would have been completed by now, VDCs from the said constituency would have been directly linked with the district headquarters and the people from across the river would have benefited.

A similar conflict between UCPN Maoist and CPN UML was also reported in Achham regarding the construction of a road in FY 2008/09. NRs. 2.5 million was allocated from the central budget for the road. The conflict involved the alignment of the road in the Jupu VDC between two groups: one from the upper part of the VDC represented by UCPN Maoist and another from the lower part represented by CPN UML. The original plan was to pass the road through the middle part of the VDC. However, due to the conflict, only about 3 km of road in the upper part and 4.5 km in the lower part have been opened. Thus, there are two incomplete roads and both the parties have claimed payment from the DDC; the DDC has yet to decide which party to pay.

The most interesting aspect of this conflict was that the DDC people were reluctant to speak on this matter when we asked them to give their version. During our discussion with DDC staff, each and every person spared himself from talking about this issue.

5.3.2 New Form of Conflicts

Likewise, conflicts among local people for local-level smaller projects regarding drinking water are widespread. This is mainly due to the increase in population, resulting in pressure and competition for the use of existing water sources. For example, in the Kunchha VDC of Lamjung, people enjoyed drinking water for the past 15 years from the Sindure Drinking Water Project, through 18 public taps. The source of this drinking water system is at another VDC, the Jita VDC, whose residents now want to use the source for their own drinking water system. However, users of the drinking water system in the Kunchha VDC oppose this and claim that the source is not sufficient for two projects. The CDO of Lamjung, who cited this example during the discussion with the study team, perceives this as a new form of conflict in rural settings.

The CDO of Achham also cited a similar conflict over water resources. According to him, the district-level offices destroyed during the CPN Maoist insurgency are being reconstructed along with accommodations for government employees in new areas where the office of the CDO is located. A drinking water facility is needed for the area. There are no nearby sources of water and the possible water sources available in Gairitand (big source) or in Thulasen (smaller source) have to be tapped. However, the people of these areas are reluctant to allow their water source to be used for drinking water by the residents of the government office complex area.

Similarly, other emerging conflicts, according to some FGD discussants, are competing demands for water for household needs, electricity and irrigation projects. These are new types of conflicts emerging in the rural areas whose proper resolution presupposes participation of concerned local stakeholders in the decision-making process at the local level.

Another conflict was found regarding the use of forests. The forest user groups (legal institutions created by the government having authority to use and protect the forest of a specified area) in many VDCs deny the use of forests to non-group members. The non-group members claim that the forest is a common natural resource and should be open to all. However, the forest user groups insist that because they are responsible for protecting the forest, they have every right to use the forest in the manner they feel appropriate. This has emerged as a major area of conflict in the VDCs.

5.3.3 Women and Weaker Sections in Decision Making and Use of Resources

Despite the fact that the LSGA has made mandatory provision for the participation of women and other weaker sections of society in the VC, VDC, DC and DDC, no mandatory provision has been made to include women in the APM at both the VDC and DDC levels. So as already mentioned, their participation has remained insufficient. However, the local women (in both an institutional and individual capacity) were invited to attend VC meetings. As to their inclusion in the closed-door meetings in which programmes are identified and approved for funding, there are mixed examples.

In some VDCs, women were invited while in others they were not. In some cases, from the example of Bhorletar, according to the women participants of the FGD, women did force their demands through the windows of the room in which the closed-door meeting took place. In some cases, as in the Ratanchura VDC, the women themselves mentioned and accepted that they were restricted from active participation in the meetings and development activities, mainly due to time constraints, as almost all of them are engaged heavily in their household chores. Nevertheless, based on our FGD, awareness of women about village-level development activities seems to have increased.

The Ama Samuhs (Mothers Clubs) are quite active in the Lumjung district. They want institutional representation at VC meetings, even though they are now invited in their individual capacity. They claim that the institutional representation mechanism would be helpful in involving women in the planning process (Box V.1).

Box V.1

We are not consulted to nominate our representative for participating in the Gaun Parishad (VDC Council meeting). Although everybody was allowed to come and attend the open session, only the lady nominated by the all-party mechanism was allowed to attend the closed session of the Gaun Parishad and we came to know about the budgetary allocation of the VDC from her. We wanted our institutional representation at the Gaun Parishad, but our demands were not accepted. By force, two of our members made a gate crash in the closed-door meeting of the Parishad. We were not informed about the Gaun Parishad in the past, even during the period of local representatives: 1997-2002. We are not made aware of how much resources have come to the VDC.

Women need to be informed and consulted in the planning process of the VDC, as we are now more conscious than we used to be. After the formation of our club, our level of consciousness has gone up or increased. The VDC should give us equal opportunity in the planning process. We also should be recognized as the user's committee. We should be recognized as a mentor committee by the VDC.

Members of the Mothers Club, Bichaur VDC, Lumjung

Dalits³⁷ are still the neglected section of society from the perspective of participation in the decision-making process. Although the presence of Dalits is shown in the register of VC meetings, their participation has not been meaningful in any real sense. They have not yet received what they deserve. Even those who were present in the FGDs were shy to express their views and demands. When Dalit persons during the FGD in the Lampantar VDC were asked to express their views/concerns, they kept quiet despite several requests by the study team. Afterwards, when they were separately asked to say something, they revealed that they kept silent during the meeting mainly because of hesitation to speak in front of the local elites, and what they expressed to us was distress (Box V.2). Similar views were expressed in the Achham district during the FGD in the Mangalsen VDC when a separate discussion was held with a Dalit (Box V.3).

Box V.2

“I cannot afford to participate in meetings; if in case I do, I hardly speak; even if I speak, my voices are rarely heard and if they are even heard, they hardly get decisions made and the decisions implemented in my favour.

I am an illiterate man; I can neither read nor write. I do not understand what people say about development. For survival, I always have to work as a wage labourer because the small piece of land that I have cannot produce food grain even for three months. I have inherited debt from my ancestors and that will continue with my children. No one has done anything for us so far. I am hopeless that talking of development can do something for us. I have been in the meetings once or twice, but neither was I cared about nor did anybody listen to me. People like you ask us to go to the meetings and speak out. Therefore, I do not care about attending the meetings anymore. They (leaders) talk about development which sounds good to hear but that does not give us food to eat. The

³⁶Nepalese society is still segmented along lines of gender, caste, sub-caste, regional, racial, ethnic, sub-ethnic and religious identities. Dalits are being treated as the lowest in the Nepalese social hierarchy. They themselves tend to think of themselves in a fatalistic manner. Their state of poverty and illiteracy, and their lack of knowledge, has led them to think that fate is responsible for their misfortunes. They are therefore more likely than other people to accept their low status as predetermined. Such individuals readily accept powerful external forces as the prime movers, and this attitude has not only encouraged their passive acceptance of the system but also encouraged their exploitation.

only alternative for me is to go for wage labour or stay at home. This is my life".

He was actually distressed because his voice was never heard despite his frequent requests to the VDC for support for the maintenance of a small irrigation channel for which the Dalit people had contributed labour for four months. The irrigation channel irrigated his and other Dalit peoples' small pieces of land.

Khil Bahadur Biswokarma, Ward No 6, Lampantar VDC

Box V.3

Dalits are minimised and their participation is not given importance. Women are still far behind. General women are never consulted and asked to participate in the meetings. Elite domination is excessive in the meetings. The influential are most likely to get the development projects in their areas. Every political party has exploited the Dalits. There are very few Dalit-focused programmes even though 26 per cent of the total district population is comprised of them. Although there are many NGOs which claim that they are working for the cause of Dalits, they are also not effective in uplifting them. Despite repeated requests, even a small amount of money is not allocated by the VDC to repair an irrigation channel in Ward 9 which irrigates 15 ropanis (0.75 hectare) of land of the Dalits. The irrigation channel was damaged by the contractor during the construction of the Kailash-Mangalsen portion of the Sanfe-Mangalsen Road funded by the World Bank. Thus, there is no improvement in the condition. They are easily exploited with sweet talk and by gifts of food and wine. Dalit women in particular are very backward and they lack any awareness about their education and health. The urgent requirements of Dalits are:

- Education,
- Skill-oriented training,
- Awareness training, and
- Income-generating activities.

Moti Kami,

Committee Member, Ilaka 8, UCPN Maoist

Per our discussion with members of the Dalit Upliftment Coordination Committee, the presence of the Dalits at the DDC planning process is also merely cosmetic. An amount ranging from

NRs. 200,000 to NRs. 250,000 is normally allocated to the committee, which, according to committee members, is not sufficient to implement programmes that benefit the Dalit population in the district. However, they have to remain satisfied with whatever amount is allocated to them and disburse the amount among competing demands. While disbursing the amount, the committee mainly considers party allegiance. Moreover, according to focus group discussants, the committee has not been effective since its vice president, who is appointed from among the district-level party workers by the minister of MoLD from the same political party of the minister, frequently changes immediately after a change of the minister of MoLD. The political instability in the country has resulted in frequent changes of the central government, and after each change, the new minister appoints his own vice president of the committee.

An allocation of 15 per cent of the development grant by the LBs (ranging from NRs. 200,000 to NRs. 400,000) for the benefit of women, children, Dalits, Adivashi/Janajati, the disabled, Madheshi, Muslim and backward people, elderly citizens and youths is mandatory (The percentage has now been increased to 35 per cent). However, particularly women and Dalits have not been able to use the funds, mainly due to illiteracy among them and complicated procedures for preparing programme proposals and receiving approval for funding. Particularly, the women participants in the FGDs said that despite their requests they were not supported in preparing proposals either by the VDC or by other capable persons.

Moreover, as this allocation is required to be used for programmes to cover all these groups of the VDC, it is essential that common programmes that benefit the majority of people be formulated. However, it is difficult to arrive at consensus in selecting a common programme, mainly due to the different demands of each group and a limited amount of money. Therefore, most of the amount was used either for educational purposes as in the VDCs of Achham or for other local-level development activities such as rural roads and electrification in other VDCs.

5.3.4 Extra-Budgetary Allocation

The ministers and powerful political leaders are usually involved in allocating extra-budgetary programmes to the districts. For example, in FY 2008/09, during the UCPN Maoist-led government, DDC Lamjung directly received NRs. 11.7 million from the Ministry of Finance (MoF) for programmes identified by the minister without the knowledge of the LBs and APM except for UCPN Maoist member(s). Along with the budget and programmes, the names of the members of the proposed UC (composed of UCPN Maoist-affiliated party workers only) that was to implement these programmes were made available from the ministry. Those programmes were neither discussed at the VDC/DDC level nor demanded by the DDC. The DDC came to know about the programmes and budget only after it received information about them from the MoF.

The acting district secretary of CPN UML revealed another such instance in Achham during the discussion with the study team. He claimed that the NPC directly allocated NRs. 4 million for a road from Binayak to Talagadh without knowledge of the DDC.

Similarly, in FY 2009/10, the government through the MoLD decided to distribute large amounts of money for various programmes (Box V.4). The government took quick action against the secretary of MoLD, who opposed this distribution of funds (Box V.5).

Box V.4

Government decides to distribute large amount of money before fiscal year ends

Monday, 14 June 2010 11:36 AM

The government has decided to distribute Rs. 720 million to various projects at the recommendation of the members of parliament (MPs) representing parties in the ruling coalition. The government took the decision under pressure from Prime Minister Madhav Kumar Nepal, Deputy Prime Minister Bijay Kumar Gachchhadar, local development minister Purna Kumar Sherma and peace minister Rakam Chemjong despite opposition from officials of the local development and finance ministries. According to the decision, Rs. 570 million will be extracted

from the local development ministry while the rest will come from the National Planning Commission (NPC).

The ministry officials had opposed the proposal on grounds that the money might be misused, as the fiscal year ends shortly. However, PM Nepal urged them to understand the political difficulties. The government has diverted the budget of the big projects, to which the government failed to sanction budgets due to various reasons, into smaller projects at the request of party leaders.

By law, budget distribution for any development project is closed five days before the new fiscal year begins. For projects requiring investment of more than Rs. 1 million, a tender must be opened 30 days ahead while 15-day advance notice is necessary for smaller projects to start working. (Fiscal year ends on 17 July 2010.)

Source: nepalnews.com

Box V.5

Unfair Transfer of the Secretary

Mr. Shyam Mainali, who refused to unlawfully disburse amounts to extra-budgetary programmes, has been transferred by the Government. A Cabinet meeting held on Wednesday prior to the resignation of Prime Minister Madhav Kumar Nepal has transferred Mr. Shyam Mainali, secretary of MoLD, to the Water and Energy Commission. Mr. Mainali was forced by Prime Minister Nepal and Minister of Local Development Mr. Purna Kumar Serma to disburse tens of millions of rupees for the areas of influential leaders.

Source: *Kantipur* (National Daily Newspaper), Sunday 4 July 2010.

5.3.5 Meaningless Devolution

Despite claims of the government that the programme planning responsibility of the agriculture/livestock extension, primary health care and primary education has been devolved to the DDC for six years, the planning process in these sectors remains the same as it used to be. The programmes in these sectors are discussed neither in VDC nor VC meetings. No major changes in the planning process in these sectors were observed.

The district-level annual programmes of these sectors are prepared by the district offices: District Agriculture Development Office (DADO), District Livestock Services Office (DLSO), District Education Office (DEO) and District Public Health Office (DPHO), based on the ceilings and guidelines received from their respective departments. They prepare and submit their programmes to their respective regional directorates for discussion and compilation. However, while doing so, according to a respondent during the field study, the concerned district-level office does provide a copy of the programme to the DDC for informational purposes. The programmes received from the districts through regional offices are discussed in the respective departments which, after making necessary adjustments, submit them to the ministry; upon compilation of all the programmes, the ministry submits them to the NPC for final approval and inclusion in the annual programme and budget. Once the district office concerned receives the approved programme, it provides a copy to the DDC for informational purposes.

As to the effectiveness of the involvement of the DDC and DC in the sector programme, during the field study, one district level stakeholder said that the DDCs have neither ideas about the programmes required in agriculture/livestock nor the capacity to guide programme formulation in these sectors. Similar is the case with the education and health sectors, as the DDCs, according to concerned officials, were not aware of the requirement for these services in the district. This is, according to the same officials, mainly due to the absence of elected representatives in the LBs. Had there been elected representatives, they would have been more concerned with the requirements of the district and they could have directed or guided the sector offices in preparing programmes needed for the districts. DDCs are, according to sector district officials, indifferent towards making resources available or making arrangements for resources from their resources, even for urgently needed programmes in these sectors. Thus, DDCs, according to the officials of these districts, have not internalised and developed ownership feeling towards the programmes of the agriculture/livestock, education and health sectors. The common view among people interviewed during the field study was that the LBs being run by government employees

are indifferent towards the requirements of the districts and this ultimately has resulted in ad hoc planning and management.

The only change that has taken place through devolution is in the budget release process. Prior to implementation of the devolution, the allocated budget for approved programmes was directly released by the District Treasury Control Office (DTCO) to DADO, DLSO, DEO and DPHO based on authorization from their respective central departments. Now the allocation to devolved programmes is being transferred through the DDC. In other words, the allocation is first released to the DDC, which in turn releases it to the district offices concerned upon their request. Because of this change, one more layer has been added to the budget release mechanism. To get the budget released, the concerned office (DADO, DLSO, DEO or DPHO) first must make a request for the budget to the DDCs, and the release of the budget is often delayed due to the absence of either DDC accountants or the LDO, whose joint signatures are required for cheque operation.

With regards to the devolved sector, another odd thing was the allocation of budget in the agriculture and livestock sectors. Out of the total budget allocation for devolved programmes in these sectors, a larger portion (about 80 per cent to 90 per cent) is allocated for administrative expenses and the remaining smaller portion for the programmes. This has misled both the service recipients and others who take interest in the programmes of these sectors. They think that the entire budget is for programmes and complain that the district-level officials for agriculture and livestock (DADO/DLSO) are using the budget for administrative purposes instead of spending for the programmes. One critical comment of one DLSO official in Lamjung in this regard was that '[t]he people are being cheated in the name of decentralization and devolution'. Similarly, a comment from the district-level CPN/UML office in Lamjung was, '[B]y including the recurrent cost in the budget, the government has very cleverly succeeded in inflating the sectoral budget of the devolved sectors'. Per the DLSO chief in Jhapa, the 'definition of devolution is ambiguous in the context of service delivery'.

The district study also revealed that so far the devolution in education and health has merely been limited to the transfer of

salary of primary school teachers and staffs of sub-health posts (VDC-level lowest unit of health care services) through the DDC. Actually, the primary schools and sub-health posts were to be operated and managed by the VDCs.

However, management of schools has gradually been transferred to the Community School Management Committee (CSMC), which is composed of one chairperson selected from among the guardians/parents, and members comprising representatives of guardians selected by the guardians from among themselves, including one woman, a CSMC-nominated representative from among local intellectuals or persons devoted to education, a teacher selected from among the schoolteachers by themselves, and the head teacher of the school, who acts as the member-secretary of the committee. There is no institutional representation of the VDC in the CSMC even though the VDC secretary may be present in his personal capacity. The VDC has no role in the operation of the CSMC.

All the DADOs, DLSOs, DEOs and DPHOs in the study districts were of the view that merely transferring funds through the DDC is not devolution and it has no meaning in any real sense. Devolution has done nothing except reroute the budget through the DDC, as a result of which the budget release process has become arduous and lengthy.

The district-level sectoral offices other than the devolved sectors also prepare and submit their programmes to their respective regional directorates/departments for discussion and compilation. However, the sectoral offices provide a copy of the programmes to the DDC for informational purposes, which the DDC reflects in its annual programme (DDP). The programmes are ultimately finalised by the respective departments. Per the discussants, the DDC may not know what has finally been decided. Therefore, there may be differences between the programmes reflected in the DDP and finally approved programmes.

6 Programme Implementation and Management

The local bodies (LBs) are required not only to prepare plans and programmes but also to implement and manage the approved programmes. In addition, they supervise and monitor the implementation process and arrange for the repair and maintenance of the completed projects.

6.1 Implementation Modality

Both the village development committees (VDCs) and district development committees (DDCs) can implement their approved plans and programmes through different modalities: (i) the user's committee (UC) formed from amongst the direct beneficiaries³⁸,

³⁸ Per the LSGA and LSGR, the UCs have to be formed from among the direct beneficiaries, and they have to be trained for undertaking, planning and managing projects. In the case of the DDC, it could form a UC in consultation and advice of the organisation concerned, lower-level local bodies or stakeholders (Rule 208). Per the LBFR 2007, the UCs can use a maximum of 2 per cent of the total project costs for meeting their administrative costs (Rule 155). The main function of the UC is to implement and manage projects, but the LBFR has delineated its functions, altogether 20 in number, with a view to maintaining transparency in its functioning. Although neither the LSGA nor the LSGR specifies the actual number a UC should have, the Local Bodies Grants Operating Procedures 2010 do prescribe the actual number a UC is to have. The Village Development Grants Operating Procedures 2010 and DDC Grants Operating Procedures 2010 prescribe that a UC should have 7 to 11 members. These members should be from amongst the direct beneficiaries, the selection of which is made at a general mass meeting of those who are direct beneficiaries of the proposed project, and from such a meeting the committee has to be formed in such a way that there is not more than one member from one house, and at least 33 per cent of members should be women and representatives of Dalits, ethnic and indigenous, backward communities, Madeshis and Muslims.

(ii) encouragement of non-governmental organisations to implement their programmes, (iii) under the public-private partnership modality³⁹ (35) and (iv) through contractors⁴⁰ (36)(LSGA 1999, LSGR 1999, LBFAR 2007).

Normally, the LBs implement and manage their programmes/projects through UCs with an expectation that if the development programmes/works were implemented through such committees, there would be timely completion, the beneficiaries would have a sense of ownership over the projects, mobilisation of local resources would be easier for the operation and maintenance

The committee has to be formed in the presence of government employees and social mobilisers of the DDC. The members of the APM, government employees, contractors and those who have not paid government arrears are barred from being members of the UC. If the UCs or CBOs formed through the social mobiliser intend to implement a project, there would be no need to form a separate UC. The nature of the projects to be implemented and managed has also been prescribed by the operating procedures, which dictate that projects to be undertaken through the UC must be labour-intensive, and the use of excavators, bulldozers, and big machinery and bitumen will be prohibited unless the work cannot be completed without the use of heavy machinery. The UC cannot pay more than NRs. 50,000 in cash and has to make payment by cheque. To facilitate and monitor the projects undertaken by a UC, while formulating such a committee a separate IFMC with five members, including women, have must be constituted, without whose recommendations final payment cannot be made by the local body concerned.

³⁹ Per provisions of the LSGA, the government, through the LBFR, has authorized local bodies, especially DDCs, to implement their projects through the public-private partnership mechanism or system. The nature of projects for implementation and management through public-private partnership include, for example, drinking water, irrigation, solid waste collection and management and physical infrastructure development activities (LBFR 2007 Section 157). The respective local body, per the operating procedures, is required to constitute such a committee (i.e. IFMC) for the facilitation of implementation and monitoring of contractors' undertaken projects and have its recommendation to make final payment to contractors. The Operating Procedures 2010 have made provisions for the formation of temporary monitoring committees in the local bodies until election to local bodies with mainly government employees and members of the APM.

⁴⁰ The Operating Procedures 2010 further broaden the implementation and management modality and now allow local bodies to implement their programmes through CBOs mobilised by social mobilisers and contractors. However, only those projects that cannot be implemented by the UCs on technical grounds can be undertaken by CBOs through contractors (Section 22). The government has thus surpassed the provisions of the act through its decisions rather than amending the provisions of the LSGA and LSGR.

and transparency in project implementation would be guaranteed. The committees have now become part and parcel of the LB-initiated and managed programmes. Until fiscal year (FY) 2008/09, UCs were allowed to undertake a programme/project costing up to NRs. 3 million; later in FY 2009/10, the amount was increased to NRs. 6 million (around US \$85,000).

The field study revealed that the local people, through committees, have been participating in various development programme/projects, including river control, construction of school buildings and furniture and school management; electricity transmission and micro-hydroelectricity; drinking water facility and irrigation channels; rural roads and bridges and animal treatment. The committees were operating smaller projects worth NRs. 5,000 and bigger projects amounting to millions of rupees (Boxes VI.1, VI.2 and VI.3).

*Box VI.1***Name of the Project: Rural Water Supply Scheme**

1. Location: Ward No 4, Mahadevsthan Village Development Committee, Sindhuli
2. Year: 1992 - 1994 (Initiated - Completed)
3. Beneficiaries: 300 Households
4. Cost: NRs. 2.1 million, including grants
5. User's Committee: 9 members (7 males and 2 females)
6. Number of Taps: Public Taps Under Condition: 20 and Private Taps: 10
7. Operation and Maintenance: The CC has arranged a keeper cum maintenance worker for regular inspection of the system. This keeper is compensated through food grains at the rate of 4 pathis per household and 6 pathis per private user annually). Every year, every household is required to send one family member to repair and maintain the system, and those households failing to send their member are required to pay NRs. 50. In addition, the CC has also received NRs. 200,000 for repair and maintenance from the district (District Drinking Water Office) of the government.
8. Overall condition: Taps are in working condition.

Source: Discussion with Bhim Bahadur Shrestha, UC chairperson.

Box VI.2

Name of the Project: Ratanchura Tinkanya Rural Agriculture Road

1. Location: Ratanchura VDC; Ward Nos. 3, 5, 8 and 9; and Tinkanya VDC Ward Nos. 5, 6, 7, 8 and 9, Sindhuli
2. Purpose: Provide transportation access to rural population.
3. Initiated year: May 2006
4. Completion year: Ongoing
5. Beneficiaries: People of the Ratanchura, Basheswor, Tinkanya, Bhuwaneswor, Bitijor, Dunda Bhanjyang and Doshram Khola Bahuntilpung VDCs. People of these VDCs will benefit commercially as they will have access to markets to sell their milk and horticultural products, including fruits and vegetables.
6. Total Cost: So far, NRs. 8.380 million has been spent. The project is being implemented with the VDC/DDC fund and bank loans. This year, Ratanchura VDC has contributed NRs. 650,000; Tinkanya VDC has contributed NRs. 865,000; the DDC contribution for this year is yet to be received and bank loans are NRs. 1,400,000. In the initial year, the DDC provided NRs. 900,000 for opening the track. To repay the loan, Ratanchura VDC will provide NRs. 50,000, Tinkanya VDC will provide NRs. 1 million and NRs. 400,000 will be provided by the DDC.
7. Users' labour contribution: Worth NRs. 1,300,000
8. User's Committee: User's Committee is composed of 13 persons (10 males and 3 females) from both the Ratanchura and Tinkanya VDCs.
9. Moreover, there is a 5-member (all male) monitoring committee to monitor work progress and expenses. The committee is also composed of members from both the Ratanchura and Tinkanya VDCs.
10. Construction: Construction of a 19.5 km rural agriculture road, including 16 km of main road and 3.5 km of link road.
11. Present status: Part of the road (about 11 km) is in operation. Maintenance of the road is carried out by the Department of Local Infrastructure Development and Agricultural Road (DoLIDAR) since the road is included in its annual programme.

- 12.** Problems: Road construction has been halted in the entrance of Ranikhola village of the Tinkanya VDC Ward 8 because of lack of funds to cut the mountain cliff. It is estimated that NRs. 3.2 million will be needed to cut the cliff.

Source: Discussion with Nagendra Kumar Gurung, UC Chairperson.

Box VI.3

Name of the Project: School Management Committee

1. Location: Bageswori, Bichaur VDC, Lamjung
2. Purpose: Provide necessary physical facilities to the school.
3. Initiated year: 2008/09
4. Completion year: 2008/09
5. Beneficiaries: School children of the surrounding villages.
6. Total Cost: Estimated at NRs: 1,950,000 of which NRs. 350,000 was received from VDC, NRs. 825,000 from District Education Office and NRs. 600,000 from earthquake relief institution.
7. Users' contribution: Labor contribution worth NRs. 200,000.
8. School Management Committee: Bageswori School Management Committee comprising 9 members (all male).
9. Construction: Construction of corrugated tin sheet-roofed, 4-room building.
10. Present status: Construction has been started and is expected to be complete by Jestha 2066 (June 2009). Masons are employed for construction and the committee is taking care of the construction work. Some of the construction materials, such as cement and iron rods, have been purchased and the remaining will be purchased soon.
11. Problems: The actual cost of construction has exceeded the cost estimate and an additional amount is required, which is to be met from the school's own fund and for this the school may need to borrow.

Special case about this school:

Efforts were made in 1994 to upgrade the school to the campus level at Allachaur, which is appropriately located to cover 3 VDCs: Dudh Pokhari, Bichaur and Ilam Pokhari. All 3 VDCs had consented to establish the campus at Allachaur. The total land area of the campus is 13 ropanis; the Bichaur VDC spent NRs. 2 million for purchasing 10 ropanis of land and the remaining 3 ropanis were donated by local people. Construction of the corrugated tin-sheet-roofed 12-room building had also been completed and the VDC had handed over the building to the School Management Committee. A User's Committee was also formed to construct the school, which was chaired by Gokul Prasad Dawadi of the Bichaur VDC and comprised members from all 3 above mentioned VDCs.

But later on some people opposed establishing the campus on the grounds that Allachaur is far from villages and is not a suitable place for the campus. Due to this, construction of the campus could not be completed. Presently, even though the land is registered under the ownership of the school, most of the building materials have been stolen and materials for only 2 rooms exist. These 2 rooms are also in doubtful condition in terms of security.

Source: Discussion with Yam Prasad Neupane, SMC chairperson.

6.2 Technical Backstopping

The LBs have to use the technical know-how available in the district technical office (DTO), the technical wing of the DDC secretariat. In addition, the LBFAR, 2007 has authorized LBs to accept technical assistance from other than the DTO i.e. non-government/private sector in implementing their programmes and projects. The LBFAR provides that if a VDC requires any technical assistance or professional service, the VDC chairperson can approve services worth NRs. 25,000; services worth more than NRs. 25,000 are required to be approved by the VDC (Rule 13). In the case of the DDC, the subject matter section chief can approve services worth NRs. 150,000; the DDC secretary up to NRs. one

million; the chairperson up to NRs. 2.5 million and the DDC more than NRs. 2.5 million (Rule 49)⁴¹.

Design and cost estimates prior to the implementation of any kind of construction work and final certification of the work by a technician from the DDC/DTO is mandatory, tasks for which the DDC/DTO should have sufficient technicians (particularly related to construction work). However, there was a very limited number of technicians (5-10) in study DDCs and almost none in the VDCs. According to DDC/DTO officials, annually about 25 to 30 projects are implemented by each VDC with the involvement of thousands of committees in each district, but many of these projects are implemented either without design and cost estimates or with haphazard costing, mainly due to the lack of technicians (Table 6.1).

⁴¹ The VDC Block Grant Operating Procedures 2010 provide that a VDC can hire an assistant sub-engineer under contract, or two VDCs can jointly use the same technician by sharing his salary and allowances; or the DDC can hire a technician for any VDC and the VDC has to pay the salary and other expenses of the technician.

Table 6.1 *District Technical Office: Filled Staff Positions*

S. No	Staff Positions	Districts						Total
		Taplejung	Jhapa	Sindhuli	Lamjung	Bardiya	Achham	
1	Chief District Engineer	X	1	1	X	1	X	3
2	Engineer	1	3	2	1	2	1	10
3	Sub-Engineer	4	6	6	5	6	4	31
4	Assistant Sub-Engineer	X	X	X	X	X	X	X
5	Administrative Assistant Class I	X	1	1	X	1	1	4
6	Administrative Assistant Class II	X	1	X	X	1	1	3
7	Drinking Water Technician	3	3	3	2	2	2	15
8	Social Mobiliser	X	X	X	X	X	X	
9.	Accountant	X	1					1
9	Sub-Accountant	1	1	1	X	X	X	3
10	Women Workers	X	X	X	X	X		
11	Messengers	2	2	2	2	2	2	12
	Total	11	19	16	10	15	11	82

Source: Department of Local Infrastructures and Agriculture Roads (DoLIDAR), RRS D Project Office.

6.3 Supervision and Monitoring

The VDC and DDC are required to supervise and monitor the implementation of plans and programmes. For this purpose, they are required to constitute a supervision and monitoring committee⁴².

⁴² Per the LSGR (Rule 69), the VDC-level supervision and monitoring committee (SMC) would consist of four members, with a VDC vice chairperson as coordinator, two VDC members nominated by the VDC as members and the VDC secretary or a technician as secretary of the committee. As there are no elected officials at the VDC, the VDC Grants Operating Procedures 2010 have

This committee is responsible for monitoring and supervising project/programme implementation in terms of timely execution, regular technical supervision, expenditures incurred, financial and other recordkeeping and similar tasks. The committee must submit a monthly monitoring report to the VDC and if any drawbacks or shortcomings appear in any project or programme, the VDC may give necessary directives to the concerned UG/UC and other related organisation, institute or persons to remove such drawbacks and shortcomings.

Similarly, the DDC formed SMC decides whether the resources and means estimated in formulating the DDC plan/programme have been mobilised according to the goals and whether the project has been implemented according to its calendar of operation. It also gives necessary direction to resolve obstructions or hindrances in project implementation. The committee must meet once every four months to assess estimated and available resources for the project and may warn the concerned party if works are not carried out according to the stipulated calendar of operations and goals.

made a temporary arrangement in this regard. Per these procedures, the committee would comprise the VDC chairperson or person designated to work as the VDC chairperson, two representatives from the Ward Civic Forum, including one woman, one technician to the extent available, and the VDC secretary or employee nominated by the VDC secretary to act as its member secretary.

At the district level, per the LSGA, there would be an SMC to be headed by the member of the legislature representing the district, the DDC president, a DDC member designated by him or her and concerned employees. In case there is more than one legislature from the district, the chair would revolve alphabetically each year (Section 210). The LSGR 2007 (Regulation 202) has also provided for a sub-committee headed by the DDC vice president, two DDC members nominated by the DDC and the planning and administrative officer of the DDC secretariat as secretary; this sub-committee has been entrusted with the responsibility of submitting the supervision and monitoring report to the committee. The DDC Grants Operating Procedures 2010 created a temporary SMC until election to the DDC. In accordance to which, the SMC would comprise the DDC president or person designated to work as the DDC president (coordinator), local development officer (LDO), chiefs of the two district-level sectoral offices, chief of the District Technical Office and chief or officer of the District Treasury Control Office as members. The Planning, Monitoring and Administration Officer of the DDC would act as its member secretary (Section 28).

6.4 Repair and Maintenance

For the repair and maintenance of completed projects, both the VDCs and DDCs are required to impose service charges on the beneficiaries and allocate resources for this purpose. The DDC may transfer the completed projects to the concerned body or UC for operation and repair/maintenance, for which the concerned body would collect necessary service charges from the project beneficiaries (LSGA Sections 54 and 214)⁴³.

6.5 Observations

6.5.1 User's Committee

The empirical evidence from the field study of programmes/projects undertaken through the UCs revealed several important points, as discussed below.

Conflicts in the Formation of the Committees

In general, as revealed by the focus group discussions (FGDs), conflicts are common during the formation of the committees because of the interest of local political people to include their own supporters in the decisive positions (chairperson, secretary and treasurer) of the committee. Particularly, intense conflict among local leaders of different political parties arises over the post of chairperson. Such conflicts sometimes have also created law and order problems. For example, during the formation of the committees in the Khagurgachhi VDC in Jhapa to undertake village electrification projects in Wards 3, 4 and 9, law and order problems arose due to claims for the decisive positions by every political party. The project remained unexecuted due to this issue.

Despite the formality of village meetings with the compulsory participation of users of the project, representatives of political parties and the VDC secretary are prominent in the formation of the committee; mostly the all-party mechanism (APM) formula prevails in this case too. Among the political parties represented,

⁴³ The provisions of the LSGA have been further corroborated by the Grants Operating Procedures 2010.

representatives of three major political parties among themselves decide on those who become the chairperson, secretary and treasurer. Thus, to avoid conflict in the committee's formation, the political solution of having representation of the major parties is mostly adopted so that one party holds the position of chairperson, another holds the position of secretary and the third holds the position of treasurer. Thus, conflict in the committee's formation in the study VDCs was generally mitigated through consensus of dividing the decisive positions. In the two Tharu-ethnicity-dominated VDCs of Bardia (Daulatpur and Bagnaha), there was no dispute regarding the formation of the committees, as they were formed with the involvement of Badghar.⁴⁴

Sometimes, two separate committees are also formed for the same work (e.g. for a culvert project in Ward 3 of the Khajurgachhi VDC). Both claimed their legitimacy in the DDC and the DDC was yet to decide. The opinion of the ex-DDC chairperson of Jhapa with regards to the conflict in the formation of the committee was, '[T]he members of APM are more interested in implementing the projects by their own committees mainly due to the financial reasons'. Similarly, according to the accounts officer in the DDC Jhapa, 'execution of projects is delayed because of interruption in forming the committees as each political party wants its own person to chair the committees'.

He cited an example of a project related to the control of wild elephants through the construction of electric wire fencing, for

⁴⁴ In these VDCs, there exists an informal traditional institution called "Badghar" (Social Leader). The Badghar is chosen during the first week of Magh (15-22 January) each year. In most cases, the Badghar is unanimously accepted by the people, including the representatives of the political parties. Sometimes he may also be elected. The Badghar is an impartial person and he cannot be aligned with one or another political party. The main purpose of the Badghar is to assume the leadership role for social works. The role of the Badghar is particularly important during social, religious and cultural affairs. Presently, the Badghar has also been active in the development work of the VDCs, particularly in the absence of elected representatives in the VDCs. Once accepted by the people, the Badghar is omnipotent. The Badghar prepares Bidhan (rules) and following the Bidhan is the duty of all people in his locality. If anyone fails to abide by the rules, he may be fined. The development works are not executed without the involvement of the Badghar. The VDC endorses the decisions of the Badghar. However, if a Badghar makes a decision in favour of a political party, the people may reject his decision.

which NRs. 4.7 million was received from the centre. Despite all efforts, the committee could not be formed for a long period owing to the differences of opinion among the local political party representatives and ultimately a UCPN Maoist party member in the Constituent Assembly (CA), from that area himself, had to be the chairperson of the committee. Almost all political party representatives asserted that ‘the committee formation in Jhapa is an uphill task’. Likewise, Taplejung also had conflict in its formation. Many projects remained unexecuted due to difficulty in forming the committees, a result of a lack of political consensus. The Planning and Administrative Officer (PAO) in the DDC said, ‘[T]he political parties expect to prevail the all-party formula in the formation of committees and even a smaller party can obstruct the process of committee formation if it is not convinced’.

Similarly, the VDC secretaries, during discussions with us, also endorsed the opinion of PAO and contended that the formation of committees is the most difficult task. An example of non-execution of a project due to lack of political consensus was described by the district representative of the Informal Service Centre (a national non-governmental organisation (NGO)). According to him, NRs. 1 million was received two years back to construct a Martyrs Park. However, due to conflict among the political parties, the committee could not be formed, as each major political party wanted to have its own person as the chairperson. As a result, construction of the park is still pending.

Difficulty in Finding the Committee Chairperson

In contrast to the above, the Ratanchura VDC of Sindhuli and the Bhorletar VDC of Lamjung faced difficulty in finding a chairperson for the committees. The reason was because the chairperson of the committees must visit the district headquarters at least two times, first to enter into an agreement with the DDC and later to clear the accounts after completion of the programme. Moreover, visits to the DDC by the chairperson are also required to arrange for the services of technicians from the DDC or DTO — the technical wing of the DDC — for the design and cost estimates of projects to be undertaken, for authentication and for certification of the completion of projects. Travelling to the district headquarters from distant VDCs such as Bhorletar is not easy. No one, therefore, wants to bear the burden. Thus, according to the

VDCs concerned, great efforts were needed to persuade people to take responsibility as the chairperson of a committee. Such a situation has also compelled the VDCs to select the same person(s) as chairperson and members of three to four committees.

Domination of Thatha and Bathas (Sherwd Persons)

The Thatha Bathas (sherwd persons) are still dominant in the formation of committees and still hold the key positions. Usually, an influential person (on a political basis) leads the committee as its chairperson and due to his/her influence becomes all-powerful in the committee. Consequently, in each committee, except for this position holder, other members remain dormant. The FGDs revealed that other members of the committees in most cases remain indifferent and are unaware of their roles and responsibilities. The chairperson, thus, practically runs the committees by entering into agreements with the DDC, receiving funds released from the DDC, undertaking implementation work, arranging for technicians during the implementation and authentication of project completion and maintaining and managing the records of the total funds received from the DDC. In other words, other members in most of the committees remain uninformed about how much was received from the DDC and how that amount was spent. They also remain unconcerned about the execution of programmes and are absent or remain passive during meetings and decision making.

Some of the committee members in the Lampantar VDC (Sindhuli) simply said that they became members because they were nominated. In Lamjung, the DDC PAO said that even though a committee was to be formed from the mass meetings of users, there was evidence of committees being formed by a limited number of people (only 7 to 9). However, elite domination in the committee was defended in the Lampantar VDC of Sindhuli. The FGD participants said that the committee chairperson should have leadership qualities; he must strongly articulate his concern in the DDC and he is also required to mobilise and control other members and general users. Therefore, the person to chair the committee must be politically influential and have leadership qualities.

Women are generally included to make the committees appear inclusive but only for fulfilling that formality, as their role is mainly

limited to endorsing decisions made by the influential members of the committees.

Use of Contractors

As opposed to the principle of forming a committee, a widespread practice of committees furtively contracting out construction work to local contractors was reported in all the study districts. Usually, the committees covertly contract out the work to contractors to make a profit and help the contractors to evade government taxes as the committees are exempted from income tax. Similarly, the committees also secretly contract out the construction work in lower amounts than the allocated amount. However, the contractors remain hidden and all the authorized transactions with the DDC are conducted by the chairperson of the committees; the DDC personnel remain helpless to take action against the committees even though they know that the works were contracted out. As revealed by a staff member of the Planning Section of DDC Bardia, 'the contractor comes along with the committee chairperson to receive payment from DDC and we are compelled to be a silent observer even if we knew that there was an illegal alliance between the committees and the contractor'.

Nevertheless, sometimes the committees are also compelled to implement or execute projects through a contractor, mainly due to the indifference of consumers and/or a lack of their time owing to the requirement of involvement in daily farming activities, particularly during cultivation and harvesting seasons.

Increased Manipulation

No programmes exist to acquaint the UC members as well as project beneficiaries with their roles and responsibilities. This has encouraged and led to the increased manipulation capacity of the committees. For instance, of the total project budget, labour contribution equivalent to 25 per cent by the consumers or users is mandatory. However, as the users generally remain absent, the chairperson is forced to legitimise the users' involvement by creating fake signatures/thumb prints. In some cases, the chairperson also appoints someone to accomplish certain work for a certain amount, without first getting an estimate, and later when the estimate is provided the estimated amount may be higher or lower. In such cases, the chairperson must manipulate the

expenses to legitimise the accounts. The resultant effect, in most cases, is a lack of transparency in committee-implemented projects. This indicates that along with involving users in project implementation, enhancement of their awareness is also critical.

Owing to the above reasons, most of the projects implemented by the committees have remained incomplete or the quality of completed works has been poor. This was corroborated by almost all political persons, government officials and others during the field study and by FGD participants.

6.5.2 Inadequate Technical Persons

The UCs need certification of work progress to receive payment instalments from the DDC after verification of accomplished work by technical personnel. Likewise, certification of work completion by a DDC technical person is needed to receive final payment. But, as disclosed by the FGD participants, such certification in most cases is done without spot verification regardless of the quality of work; this was confirmed by the DDC/DTO technicians. The main reason cited by the DDC/DTO for this was the shortage of technical personnel. Bhupendra Basnyat, Deputy Director General of the DoLIDAR, under which the DTO operates, also asserted that ‘the number of projects is large compared to the human resources available in the DTOs’.

Similarly, the FGDs have also revealed that the lack of technical personnel has caused the committee to implement many projects with haphazard costing, which results in vast cost differences between the proposed and actual costing. Usually, the actual costing is far higher than the proposed costing. Consequently, the majority of the projects usually remain incomplete. If some projects are completed with inadequate resources, they are neither of good quality, nor sustainable.

The mandatory provision for involvement of technical personnel even for small local-level projects has caused difficulty in project implementation, mostly in VDCs far away from the DDC centre. Therefore, it was noted during the FGDs that there is a need to enhance the technical capability of the VDCs and increase grant amounts for this purpose.

6.5.3 Ignored Supervision and Monitoring

Supervision and monitoring was the most ignored aspect of project implementation in all the VDCs. The VDC secretary, overloaded with other work, was restricted to supervising/monitoring each project being implemented in the VDC. Moreover, the VDC secretary, being a government employee with uncertain tenure in the VDC, was not keen to be involved in supervision/monitoring activities. Additionally, some VDC secretaries remained indifferent because they viewed supervision/monitoring as an ‘ungraceful responsibility’. The members of the APM, as part of a temporary arrangement, lacked enthusiasm.

At the DDC level, the circumstances of heavy workload and frequent transfer of local development officers (LDOs), and apathy of APM members due to the temporary nature of the APM, was similar. In this regard, the auditor general’s report of 2006/07 stated, ‘Quality of completed projects has not been maintained due to the lack of supervision and monitoring’.

Our study also revealed that no mechanism for monitoring implementation either at the village level or at the district level exists. Most of the programmes remain unmonitored. Even though the annual progress review of the programmes is conducted at the DDC after the end of each fiscal year, it is conducted only as a formality.

The VDCs do not bother to conduct progress reviews because current office bearers are not elected persons and, therefore, they do not feel accountable to the people; their performance records are evaluated by their bosses and not by the people they are supposed to serve. The APM members being nominated are not accountable to the people and hence are unconcerned with progress reviews and monitoring of programme implementation. Had there been elected representatives in the VDC, they would, as indicated in the FGD, have been obliged to monitor the programmes under implementation due to accountability towards their voters.

The users also feel that ‘common property is nobody’s property’. All the people interviewed during the DDC/VDC study, no matter whether they were political persons, government officials or

others, unanimously affirmed that programme monitoring is the most neglected aspect.

6.5.4 Neglected Repair and Maintenance

The arrangements for repair and maintenance of implemented projects suffered from a lack of funding in all the study districts. As most of the committees cease to exist after completion of programmes, projects are left uncared for, and nobody takes responsibility for their repair and maintenance. However, in some cases, it was reported that the users have been contributing to minor maintenance of these projects; bigger maintenance of completed programmes is neglected mainly due to the lack of resources.

Indifference towards allocating the funds has resulted in the lack of repair and maintenance of completed projects, particularly roads, culverts, river embankments and the like, in all the study VDCs. As reported, the main problems were low quality of projects, lack of repair and maintenance funds and lack of qualified technicians. As revealed by the FGDs, the VDCs/DDCs were much inclined to receive new projects, but seldom cared for the repair and maintenance of completed projects.

Many programmes are damaged within a short time of their completion or become dysfunctional after some time. The comment of an ex-British army member during the FGD in the Bhorletar VDC in this regard was, '[W]hy are projects in Nepal so fragile while projects in other countries can last for much longer periods?'

In this regard, the United Nations Development Programme (UNDP)/Ministry of Local Development (MoLD) report⁴⁵ states that 'a half of household respondents said that there was no system for maintaining and repairing VDC block grant projects'.

Similarly, most of the beneficiaries also lacked feelings of ownership over the projects. They felt that the government should be responsible for providing funds for repair/maintenance.

⁴⁵ Assessment of Village Development Committee Governance and the Use of Block Grants UNDP/MoLD (2009).

However, the minor repair and maintenance of some small drinking water projects were also found to be executed by the user's committees through accrual of service charges from the beneficiaries, such as in the Rural Water Supply Scheme in the Mahadevsthan VDC and the Nayakharka Drinking Water Project in the Ratanchura VDC.

6.5.5 Lack of Responsibility-Sharing Mechanism

In view of the limited revenue base of the LBs, a greater need to share more of the developmental responsibility with the private sector, the communities and self-supporting non-governmental organisations (NGOs) has been felt. The LSGA has also provided space for development actors other than public-sector institutions, and the LBs could use and engage them in their planning process, including the implementation of projects. The NGOs and traditional organisations working at the local level were not used as UCs by the VDCs/DDCs for undertaking their development works. For instance, the Mothers Clubs in the Bichour VDC and the Youth Clubs in the Bhorletar VDC were keen to be entrusted with project implementation. When asked about the possibility of including these clubs as the committee, the common reply of the VDCs was, 'Yes, it is a noble idea, and we will think it over'.

7 Incomes and Expenditures

Functions should be properly balanced with finance; otherwise, the local bodies (LBs) would not be able to perform their assigned duties and responsibilities. This is why Maddick (1963) wrote, 'Finance is crucial to any local government system. Upon adequate revenue provisions depends the local authorities to discharge any responsibilities; upon some sources of revenue being local depends the prudence and the independence of local authorities; upon predictability of revenue depends their ability to plan for the future; upon the equity of their local tax system depends much popular support'. The Interim Constitution recognizes this fact and says:

There shall be mobilization and allocation of responsibilities and revenue between the Government of Nepal and the local self-governance related authorities as provided by law in order to make the local self-governance related authorities accountable for the identification, formulation and implementation of local level plans, while maintaining equality in the mobilization, appropriation of means and resources and in the balanced and equitable distribution of the fruits of development with a view to strengthening the local self-governance related authorities for local development (Article 140.1).

While mobilizing and allocating revenues... special attention shall be accorded to the overall upliftment of those classes and communities who are backward socially and economically in such a manner as to have a balanced and equal development of the country (Article 140.2).

As to the provisions for the financial resources to the LBs, normally, LBs in different countries, in one way or other, have been tapping mainly four types of revenue sources: (i) local taxes,

fees and service charges, (ii) government grants, (iii) trading service and (iv) miscellaneous sources (including rents paid by tenants for the assets created) and loans raised (Golding, 1973).

The Local Self Governance Act (LSGA), too, has provisions for these four sources of revenues to local bodies. The LBs, per the law, are empowered to collect taxes, service charges, and fees, earn through sales, borrow loans and receive grants from the government to meet their expenses. The village development committee (VDC) has been empowered to collect various taxes, such as house, land, market shops, vehicle, entertainment and business, and various fees such as house, land, renewal fees for television and video and recommendation fees, and to borrow from banks or other institutions with or without pledging any possession of the VDC or under the guarantee of the government. It is entitled to receive grants, tied and untied, from the government.

The district development committee (DDC) has been given the power to collect taxes on those who use infrastructure facilities built by it, extract charges and fees on services provided, borrow money from banks and other institutions with or without collateral or on government guarantee and receive grants from the government. In addition, it is empowered to receive a portion (25 per cent) of the land revenue collected by the lower units (VDCs and municipalities). The DDC is also entitled to receive a share of the income made by the government in the form of registration fees for the sale and purchase of assets, royalties received from the use of natural resources, such as mines, petroleum, forest and water resources, and income earned in the form of tourist fees. Also, it can receive grants from the government for general or specific purposes (Appendix 17).

7.1 Incomes from Internal Revenue Sources

As to the actual sources of revenue used by the VDCs, no uniformity was found. In the Tarai VDCs, revenue sources like land revenue, *bat bazaar* (temporary market) taxes and service charge fees were the major sources of internal revenue, whereas in the hilly areas recommendation fees have been the main internal

revenue source. Table 7.1 depicts the amount of revenue raised by the VDCs from internal sources (Appendix 18).

Table 7.1 *Incomes of VDCs from Internal Revenue Sources (Nrs.)*

District/VDC	2006-2007	2007-2008
Jhapa		
1. Jalthal	NA	213,541
2. Khudunabari	2,418,066	680,968
3. Khajurgachhi	568,425	565,360
Sindhuli		
4. Lampantar	6,999	9,099
5. Ratanchura	25,000	NA
6. Mahadevsthan	11,905	5,242
Lamjung		
7. Bichour	3,954	18,047
8. Gaunshahar	NA	25,479
9. Bhorletar	9,000	12,200
10. Taghring	7,505	7,890
Bardiya		
11. Sorhawa	270,605	434,985
12. Mohammadpur	148,897	247,625
13. Bagnaha	NA	162,036
14. Daulatpur	256,967	176,199
Achham		
15. Janali Bandali	Not used	Not used
16. Mangalsen	78,785	82,585
17. Mastamandu	25,991	19,369

Sources: Concerned VDCs.

The DDCs' internal sources of revenue, as already indicated, included infrastructure taxes, resource utilization/export taxes, fees and charges, sales, revenue sharing, land taxes and others; and external sources included government grants and miscellaneous income. Table 7.2 presents the income of DDCs from internal sources.

Table 7.2 *Incomes of DDCs from Internal Revenue Sources (Nrs.)*

DDC	Fiscal Years/Amount (Rs. 000)		
	2007/08	2008/09	2009/10
Taplejung	4,065	5,953	5,143
Jhapa	59,293	15,869	78,719
Sindhuli	26,323	4,007	7,239
Lamjung	12,073	15,533	14,644
Bardiya	18,226	14,790	19,202
Achham	2,015	3,133	NA

NA: Not available

Source: Concerned DDCs.

7.2 Government Grants

Per the LSGA,⁴⁶ LBs have been receiving three types of grants:⁴⁷ recurrent cost grants, capital grants-general and tied grants for specific programmes, such as the grant to pay a monthly allowance to the targeted population under the social security programme and specific project/programme-related grants.⁴⁸ The DDC will

⁴⁶ Per this law, the government will provide the 'local body each year with minimum grant... and also with additional grants on such basis as population, level of development, possibility and capability of mobilizing revenue, necessity of financial resources, regular record-keeping of income and expenditures, situation of local auditing and financial discipline of the local body concerned' (Section 236). In addition, it prescribes the establishment of a local body fiscal commission, about which detailed discussions have been made in the subsequent paragraphs, to make suggestions on the policy to make the tax system and accounting methods timely. In the Local Self-Governance Regulation 1999, it is mentioned that the government, i.e. the MoLD, on behalf of the government, 'having obtained recommendation from Local Bodies Fiscal Commission and having done evaluation of the local bodies on the basis of minimum terms and conditions and work performance indicator, may alter the grant to be given to the local bodies and may reward the local bodies to have the best performance' (Regulation 273D).

⁴⁷ The amount of this grant has normally been in the range of 20 per cent to 30 per cent of the total amount of the grant provided.

⁴⁸ The government has been providing tied grants to a number of programmes/projects, such as Rural Drinking Water, Suspension Bridge, Local Transportation and Infrastructure Development, people's participation-oriented development programmes, Remote Area Development Programme, Western Hills Poverty Alleviation Project, Decentralised Rural Infrastructure and

have ‘to provide some amounts, out of the amounts to be made available to it [by the government], to the Village Development Committee as a grant to be expended in the village-level programmes as prescribed’ (Section 230).

Until 2006/07, the government of Nepal (GoN) was providing the equal amount of NRs. 1 million as an unconditional block grant to the VDCs. Some correction was, however, made in fiscal year (FY) 2008/09 and a crude formula taking into account population and area of the VDC along with the cost index of the district is now being used to transfer funds to the VDCs⁴⁹. The VDCs are grouped according to their diversity, and the block grant from the government is allocated to them. According to Ministry of Local Development (MoLD) officials, VDCs now receive a minimum of NRs. 1.5 million to a maximum of NRs. 3 million per year based on this formula. Of the total allocation, 20 per cent was required to be set aside for administrative expenditures and 80 per cent for development expenditures of the VDC.

The government grants to the DDCs include recurrent grant, which is provided to meet administrative expenses, staff salaries, welfare fund contributions of the staff and salary of the VDC secretaries. Until FY 2002/03, the MoLD specified the amount allocated for each purpose. In effect from 2003/04, DDCs are now given the discretion of budgeting funds required for this purpose from the recurrent grants provided to them by the centre.

Per the MoLD officials, the DDCs are also provided with minimum capital grants, used to be known as development grants. Over and above the minimum amount, an additional amount is provided to those DDCs that meet the indicators of minimum conditions and performance measures developed under the Local

Livelihood Improvement Project (DRLIP), Rural Access Improvement and Development Programme (RAIDP) and Rural Reconstruction and Rehabilitation Sector Project (RRRSDP), District Road Support Programme (DRSP) and Rural Access Programme (RAP), among others.

*For VDC: Population of the VDC: 60 per cent, Cost Index of related district : 30 per cent and Area of the VDC: 10 per cent. For DDC Human Development Index: 50 per cent, Population: 20 per cent, Cost Index: 20 per cent and Area: 10 per cent. The VDC Grant Operating Procedures 2010 have also used the same formula for VDCs, but for DDCs the formula has changed to be population: 40 per cent, weighted poverty: 25 per cent, area: 10 per cent and weighted cost: 25 per cent.

Governance and Community Development Programme (LGCDP)⁵⁰ (Appendix 19). According to the MoLD officials, the minimum capital grant to DDCs varies between NRs. 2.5 million and NRs. 3.5 million per year. A Tarai DDC receives NRs. 2.5 million, a hill DDC NRs. 3 million and those in the northern region NRs. 3.5 million.

Capital grants, earlier known as development grants, are provided to DDCs to help them execute development activities in the district. DDCs have sole discretion on the use of capital grants for

⁵⁰ The LGCDP is a multi-donor-supported programme launched in mid-2008 by the MoLD within the areas of local governance and community development. Although government structures and systems are likely to change over the coming years, the LGCDP is the first phase of a longer term programme of support to local governance and community development, strengthening both the demand and supply sides of local service delivery and good governance to attain the LSGA spirit. The programme strongly supports MoLD's vision of local development and self-governance to bring good governance and development interventions to the people by maintaining fiscal discipline and correcting mismanagement delays and non-transparent procedures.

The main aim of the LGCDP is to contribute towards poverty reduction through inclusive, responsive and accountable local governance and participatory community-led development. With the end of the conflict and the need to rebuild local government, a number of Nepal's donors have pooled their support for a new national programme. The government and donors have agreed on unified approaches to project management and implementation. The partners of this programme are ADB, DANIDA, CIDA, DFID, UN system (UNDP, UNICEF, UNCDF, UNFPA and UNV, among others), the government of Norway, SDC, GTZ, JICA, World Bank and the government of Finland. The UN Joint Programme support to LGCDP has brought together UNDP, UNICEF, UNFPA, UNV and UNCDF contributions to the new programme. The joint programme is an integral part of the LGCDP being subject to the wider programme's management, work planning and implementation arrangements. Within the joint programme, UNDP, in association with the other UN agencies, will provide technical and capacity-building support.

The 5 components of the LGCDP include:

- Empowerment of citizens and communities for their active engagement with local governments and for strengthening downward accountability.
- Funding to DDC, municipality and VDC-led local development.
- Developing capacity of local governments for effective service delivery.
- Providing policy support for decentralization and local governance.
- Promoting gender sensitivity and social inclusion in local government affairs.

the purposes they wish per the planning and budgeting procedures prescribed by the LSGA. According to Operating Procedures 2010, the minimum capital grant to DDCs should not be more than 30 per cent of the total capital grant set aside for this body.

The GoN also provides the DDCs with funds under conditional capital grant to implement projects in different sectors. These include rural drinking water and sanitation, local infrastructure and rural road projects, construction and rehabilitation of large and local-level suspension bridges and development programmes based on people's participation. Starting in FY 2004/05, the DDCs were given full authority regarding the selection of projects and allocation of funds from the conditional grants. That is, the DDCs are not required to get approval from the central authorities to select programmes to be implemented through the conditional grants.

In addition, the government has also made provisions for topping-up block grants, as already mentioned above, through the LGCDP. This block grant is a conditional grant and is based on the performances of the DDC in fulfilling the 'minimum conditions (MCs)⁵¹ and 'performance measures (PMs)⁵² set by the MoLD

⁵¹ The MCs include indicators relating to the compliance with compulsory laws by the LBs. Indicators for MCs are statutory requirements of LBs as provisioned in the LSGA and associated rules and regulations. These indicators are core service delivery functional areas of LBs, such as planning and budgeting, financial management, functioning of various committees, transparency and accountability. To receive annual unconditional capital development grants, LBs must meet all indicators of MCs. In case the LBs cannot fulfil the minimum conditions, there shall be reduction in grants receivable by them. The responsible officer and staffs may be rewarded if an additional grant is received, or sanctioned if an allocated grant is deducted.

⁵² PMs are designed to create incentives for LBs to improve their performance. PMs provide a range of scores in different functional areas that help to assess service delivery capacity and efficiency. LBs' annual grant will depend on the scores achieved in PMs. The indicator of the performance evaluates the procedures, results and quality of the different working areas of the LB. These indicators direct the LBs to monitor their own function, improve internal working capacity and compare their activities with other LBs. The regular assessment of MCs and PMs of LBs is expected to help in establishing data on service delivery status and accountability to citizens and also in identifying the capacity gap in various functional areas to be used for developing a strategic and pragmatic capacity-building programme. Furthermore, regular assessment of MCs and PMs is also anticipated in strengthening the general monitoring and evaluation system of LBs that

after approving the separate manuals of Minimum Conditions and Performance Measures (MCPM) of the LBs. The LGCDP implemented a performance-based grant system to provide additional grants to DDCs from FY 2008/09 and for VDCs and municipalities from FY 2009/10.

Tables 7.3 and 7.4 provide the picture of the government grants to LBs for the three-year period from FY 2007/08 through 2009/10.

Table 7.3 *Grants to VDCs*

District	VDC	Amount (NRs. 000)		
		2007/08	2008/09	2009/10
Jhapa	Jalthal	1,000	2,450	2,450
	Khudunabari	1,000	2,450	2,450
Sindhuli	Khajurgachhi	1,000	1,970	1,950
	Lampantar	1,000	2,150	2,150
	Ratanchura	1,000	1,950	1,950
Lamjung	Mahadevsthan	1,000	2,450	2,450
	Bichaur	1,000	1,950	1,950
	Gaunsahar	1,000	2,150	2,150
	Bhorlertar	1,000	1,950	1,950
Bardiya	Taghring	1,000	2,150	2,150
	Sorhawa	1,000	2,450	2,450
	Mohhamadpur	1,000	2,150	2,150
	Bagnaha	1,000	2,450	2,450
Achham	Daulatpur	1,000	1,950	1,950
	Janali Bandali	1,000	2,150	2,150
	Mangalsen	1,000	2,450	2,450
	Mastamandu	1,000	2,450	2,150

Source: Ministry of Local Development, Government of Nepal.

promotes annual progress in various service delivery functions and responsibility and ensures that accountability can be measured.

Table 7.4 *Grants to DDCs*

District	Fiscal Year/Budget Release and Expenditure (Nrs. 000)		
	2007/08	2008/09	2009/10
Taplejung	93,312	257,848	336,957
Jhapa	148,437	395,718	603,154
Sindhuli	122,196	281,393	338,803
Lamjung	140,007	329,429	316,357
Bardiya	114,623	241,319	240,424
Achham	121,055	285,337	346,791

Source: Office of Controller General.

The grants shown in Table 7.4 to DDCs include amounts for social security allowances to senior citizens, the disabled, endangered castes and single women; DDC/VDC grants, rural drinking water and sanitation, rural water resources; rural roads; remote and special area development; LGCDP grants; disadvantaged and Dalit upliftment grants; electoral constituency development and suspension bridges and other rural bridges.

Table 7.5 depicts the overall grants to DDCs from the GoN and shows that the GoN grants to DDCs have been increasing over the years. However, the share of grants to the LBs has remained low with less than 5 per cent of the government budget and less than 1.5 per cent of the gross domestic product (GDP) at current prices.

Table 7.5 *Total Government Budget, GDP and Fiscal Transfer to LBs (Nrs. Mil.)*

FY	GDP at Current Price	Total Government Budget	VDCs			DDCs			Total Grants to LBs	% of LBs Grants to GoN Budget	% of LBs Grants to GDP
			GoN Grant	LGCDP	Total (a)	GoN Grant	LGCDP	Total (b)			
2007/08	727,827	168,996	3,915	-	3,915	1,134	-	1,134	5,049	2.99	0.69
2008/09	815,663	236,016	7,830	-	7,830	1,295	635	1,930	9,760	4.14	1.20
2009/10	991,316	285,930	7,830	1,200	9,030	2,080	2,540	4,620	13,650	4.77	1.38
Total	2,534,806	690,941	19,575	1,200	20,775	4,509	3,175	7,684	28,459	4.12	1.12
Average	844,935	230,314	6,525	400	6,925	1,503	1,058	2,561	9,486	4.12	1.12

Source: www.mold.gov.np.

7.3 Internal Source of Revenue *vis a vis* Government Grants

Evidence shows that both the VDCs and the DDCs are heavily dependent upon government grants (Tables 7.6 and 7.7).

However, a distinct difference between the VDCs from the hill and Terai districts can be seen; the share of internal sources in hill district VDCs has not been even 5 per cent of their total revenue, with zero internal revenue in Janali Bandali of the Achham district. When the VDC secretary was asked about the absence of internal revenue, his sincere reply was that ‘we did not impose any tax and charge any fee from the people because they are very poor’.

Table 7.6 *Total Income and Internal Sources of Revenue of the VDCs*

District/VDC	Fiscal Year/Amount (Nrs.)					
	2006/07			2007/08		
	Total Revenue	Internal Source	% of Internal Source to Total Revenue	Total Revenue	Internal Source	% of Internal Source to Total Revenue
Jhapa						
1. Jalthal	NA	NA	-	2,652,818	213,541	8.05
2. Khudunabari	4,904,199	2,418,066	49.31	2,685,503	680,968	25.36
3. Khajurgachhi	1,982,396	628,135	31.69	2,900,466	567,360	19.56
Sindhuli						
4. Lampantar	1,225,329.00	6,999	0.57	1,524,701	270,799	17.76
5. Ratanchura	1,122,600	25,000	2.23	NA	NA	
6. Mahadevsthan	1,353,751	16,905	1.25	1,639,662	5,242	0.32
Lamjung						
7. Bichour	1,332,330	15,454	1.16	1,265,830	17,020	1.34
8. Gaunshahar	NA	NA		1,712,561	25,479	1.49
9. Bhorletar	1,270,632	6,618	0.52	1,208,550	5,477	0.45
10. Taghring	1,366,412	7,505	0.55	1,162,051	7,890	0.68
Bardiya						
11. Sorhawa	1,779,300	281,830	15.84	2,057,883	467,727	22.73
12. Mohammadpur	1,458,643	289,895	19.87	1,650,598	247,625	15.00
13. Bagnaha	NA	NA		1,279,823	170,833	13.35
14. Daulatpur	1,609,343	256,967	15.97	1,355,714	176,199	13.00
Achham						
15. Janali Bandali	1,211,200	Not used		1,237,034	Not used	
16. Mangalsen	1,920,895	78,785	4.10	1,584,185	81,585	5.15
17. Mastamandu	766,186	25,991	3.39	1,405,514	19,369	1.38

Sources: Concerned VDCs.

In contrast, the income from internal sources was comparatively much higher (about 10 per cent to 20 per cent) in the VDCs of the Terai districts. This was mainly due to the available avenues, such as bigger population size (contributing to more recommendations and vital registration fees), quasi urbanization (contributing to house taxes), commercial activities (contributing to business taxes), fertile land (contributing to more land revenue) and others, such as rent of VDC property (land and building) for income generation. Although the share of internal income of the Lampantar VDC of Sindhuli in FY 2007/08 was about 18 per cent, it was only due to the payment of receivables for the clearance of earlier advances. Otherwise, the share of its internal resources would have been only 0.72 per cent. Thus, the VDCs in general and the VDCs of hill districts in particular are weak in terms of generating internal revenue (Appendix 18).

Like in the VDCs, Terai DDCs (Jhapa and Bardiya) have comparatively more internal source revenue than the hill DDCs. Among the DDCs, the Achham and Taplejung DDCs have the lowest internal source revenue—less than 2 per cent and 5 per cent of their total revenue, respectively (Table 7.7 and Appendix 20).

Table 7.7 also illustrates that income from internal sources of all the study DDCs decreased in 2008/09 compared to 2007/08. This decrease was drastic in Jhapa (from 26.31 per cent in 2007/08 to 5.88 per cent in 2008/09), Sindhuli (from 18.58 per cent in 2007/08 to 1.21 per cent in 2008/09) and Bardiya (from 18.51 per cent in 2007/08 to 8.53 per cent in 2008/09). Although income from internal sources again increased in 2009/10 except in Lamjung, it could not reach the levels of 2007/08.

Table 7.7 *Total Income and Internal Sources of Revenue of the DDCs (Nrs. 000)*

District	2007/08			2008/09			2009/10		
	Total Revenue	Internal Source Revenue	% of Internal Source	Total Revenue	Internal Source Revenue	% of Internal Source	Total Revenue	Internal Source Revenue	% of Internal Source
Taplejung	82,226	4,065	4.94	170,020	5,953	3.50	139,527	5,143	3.69
Jhapa	225,367	59,293	26.31	269,964	15,869	5.88	384,378	78,719	20.48
Sindhuli	141,677	26,323	18.58	330,280	4,007	1.21	188,354	7,239	3.84
Lamjung	146,135	12,073	8.26	256,177	15,533	6.06	246,759	14,644	5.93
Bardiya	98,481	18,226	18.51	173,486	14,790	8.53	149,566	19,202	12.84
Achham	109,711	2,015	1.84	218,860	3,133	1.43	207,974	0	-

Source: Annual Reports of the Office of the Auditor General.

7.4 Expenditure Pattern

7.4.1 Expenditures of the VDCs

The VDCs' expenditures can be generally classified as recurrent expenditures, capital expenditures, social security expenditures and other. The recurrent expenditures are incurred for administrative purposes, such as salary and other office expenses. The capital expenditures cover the expenses incurred to implement development programmes/projects, mostly carried out by the user's committees (UCs). The social security expenses include old age allowances to senior citizens and the widow allowance. Table 7.8 depicts the expenditure of the VDCs *vis a vis* their income (Appendix 21).

Table 7.8 *Expenditures of the VDCs*

District/VDC	Fiscal Year/Amount (Nrs.)					
	2006/07			2007/08		
	Total Revenue	Total Expenditure	Expenditure %	Total Revenue	Total Expenditure	Expenditure %
Jhapa						
1.Jalthal	NA	NA	-	2,652,818	2,185,265	82.38
2.Khudunabari	4,904,199	4,865,947	99.22	2,685,503	2,417,547	90.02
3.Khajurgachhi	1,982,396	1,982,396	100.00	2,900,466	2,611,880	90.05
Sindhuli						
4.Lampantar	1,225,329	1,174,232	95.83	1,524,701	1,243,868	81.58
5.Ratanchura	1,122,600	994,000	88.54	NA	NA	
6.Mahadevsthan	1,353,752	1,119,750	82.71	1,639,662	1,115,006	68.00
Lamjung						
7.Bichour	1,332,330	1,322,262	99.24	1,265,831	1,247,666	98.56
8.Gaunshahar	NA	NA		1,712,651	1,681,521	98.18
9.Bhorletar	1,270,632	1,243,059	97.83	1,208,550	1,191,967	98.63
10.Taghring	1,366,412	1,337,751	97.90	1,162,051	1,138,995	98.02
Bardiya						
11.Sorhawa	1,779,301	1,690,158	94.99	2,057,883	1,502,759	73.02
12.Mohammadpur	1,458,644	1,361,027	93.31	1,650,598	1,142,961	69.25
13.Bagnaha	NA	827,042		1,279,823	3,885,025	303.56
14.Daulatpur	1,609,343	1,259,738	78.28	1,355,714	1,381,381	101.89
Achham						
15. Janali Bandali	1,211,200	1,193,200	98.51	1,237,034	1,164,950	94.17
16. Mangalsen	1,920,897	1,686,272	87.79	1,584,186	2,177,554	137.46
17.Mastamandu	766,186	738,449	96.38	1,405,514	1,314,906	93.55

Source: Final Audit Reports of the VDCs.

Note: Due to expenditures incurred from the remaining balance of the last fiscal year, expenses in Bagnaha, Daulatpur and Mangalsen were higher than revenue.

7.4.2 Expenditures of the DDCs

The DDCs' expenditures broadly comprise administrative expenses and development expenses (Appendix 20). Administrative expenses include staff salary; office equipment; meeting allowances; water, electricity and communication charges; fuel for vehicles; travelling expenses; repair and maintenance; financial assistance and miscellaneous expenses. Development expenses consist of capital grants for development expenditures on such projects as rural drinking water and sanitation, agriculture and rural roads, including culverts, suspension bridges, repair and maintenance of rural infrastructure and the like. The administrative expenses are incurred by the authorized DDC officials and the development expenditures are spent either through the UCs for smaller projects or through contractors for bigger projects

While incurring administrative expenses and providing financial assistance, the DDCs were found to be irresponsible. Rule 44 of Local Bodies (Financial Administration) Regulation, 2056 (1999) authorized DDCs to provide 1 per cent of the total amount of revenue raised or NRs. 50,000 maximum per annum⁵³ from taxes, fees, service fee charges and rents as financial assistance. Similarly, the DDCs, per provision of the same regulation, 2056 (1999) has authorized 25 per cent to 40 per cent of their revenue from said sources for administrative expenses⁵⁴. However, we noted the tendency of spending more than the authorized limit in all the DDCs in the case of both administrative expenses and financial assistance. Among the districts, both these expenses in Sindhuli exceeded the authorized limit by a very large amount. The Auditor

⁵³ In 2007, a new LBFAR was adopted by the government. Per the new regulations a DDC could provide financial assistance up to 1 per cent of the income from the taxes, fees and service charges or a maximum of NRs. 100,000, whichever is lower, per year (Rule 53).

⁵⁴ With regards to the limit for administrative expenses from these sources (taxes, fees and service charge), it has been limited to between 25 per cent and 60 per cent (60 per cent by a DDC raising income from these sources up to NRs. 2.5 million, 40 per cent by a DDC raising NRs. 2.5 million to 5 million, 30 per cent by a DDC raising NRs. 5 million to 10 million and 25 per cent by a DDC raising more than NRs. 10 million rupees (Rule 55).

General's Annual Report, 2065 (2008) noted that 'despite our remark in the last years' report that excessive administrative expenses from the revenue of the DDCs' own sources has direct effect on the local development and construction, no improvement has occurred in controlling such practices'. However, the extent of unauthorized expenses in all the DDCs decreased in 2006/07 compared to the preceding year, except in Achham in the case of financial assistance.

7.5 Observations

7.5.1 Ad Hoc Allocation Criteria

As mentioned above, the GoN has adopted formula-based grant allocation to the VDCs/DDCs to avoid political bias as well as the certainty of grants. However, the choice of variables and weight given to each of them has been ad hoc in nature owing to a lack of reliable national-level data. Presently, the old population data of the 2001 census, and equivalent cost indexes applicable to all VDCs regardless of their distance and remoteness from the district headquarters, are the indicators being used in designing the grant formula.

There have been significant changes in the size and structure of the population of districts and VDCs. With the heightening of armed conflict in the country, large migration from the study districts/VDCs has taken place from rural areas to district headquarters, from one district to another district, to nearby urban centres, including the capital city, and also outside the country. Reliable data of such migration are not available. The next census, which will take place in 2011, may capture this movement of people from the districts and VDCs. Hopefully, the status of the population by district and VDC will be available in 2013 or so. Until then, the 2001 census data will be used even if they do not reflect the population size and, therefore, the demand for services by districts/VDCs.

7.5.2 Late Transfer of Funds

One of the most disturbing things found in the districts relating to the transfer of funds was that the release of funds from the centre to the DDC is late and that from the DDC to the VDC is very late. The transfer of funds to the DDC, including the VDC grant, can be made only after the budget is approved by the legislative parliament (presently the Constituent Assembly (CA). Under normal conditions, the budget speech from the finance minister comes during the end of the fiscal year (second week of July); after deliberations on it by the legislators, it is usually passed after one month (during the second week of August).

According to the information available from the officials of MoLD and the DDCs, the process of transferring the budget to the DDC starts after the budget is passed by the legislature. First, the budget is transferred to the MoLD, from where it goes down to the DDC. The fund is not directly transferred to the DDC from the MoLD but goes to the district treasury control office (DTCO). It takes about a month to complete the administrative formalities for the release of funds to the DDC from the MoLD. In the meantime, people in Nepal become busy celebrating two big festivals (during September and October) that last for about a month. Thus, the fund is actually disbursed to the DDC only during November, almost three months after the start of the fiscal year.

The DDC transfers the fund in quarterly installments to the DDC. The first installment is released as an advance. To have the successive installments released, the DDC is required to clear financial accounts of the previous installment, including the financial accounts of the VDCs

The DDC has to request the release of the first installment by providing required documents, such as approved plans and programmes, which is usually accomplished in December, six months after the start of the fiscal year. After scrutinizing the DDC's request, the DDC transfers funds to the DDC bank account, which takes another two to three weeks. Thus, the DDC receives the first installment only during the last week of December or first week of January.

Similarly, the VDCs are also required to ask for the first installment funds with supporting documents of the items of

expenditure, including copies of duly approved programmes. The DDC, after verifying the programmes and corresponding budget, authorizes the VDCs to operate the fund; this usually happens one month after the VDCs make the request, i.e. in February/March. In this manner, the VDCs receive the first installment only in the eighth month of the fiscal year (Table 7.9).

Table 7.9 *Budget Release Dates: VDCs*

District	VDC	Fiscal Year	1 st Trimester	2 nd Trimester	3 rd Trimester
Jhapa	1. Jalthal	2008/09	March 2009	April/May 2009	-
	2. Khudunawari	2009/10	Feb/March 2010	-	June 17, 2009
	3. Khajurgachhi	2008/09	March 26, 2009	April/May 2009	June 17, 2009
Sindhuli	4. Lampantar		NA		
	5. Ratanchura		NA		
	6. Mahadevsthan		NA		
Lamjung	7. Bichour	2008/09	March/April 2009		
	8. Gaunsahar		-	-	-
	9. Bhorlelar		-	-	-
	10. Taghring		-	-	-
Bardiya	11. Sorhawa	2008/09	March/April 2009	May/June 2009	June 17, 2009
	12. Mohamadpur	2008/09	Oct./Nov. 2008	May/June 2009	June 17, 2009
	13. Bagnaha	2008/09	-	-	July 15 2009
	14. Daulatpur	2008/09	Oct./Nov. 2008	Jan./Feb. 2009	June 17, 2009
Achham	15. Janali Bandali	2008/09	Feb./March 2009	-	June 17, 2009
	16. Mangalsen	2008/09	-	-	June 17, 2009
	17. Mastamandu		-	-	-

Source: VDCs concerned.

This system of fund transfer has tremendous implications in implementing approved plans and programmes. The programmes are implemented hurriedly and the accounts are prepared without fulfilling the prescribed procedures for getting the release of the second installment, which is usually disbursed in April-June. Similarly, the last installment is disbursed only during the last month, sometimes in the last days of the fiscal year. Even if it is known to all concerned that the stipulated programmes cannot be implemented within the fiscal year, the funds are released because

the government has introduced the system of freezing the budget not spent within the fiscal year. One can guess how the programmes would be implemented in such circumstances, how appropriately the fund would be used, what the quality of the completed projects would be and how sustainable they would be. That is why a CPN UML leader in Bardia said that the government has ‘decentralized corruption at the local level’ through the grants to the VDC/DDC.

The UNDP/MoLD study⁵⁵ reported that ‘the authorization was issued late in the final (third) trimester (mid-March to mid-July) leading to the third trimester amounts only being released over three months late in the last weeks of the financial year’.

Similarly, another recent study⁵⁶ also remarked that ‘the late disbursements seen in the programme hamper implementation and give rise to poor practices (fiduciary risk) that can be seen in part as a way to cope with the late disbursement. In 2009/10, authorization letters were sent on October 28, 2009 and May 24, 2010. In part due to the busy end of year period caused by the late disbursements, and thus unfinished projects, VDCs have submitted financial reports to DDC but their books of accounts were not closed by balancing the books/ledgers’.

7.5.3 Proxy Expenditure

The practice of allocating budget for various local-level projects but spending it for educational purposes such as construction of school buildings, salaries of teachers and provision of school furniture was widespread in the Achham VDCs. As we learned during the FGDs in VDCs, at the time of programme planning, almost all participants unanimously agree to spend most of the VDC grant for education against the legal provisions. Although a small part of the VDC grant (10 per cent to 15 per cent) could be used to support schools, spending a major portion of the grant for education is not legal. Now, to justify the expenditures, the UCs are asked to prepare fake bills and vouchers of expenses by

⁵⁵ Assessment of Village Development Committee Governance and the Use of Block Grants (p. 17) NDP/MoLD (2009).

⁵⁶ Local Governance and Community Development Programme (LGCDP) Mid-Term Review, Final Report by Gabriele Ferrazzi et al. (November 2010).

showing the amount incurred on other development work. The VDC secretary and the DDC officials also endorse these bills and vouchers for payment even if they know that the amount was not actually used for the stated purpose. However, some people did not like this type of phony trick. During our discussion, the women FGD participants in the Janali Bandali VDC in Achham aggressively said, '[W]e do not want to be involved in any kind of wrongdoing and take payment through such fake practice'. Likewise, many other participants of the FGDs, along with local elites, also expressed that education is favoured but not at the cost of other development work. In the opinion of an ex-chairperson of the subject matter committee (SMC) of a high school in Janali Bandali, 'had the school related requirements been taken up by DEO [district education office], the amount presently being used for schools could have been used for other development works as there are numerous local-level necessities'.

7.5.4 Increased Grant Amount without Institutional Capacity

Over the years, there has been an increase in grants to the LBs (Appendix 20). As a result, they have been undertaking more projects/programmes. However, based on the discussions in Chapter 6, the LBs, especially the VDCs, have been facing the problem of availing technicians in tune with the increased number of projects/programmes. As a result, many of these projects, particularly physical infrastructure projects, were being implemented without proper design and cost estimates. This issue was raised by the officials of the VDCs and DDCs, FGD participants and other discussants in all the studied VDCs and DDCs. Thus, based on the field study, our general impression was that the rapid expansion of grants to the LBs in recent years largely represents merely a top-down effort, without considering the institutional capacity at the local level. The institutional capacity and practices of the LBs are still struggling to catch up with the financial accountability framework set up by the LSGA.

7.5.5 Dependency on Government Grant

Most of the DDC officials and other persons interviewed during the field study opined that the VDCs/DDCs have not been able to

generate sufficient revenue from their own resources for various reasons, such as a small level of business at the local level, absence of services and facilities for imposing taxes and service charges, unwillingness of local representatives to go heavily for direct taxes, organisational weakness/lack of trained personnel in the VDCs/DDCs and lack of interaction between the taxpayers and LBs. As a result, their activities are largely dictated by the annual central grants (as shown in Table 7.6 and Table 7.7). This has not only made them dependent on the centre but has also resulted in less motivation to gather resources on their own, thereby creating a moral hazard. Moreover, our impression of their excessive dependency on the central grant was that they are forced to act as agents of the central government.

8 Responsiveness and Accountability

A sense of responsiveness and accountability⁵⁷ is critical for the success of decentralized local governance. As institutions that are closer to the local community, local bodies (LBs) are supposed to respond to the demands of the local people. Similarly, they are supposed to be responsive and accountable to the local people for the tasks performed, including the resources raised and used. Therefore, the provision for making public institutions and officials accountable, meaning accountable for omission and commission of whatever is expected of them in the discharge of their responsibilities, has to be part of democratic custom and behaviour. It is normally established through mechanisms such as the electoral process, audits of accounts, publication of reports and public hearing on activities performed or intended to be performed. An accountability mechanism generally has its own set of rules, procedures and due processes of consultation and evaluation. In relation to these matters, the Local Self Governance

⁵⁷The definitions of accountability vary considerably but all contain common themes. Jabbra and Dwivedi state that: ... public service accountability involves the methods by which a public agency or a public official fulfills its duties and obligations, and the process by which that agency or the public official is required to account for such actions. They note that five elements are involved: administrative or organizational accountability (the hierarchy, rules and regulations, and so on), legal accountability (adherence to legal and judicial processes), political accountability (the political leaders' acceptance of the accountability of public servants), professional accountability (the performance of tasks and duties to high 'professional' standards), and moral accountability (acting in the public interest in a responsible manner). Review Article: The Comparative Analysis of Bureaucratic Accountability by Thomas B. Smith; Joseph G. Jabbra and O.P. Dwivedi, eds., *Public Service Accountability: A Comparative Perspective* (West Hartford, Connecticut: Kumarian Press Inc., 1988).

Act (LSGA) and Local Self Governance Regulation (LSGR) have some provisions. These include oath taking and declaration of property by elected members of the LBs, monitoring and supervision, repair and maintenance, reporting, auditing of accounts including public hearing/auditing and project appraisal and evaluation.

8.1 Oath Taking and Declaration of Property

The LSGA has made it mandatory for the elected members of LBs to take an oath of office without which they cannot assume office. Similarly, the LSGA has also made it obligatory for members of LBs to declare their movable and immovable property belonging to them or their family members living in the same joint family within 30 days of taking their oath of office. Furthermore, the chairpersons and vice chairpersons of the village development committees (VDCs), and presidents and vice presidents of the district development committees (DDCs), are also required to make such a declaration within 30 days of relinquishing their office. As there has been no election to the LBs since 2002, these provisions remain dormant.

8.2 Audit of Accounts

The VDCs are required to have their incomes and expenditures internally and externally audited. First, the internal audit of the VDC is to be conducted by the DDC within four months of the completion of the fiscal year; the final (external) audit is to be conducted by a registered auditor approved by the DDC on the recommendation of the accounts committee (AC) constituted by the village council (VC).

The VDC chairperson must take necessary actions on the issues referred to in the audit report and submit such report, along with the details of actions taken, to the AC, which in turn should furnish it to the VC with its opinion and suggestions. After discussion of the report, if the VC finds that irregularities shown and determined by the audit cannot be regularized, it must give directions to the VDC for action or clearance and settlement of such irregularities.

The DDC's internal audit is to be conducted by its internal audit section, and the final audit of incomes and expenditures by the Office of the Auditor General (AG). First, the report is to be discussed in its AC and then the AC should submit it with its comments and recommendations to the district council (DC). The DC must discuss the audit report along with the suggestions of the AC, and provide direction to the DDC for settlement of irregular amounts if the irregularities indicated in the audit cannot be regularized.

With regards to auditing of the VDC grant, recent government directives⁵⁸ have also made the VDC responsible to compulsorily present the internal and final audit reports in the VC and to submit a report, including the decisions and recommendations made by the VC, to the concerned DDC. The VDCs should also publicise the quarterly progress report of income and expenditure, and annual social auditing of the projects above NRs. 50,000 needs to be conducted by the users meetings.

As required and prescribed, the internal audit of VDC and DDC accounts was conducted by the DDC and the external audit of VDC accounts was carried out by a registered auditor appointed by the DDC; auditing of DDC accounts was carried out by the AG. However, the external auditors for the VDCs were directly appointed by the DDCs despite the provision for their appointment upon the recommendation of the VC AC. As learned, this was mainly due to the non-existence of ACs, which has been the case ever since the term of the elected representatives expired, and fresh elections to the LBs are yet to take place. However, the audit reports were readily and easily available in all the VDCs.

In all the audit reports, the auditors mentioned that updated accounts were kept in the VDCs and the required information was easily available. Nevertheless, outstanding advances remained in all the VDCs for which the audit reports suggested that the VDCs be prompt in getting advances cleared from the advance takers. Other suggestions included timely internal audits for effective internal control (as the internal audit in the Taghring VDC was not conducted in 2006/07), compliance with LSGR and LBs (financial

⁵⁸ The VDC Grant Operating Procedures 2008.

regulation) in relation to programme/project implementation and budget expenditure (as the Mahadevsthan and Lampantar VDCs failed to comply with the provisions), effective or clear financial recordkeeping (as the financial records in the Gaunshahar VDC were not kept updated), making efforts to raise internal revenue (as the Janali Bandali VDC lacked revenue from internal sources) and similar ideas.

One important deficiency in the audit system of the VDC was the absence of a mechanism to settle audit irregularities. Although the AC/VC is responsible for examining the audit report and clearing the irregularities that can be regularized, no such practice was exercised in the study VDCs.

The DDC level audit report (2006/07) of the AG indicated extensive non-compliance with the rules. The AG report remarked, '[M]ost of the DDCs have neither practiced participatory planning nor prepared periodic plans with programme prioritisation, lack of peoples' participation, formulation of programmes other than approved plan, lack of programme implementation schedule, lack of specific project quality standard and criterion for utilisation of projects, defiance of work schedule and work agreement, lack of necessary guidance to the user's committees (UCs) to implement programmes for which the UCs required higher technical capability than the working capacity of UC, granting additional advances (early payment) without clearing the outstanding advances'. The report stated that 'due to the above reasons resource utilisation has not been effective, duplication of works has prevailed by two or more institutions in the same area, and resource mobilisation has lacked for income-oriented programmes'⁵⁹.

⁵⁹ Absence of elected officials and domination by political parties through the APM without accountability to the people has created a serious problem of governance in the local bodies. In the whole planning process, especially in the selection of projects and their implementation through UCs, the APM has been guided by distribution of resources to their areas and the members of their political parties rather than addressing the genuine concerns of larger sections of society and the prudent use of the resources available. This has been cited as one of the reasons for the audit arrears of NRs. 5 billion in the MoLD alone in its 48th annual report 2011 by the country's Auditor General. Per this report:

[D]ue to the absence of elected representatives in the local bodies and political instability in the country, the arrears have increased. Because

8.3 Public Hearing and Display of Billboards

In general, public hearings about the programmes after their completion are not exercised. The committees (UCs) do not have a system of reporting to users about the programme components, implementation modality and cost involved in implementation. However, in the Gaunshahar VDC of Lamjung and the Mohammadpur VDC of Bardia, the programmes under implementation and their corresponding budget were found posted in the VDC notice boards for public notification.

Similarly, the names of completed programmes and the amount spent to implement them, according to the VDCs, are also posted in the VDC notice boards. Likewise, although the system of organising the public hearing of the completed programmes existed in the Bhorletar VDC, it was done only, per the focus group discussion (FGD) participants, as a formality and, hence, the users are normally unresponsive to such exercises.

of the influence of the APM, insecurity and non-responsive behaviour of the UCs and lack of control mechanism, there has been an increase in the distribution of advance payment. There is lack of financial governance in the leaderless DDCs due to the absence of elected representatives... the liberal payment of advance money, pressure of politicians through APM, absence of supervision in the management of contracts and use of resource that was frozen at the end of the fiscal year have contributed to the increased amount of the advance of the MoLD. In many districts no clear accounts regarding the grants provided to the local bodies and internally raised revenue are maintained. The situation in the Terai districts such as Sunsari, Siraha, Saptari, Dhanusa, Mahotari, Sarlahi, Bara and Parsa is very bad. The accounts of allocation made in the last fiscal year under the foreign-aided project, LGCDP, were not submitted for auditing. The large amount of advance provided under social security is yet to be settled. In a number of districts, the required papers and documents could not be found due to the lack of their proper keeping and irresponsible behaviour of the VDC secretaries. In many cases, violating the provisions of the public procurement law, payment without proper papers and expenses beyond the limit have been found (The Kantipur, Nepali National Daily, 24 April 2011).

8.4 Public and Social Audits

Per rule 201, LBFAR 2007, LBs have to organise social and public audits of implemented programmes. Accordingly, they have to carry out the social audit of their implemented programmes within four months of the new fiscal year⁶⁰. Likewise, the programmes implemented through LBs should be publically audited⁶¹ before

⁶⁰ The Local Bodies Grants Operating Procedures 2010 have provided further clarification for this provision of the LBFAR, in accordance to which the local bodies have to organise a meeting with the participation of the ward civic forums and other stakeholders for the purpose of social auditing of their programmes by giving wide notice of the place, time and venue of such meeting.

⁶¹ The Local Bodies Grants Operating Procedures 2010 have provided further clarification to the provision of the LBFAR 2007. In accordance to which, upon the completion of the project or programme, the local body must carry out a public audit of the implemented programmes before making the final payment to the party concerned or clearance of the project.

In addition to these provisions, the operating procedures of 2010 have also added more elements on governance, which are as follows:

- The Operating Procedures 2010 prescribe that the LBs have to prepare job descriptions for both political officials and administrative personnel and evaluate the performance of the personnel on the basis of their job descriptions.
- It has also been made mandatory for employees to prepare and submit their property (movable and immovable) details using the prescribed format within 60 days of every new fiscal year. The LBs are also supposed to approve and implement the code of ethics for both elected officials and personnel.
- Regarding the matters to be given priority by the LBs in relation to their functions, the procedures prescribe that they have to give priority to delivering services related to vital registration, distribution of social security allowance and issuing recommendations that are of daily importance to service recipients.
- Regarding the promotion of transparency, the operating procedures make it obligatory for each LB to prepare and prominently display in public a citizens' charter, which must include matters such as the services provided, the officials responsible for delivery, the time limit to provide the service and the time limit for filing a complaint for non-delivery of services.
- The LBs are obliged to disseminate their programmes/projects (name, place of implementation, cost, time of completion and personnel responsible for the project/programme) through notice boards, websites, FM radio, local newspapers and other media, and at the meetings of the CWFs and IPFC. In some districts, notice boards display the projects funded by LBs, with details of the project cost, funding sources and the number of members on UCs, particularly the number of women members.

final clearance of the programme or project. During the field trips, we found that these provisions were not fully complied with.

However, some VDCs, as already indicated above, were found to be providing the information about their projects and programmes through public notice boards, such as in the Gaunshahr VDC of Laumjung and the Mohamadpur VDC of Bardiaya.

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- In addition, they are required to make their income and expenditures public every quarter and annually.
 - Also, the Operating Procedures 2010 have made it obligatory for the LB to conduct public auditing upon the completion of the project and, without such audit, the LB cannot make final payment to the body or person who has implemented the project or programme. The LB is also required to organise a social audit programme at least once a year, with the participation of stakeholders, to review its programmes (Section 42 of the VDC Grants Operating Procedures 2010 and DDC Grants Operating Procedures 2010).

9 Relationship with the Government

Local bodies (LBs) are, per the Local Self Governance Act (LSGA), autonomous, corporate bodies with perpetual succession and separate seals. They enjoy the right to acquire, use, dispose of and sell off movable and immovable property (Sections 13.3, 68.1 (a) 177.3 and 231.1)⁶². Therefore, like an individual, they can sue and be sued in their own name in court (Sections 13.4 and 177.4). However, the LSGA itself has established vertical and horizontal relationships of LBs with the government. Furthermore, the LSGA has made a provision for a coordination mechanism to deal with the relationships and possible conflicts between these two bodies, i.e. the government and the LBs (Parts 5.1 and 5.2, Sections 234-257).

9.1 Autonomy-Related Provisions

Per the provisions of the LSGA, in addition to the matters related to the tapping of financial resources to undertake the assigned functions, powers and duties (discussed in Chapter 7), the LBs and

⁶² However, per Sections 68(1) and 231.2, the VDC and DDC do not have unrestricted powers in this regard. Per Section 68.1, the VDC is not allowed to ‘to sell and dispose of or otherwise relinquish its title and possession on the properties... without the approval of His Majesty's Government. Any such sale, disposal or relinquishment of the title and possession to any person without approval shall, *ipso facto*, be null and void in any circumstance whatsoever. Likewise, the DDC, is not allowed to ‘to sell and dispose of or otherwise relinquish its title and possession on the properties... without the approval of His Majesty's Government. Any such sale, disposal or relinquishment of the title and possession to any person without the approval shall be null and void in any circumstance whatsoever (Section 231.2).

the respective councils have autonomy in deciding on the following matters (Chapter 2 of Part 5):

- I Create organizational structure, number of positions, including levels on the basis of workload along with full description of the works to be performed by each position and the salary and allowances and other perks to be paid to each position,
- II Obtain the services of employees of other organisations and/or consultancy service on contract for a particular nature of work for a fixed period, and
- III Establish the subject-wise section by the district development committee (DDC) for undertaking development works with the permission of the government. Upon the establishment of the subject wise section within its organisation, the concerned district level office would cease to exist at the district.

9.2 Organisational Structure

To perform their delineated functions, the LBs have established their organisational structure. In the case of village development committees (VDCs), mostly it is the one-unit organisation. In the case of DDCs, they are multi-unit organisations. There is no uniformity among the DDCs in terms of their organisational structures; the structures of four studied DDCs are provided in Appendix 22.

9.3 Relationship between the Government and LBs

As to the relationship between the government and LBs, the LSGA authorizes the government to:

- I Give direction to the LBs, which they are obliged to abide by,
- II Introduce or implement special programmes to enhance the capacity of the LBs,

- III Suspend or dissolve or extend the tenure of LBs, and
- IV May delegate any or all of the powers conferred on it by the act to any committee, organisation or official, by publishing notification in the *Nepal Gazette*.

9.4 Conflict Resolution Mechanism between the Government and LBs

In addition to the above, the LSGA has made a provision for a Decentralization Implementation and Monitoring Committee (DIMC) with the prime minister as the chairperson and representatives of the council of ministers, parliament, the national planning commission and associations of LBs. Some of the senior bureaucrats are its members and the secretary of the Ministry of Local Development (MoLD) is its secretary (Appendix 23). The DIMC was constituted to maintain a congenial relationship between the government and local bodies, and to ensure the provisions of the LSGA and related regulation are implemented per the LSGA objectives and policies. The committee is empowered to monitor the implementation of LSGA provisions.

The LSGA also provided for a working committee of the DIMC with the local development minister as its convenor; and six experts from different disciplines such as decentralization, revenue, accounts, rural development and administrative law as members and a senior officer as its member secretary. This committee is to monitor the implementation of the LSGA per the directions of the DIMC (Appendix 24).

Each of the LBs has an association: Association of Village Development Committees of Nepal (NAVIN), Association of the District Development Committees of Nepal (ADDCN) and Municipality Association of Nepal (MuAN). Each of these associations is supposed to safeguard the interests of the respective body and perform the advocacy and lobbying role in regards to the interest of the LBs. As the chairpersons of these associations are included as members of the DIMC, it should be clear that these bodies have been officially recognized by the government. They are the members of the international association of LBs.

9.5 Local Body Fiscal Commission

The LSGA also provides for the formation of a Local Body Financial Commission (LBFC) with representatives of the associations of the LBs. The commission was constituted to study and investigate how taxes should be imposed by the LBs, how the revenue should be allocated between the government of Nepal (GoN) and LBs and how to make suggestions on the policy to be adopted to make the tax system and accounting method timely (Appendix 25).

9.6 Observations

9.6.1 Human Resources Position

The studied VDCs/DDCs have acquired the services of government employees in relation to the discharge of their responsibilities. Each VDC has a government employee as its secretary, whereas the DDC has government employees as its secretary, planning and administrative officer and accounts officer, as well as a few assistant-level staff.

As to the creation of staff positions, the studied VDCs/DDCs had their own staff in addition to the government employees. The available information shows that altogether 43 assistant-level additional staff positions were created by the VDCs (Table 9.1). At the DDC, as already mentioned above, there are a few government personnel, such as the local development officer (LDO), planning and administration officer (PAO) and accounts officer/accountant, and the remaining large numbers of employees whose ranks vary from district to district are the DDC's own employees (Table 9.2).

Table 9.1 *Additional Staff Positions Created by the VDCs*

Staff Position Created	District/VDC																	Total
	Jhapa			Sindhuli			Lamjung				Bardiya				Achham			
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	
Assistant Level II	1	-	-	-	-	1	-	-	-	-	-	-	-	-	-	-	-	2
Assistant Level III	2	2	1	-	1	-	-	1	1	-	-	1	-	-	-	-	-	9
Technical Assistant	-	1	-	1	-	1	1	-	-	1	1	1	1	1	-	1	-	10
Social Mobiliser	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1	-	2
Skill Development Trainer	-	-	1	-	-	-	-	-	-	-	-	-	-	-	1	-	-	2
Accountant	-	-	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1
Office Keeper and Messenger	2	1	2	-	-	-	1	1	1	1	1	1	1	1	2	1	1	17
Total	6	4	5	1	1	2	2	2	2	2	2	3	2	2	3	3	1	43

Note: Name of VDCs (from east to west): 1) Jalthal, 2) Khudunaberi, 3) Kharjurgachhi, 4) Lampantar, 5) Ratanchura, 6) Mahadavesthan, 7) Bichour, 8) Gaunshahar, 9) Bhorletar, 10) Taghring, 11) Sorahwa, 12) Mohammadpur, 13) Bagnaha, 14) Daulatpur, 15) Janali-bandali, 16) Mangalsen, 17) Mastsamandu.

Table 9.2 *District Development Committees: Staff Positions Fulfilled*

S. No.	Staff Positions	District						Total
		Taplejung	Jhapa	Sindhuli	Lamjung	Bardiya	Achham	
1	Local Development Officer	1	1	1	1	1	1	6
2	Planning and Administration Officer	1	1	1	1	1	1	6
3	Accounts Officer	1	2	2	1	1	2	8
4	Programme Officer	x	2	1		1	x	8
5	Engineer	x	x	1	X	x	x	1
6	Sub-Engineer	1	1	3	2	x	2	10
7	Asst. Sub-Engineer	x	6	7	4	x	7	26
8	Social Mobiliser	x	12	X	X	x	x	12
9	Assistant Level I (Admin.)	2	3	2	2	2	2	14
10	Assistant Level I (Finance)	1	2	1	1	x	x	5
11	Assistant Level II (Admin.)	5	9	5	6	7	8	38
12	Assistant Level II (Finance)	2	2	1	2	1	x	9
13	Assistant Level III	2	4	x	X	x	x	9
14	Vehicle Operator	x	1	4	1	1	1	8
15	Supporting Staff	8	13	9	8	11	8	58
	Total	24	59	38	39	26	32	218

Source: District Development Committee, Taplejung District Development Plan FY 2065/066 BS (2008/09) District Development Committee, Jhapa, District Profile, 2063 BS (2006-07), District Development Committee, Sindhuli, District Profile, 2065 BS (2008), District Development Committee, Lamjung, District Development Bulletin 2066/2067 BS (2009/2010), District Development Committee, Bardiya, District Development Plan 2066/067 BS (2009/10) and District Development Committee, Achham.

9.6.2 Relations with the Government

The above-mentioned provisions of the LSGA regarding relationships of the GoN with the LBs make it seem that the government does not consider LBs as autonomous bodies but as its extended arms. All the provisions are impositions on the LBs.

Many sectoral acts⁶³ and rules are in conflict with the LSGA. This has led to confusion and the overlapping of powers and functions between LBs and central government agencies. In most of these cases, the central government agencies prevail over the LBs. In effect, this has undermined the autonomy of LBs.

9.6.3 Effectiveness of the Decentralization Implementation and Monitoring Committee

So far, the committee has met only four times since its formation in 1999. Of these meetings, it held the third in 2001 and approved an action plan to implement the provisions of the LSGA. Nevertheless, the action plan has remained un-implemented. The *Himalayan Times* (one of the daily English-language newspapers published from the Kathmandu valley) wrote on its online service, 'Little happening on decentralization front' (2011-01-05). It further wrote, 'the Decentralization Implementation Action Plan- 2058 BS is gathering dust'.

The decision of its meeting held in 1999 to amend those laws that contravene its provisions is yet to be implemented. Therefore,

⁶³ the ADDCN has identified a number acts that contravene the LSGA 1999. They are the Local Administration Act 2028, n Tthe Act of 2033 regarding Birth, Death and Registration of Personal Matters: The Forest Act 2049, Hydropower Act 2049, Electricity Act 2049, Film (Production, Exhibition and Distribution) Act 2028, Sports Development Act 2048, Consumer Protection Act 2054, Statistics Act 2015, Public Road Act 2031, Land Revenue Act 2034, Land and Jalashaya Protection Act 2039, Mine and Minerals Act 2042, Transportation System Act 2049, Construction Company Act 2055, Environment Protection Act 2055, Veterinary Service Act 2055, Pashu Badhshala and Meat Examination Act 2055, Judicial Administration Act 2028, Natural Calamity Act 2039, Waste Disposal (Management and Resource Mobilization) Act 2044 . (Note: All the dates after the law is given in Bikram Sambat, the national calendar of the country. This calendar is 57 years of the Gregorian Calendar).

from the point of view of its effectiveness, there is a general feeling among knowledgeable persons that the DIMC is yet to be effective in monitoring the implementation of the LSGA provisions. For such a state of affairs, the reason put forth, among others, is the absence of elected representatives in the local bodies, which through their respective associations, NAVIN, MuAN and ADDCN,⁶⁴ could have pressured the chairperson of the committee to hold the regular meeting of DMIC to monitor the implementation of the provisions of the LSGA. The other reason may be the very nature of the committee, which is headed by the prime minister with the MoLD secretary as its member secretary. How much time can the executive head of the country give to a committee, which is more or less still considered to be a direct concern of the MoLD, although the LSGA is considered to be a cross-cutting policy framework as well as a law that is of concern to the government as a whole?

Following the provisions of the LSGA, a working committee of the DIMC has been constituted. The committee exists, but according to the officials of the MoLD has not been effective for years. In the past, the nominees for the position of experts were to be appointed by the government from among those who were sympathetic or supporters of the parties in power at the time of appointment. The nominated members used to move in and out along with the change of government mainly when a new political party came into power. The general feeling about these people, thus, used to be that they were 'more political party-oriented than professional'. Like the DIMC, the working committee is also not effective.

⁶⁴ The LBs have formed their national level association viz. National Association of the Village Development Committees in Nepal (NAVIN), Municipal Association of Nepal (MUAN) and Association of District Development Committees of Nepal (ADDCN). Their main objectives are to safeguard the interests of their respective local body through advocacy, to undertake studies to provide input to the government in relation to the respective local body and above all to act as the watchdog of the respective local body. Each of these associations has its permanent secretariat with professionals as staff members. The LSGA has made provision for the representation of these bodies in the DIMC. Through such a provision, the government has recognized the existence of the associations of local bodies, which can be considered as one of the positive measures of the government to promote and strengthen local democracy in the country. This could be considered one of the contributions of the LSGA.

9.6.4 Effectiveness of the Local Body Financial Commission

One of the main contributions of the LSGA is its provision for the Local Body Financial Commission (LBFC). Section 237 of the act provides for the establishment of such a body, as already mentioned above, to study taxes to be levied by the local bodies, revenues to allocate between the government and these bodies and timely improvements in the accounting system.

Per the above provision, the government has formed the commission with 11 members⁶⁵. The commission has a separate secretariat, but is housed in the premises of the MoLD. The secretariat has a force of 12 persons, of which 6 are officer level or professional. They come from staff positions of the MoLD.

The Local Self Governance Regulation (LSGR) 1999 state that the 'MoLD can evaluate the local bodies on the basis of indicators of minimum conditions and performance measures and thereby award them in the recommendation of LBFC (Regulation No. 273). Per this provision of these regulations, the ministry had asked, per its officials, the secretariat of the commission to work out the indicators to use in deciding grant amounts to the local bodies by the government as a part of the Local Governance and Community Development Programme (LGCDP).

As to the effectiveness of the commission, knowledgeable persons have expressed that it has not been regular in its meetings and not been active in lobbying in matters related to fiscal decentralization or in sponsoring studies. So far, it has met 22 times since its establishment in 2056 BS (1999). The last time it met was in Aswin 2067 BS (in September/October 2010). The commission, especially the chairperson, the minister of MoLD, per one of its professionals, is more interested to see the result of the minimum conditions and performance measures (MCPMs) rather than concentrating on policy matters. In the field of policy campaigning, the role of the commission is, thus, almost nil.

⁶⁵ As per the decision of the Council of Ministers, 11 Mangsir, 2063 (27 November 2006), the minister was made the coordinator of the LBFC; prior to that it was headed by the vice chairperson of the National Planning Commission.

The secretariat, per the officials, was involved in the development of the indicators of performance measures (PM), which is now being used by the MoLD to measure the performance of LBs, and, based on that, additional grants over and above basic entitlements (minimum amount) are provided to all the bodies. These indicators, according to the officials, have been developed to make an objective evaluation of LBs and to assess their performance from the point of view of accountability, transparency and responsiveness. This, per the same officials, has encouraged the LBs to improve their performance.

Since the commission is chaired by the minister of the MoLD, its secretariat is housed within the premises of the ministry and its professional staff comes from the ministry; it is considered more a wing of the MoLD than an independent commission. Therefore, some of its stakeholders feel that it is more a part of a sectoral ministry than a commission of the government compared to its past status when it was chaired by the National Planning Commission (NPC) vice chairperson. Therefore, the official went to the extent of saying that ‘the commission has lost its significance’.

9.6.5 Subject-Wise Sections in the DDC

Although the LSGA has provided for subject-wise sections in the DDCs, the functioning of government departments remains unchanged. Most of the line agencies still have their presence in the district in the form of a separate office, and most of the functions to be discharged by the LBs fall within sectoral jurisdiction, too. Consequently, the line agencies plan, implement and operate in their traditional top-down and vertical manner with little involvement of LBs. The dominance of centralised planning continues to force LBs to conform to the centrally made plans and programmes. This has affected the autonomy of the LBs in the formulation and implementation of local development plans and programmes.⁶⁶

⁶⁶ Per the provisions of the LSGA (Section 257), the Kavre DDC asked the GoN for approval to open the subject matter unit of agriculture and livestock, but the request is yet to be entertained.

9.6.6 Autonomy *vis a vis* Financial Dependency

The LSGA made provisions for LBs to generate internal resources through taxes, service charges, fees and sales. However, as described in Chapter 7, the LBs have not been able to generate their own sources of revenue. Hence, they are heavily dependent on central grants and funds, which, in turn, have limited their autonomy to initiate and launch development plans and programmes. Their reliance on grants, loans and subsidies from the government to solve their problems has fostered a culture of paternalism and dependency.

10 Conclusion

Local bodies (LBs) have become part of Nepalese life. Thus, the post-1990 government provided continuity to the existing LBs by renaming them. The associations of LBs, which emerged as lobbying and advocacy groups in post-1990 Nepal, persuaded the Sher Bahadur Deuba' government to constitute a high-level commission on 6 May 1996 to study and make recommendations to the government on the new local governance and decentralization framework for the country. Upon its recommendations, the government devised and enacted the Local Self Governance Act (LSGA) to empower the LBs in the planning process at the local level and to delineate their roles in the national development process. Under provisions of this law, representatives of the LBs elected in 1997 worked only for about three years, as there has been no election to these bodies after termination of their term in 2002. It may also be recalled that the LSGA and rules were framed during the height of the Maoist insurgency from 1996-2006. Furthermore, since 2002 there have been no elected officials, whose absence is being badly felt at the local and national level.

To overcome the absence of elected representatives, the all-party mechanism (APM) was institutionalised as an advisory body for the village development committee (VDC) secretary and his/her team and the local development officer (LDO), who were assigned the responsibility of operating and managing the VDCs and district development committees (DDCs). However, the APM has been ineffective in filling the demand for accountability. Rather than being responsive to the local population, the APM has been captured by shrewd local politicians who control the planning as well as the implementation process and actually decide who will be assigned as chairperson of the user's committees (UCs). Direct participation of the people has become another substitute for

elected VCs and there are open village-level meetings to discuss local development plans. In reality, however, decisions are made in closed sessions that follow the open meetings, to which only a few influential people are invited. At the DDC level, professionals and civil society organisations are invited to take part in district council meetings to discuss district development plans, but decisions are made by a more constricted circle of politicians and civil servants.

In addition to providing the legal framework for the creation of elected bodies, the LSGA emphasises direct popular participation in the implementation and management of projects and programmes. UCs and non-governmental organisations were intended to be important implementation and management modalities, creating both arenas for direct civil society and popular participation for VDC- and DDC-funded projects. Moreover, public hearings and social audits were also established in LB-funded projects to increase transparency and accountability to the population. In practice, however, contractors have been employed to undertake construction work, while officially only UCs are involved. This has created systemic corrupt practices at the local level, which undermine the credibility of local bodies and lead to massive demands for elected bodies to become functional.

Overall, various mechanisms for direct participation by the population and for participation by politicians and civil society organisations have been put in place to secure participation in planning and management of development programmes. However, popular participation is neither inclusive nor effective and decision making is largely in the hands of politicians whose power has become institutionalised through the APM, which does not have any provision for inclusion of disadvantaged groups. At the same time, however, people have high expectations and are aware of their rights to participate, and their hopes are pinned on locally elected bodies.

The scant participation and representation of women and other marginalised sections in the decision-making process, discussed earlier, suggests that neither the planning system nor the resource allocation system has become more sensitive to the demands of marginalised groups. However, currently, special provisions have been made by the central government for allocation of resources to disadvantaged groups, women and children, who together

should receive 35 per cent of the government's grants to local bodies.

Resource mobilisation by local bodies varies across local bodies depending on economic development in the area. In the more developed Tarai area, local bodies have been able to mobilise 10 per cent to 15 per cent of their resource requirements, whereas in the hills, less than 5 per cent of financial resources are raised by local bodies. Consequently, the autonomy of local bodies is severely circumscribed because they rely heavily on central government grants for recurrent expenditures as well as development initiatives.

The LSGA has been implemented throughout the country even in the absence of elected representatives, which is its heart and soul and around which the basic principles of the law revolve; thus, most of its provisions are not in operation. Therefore, the LBs are not considered representative institutions by many of the respondents. However, despite this, the LSGA's implementation experience could very well form the basis of framing a new law on LBs in Federal Nepal.

11 Postscript

Structure and Roles of the Local Government System under Federal Nepal

Nepal, ever since the process of unification in the year 1769 AD, has been a unitary state. It has now been declared a federal state⁶⁷. However, the exact shape of its federal polity is yet to be made clear. Once the Constituent Assembly (CA) decides upon the nature of the federal polity, the future of the local self-governing bodies will become clear. However, in the meantime, the thematic committees of the CA have already submitted their reports for consideration by the CA for working out the details of all elements of the new constitution. From the perspective of the tiers of the government, the reports of three committees, (i) Committee on Restructuring of the State and Distribution of State Powers, (ii) Committee on Determination of Forms of Governance of the State and (iii) Committee on Division of Natural Resources, Financial Powers and Revenue, are directly related to the levels of governments and their functional areas and revenue sources. Per the main recommendations of these committees, the country would have:

- I Different levels of government and the exercise of Nepal's state power shall be used by federations, states, local units and special structures at the local level (autonomous regions) provided by the constitution,
- II The different levels of government would exercise the identified rights (functions), although two separate lists as functions for the different levels of government have been

⁶⁷The nature of the state was transformed from the unitary to the federal by the CA through the fourth amendment to the Interim Constitution of Nepal 2007 on May 29, 2008. The country is now being governed under the provisions of this constitution.

recommended by the two thematic committees (Committee on Restructuring of the State and Distribution of State Powers and Committee on Division of Natural Resources, Resources, Financial Powers and Revenue) requiring the CA to synchronize both the lists and come out with a new list of functions for the different levels of government.

- III Identified financial powers of each level of government, used through their own organisations and personnel systems.

From these recommendations of the thematic committees, unless and otherwise decided by the CA, it becomes evident that Federal Nepal will have three levels of government, federal, provincial and local. As to the tiers of local-level government, there is a difference of opinion between the committees. If the Committee on Forms of Governance of the State proposed only one tier of local government, VDC and municipality, the Committee on Restructuring of State and Distribution of State Powers said nothing about the tier of the local government. Rather, it suggested that the provincial-level government should make the necessary arrangement for the establishment of the local governance bodies within its territories. From this, one could argue that the provincial or federating government concerned could decide upon the needs of the district-level tier within its territorial jurisdiction. The ADDCN is, however, lobbying for the continuation of the district-level tier (present DDC) as a coordinating level between the grassroots-level bodies (urban and village units) and the provincial-level governments. The rationale of the district-level tier would, however, depend on the number of provinces or federal units. In case a decision for a few provinces, e.g. five provinces, is made, then there may be a need for the district-level unit. If the proposal of 14 provinces from the thematic Committee on Restructuring of State and Distribution of State Powers is accepted by the CA, then there may be no need for the district-level tier. Therefore, the exact shape of the local government under the new constitution is yet to be made clear.

The Approach Paper of New Three-Year Plan (2010/11 – 2012/13)

Recently, the government of Nepal (GoN) has come up with an Approach Paper for a Three-Year Plan (2010/11 to 2012/13 (TYP Approach Paper). This approach paper also emphasizes

laying down the foundation for the overall development of the country by increasing accessibility of the local people to available resources and opportunities by providing the basic services and facilities to the people in an effective manner and utilising resources, skills and technologies under the direct involvement of the local bodies and local people’.

To achieve the above objective, the TYP Approach Paper intends to pursue the following strategies:

- I. Establish and operate autonomous, responsive and accountable local bodies by carrying out devolution of political and administrative rights to local bodies on the basis of the federal structure and in accordance with the principle of inclusive democracy.
- II. Increase the accessibility of socially, economically and geographically deprived classes, regions, and communities to the available resources by empowering them through the principles of equity and inclusion.
- III. Improve the living standard of the people by creating job opportunities at the local level using local resources, labour-centred technology and an environmentally friendly participatory approach in infrastructure development.
- IV. Strengthen local governance by creating an environment of autonomy by devolution of work plans prepared by sectoral ministries.
- V. Implement programmes clarifying the roles of government, non-governmental organisations, social organisations, user’s committees and stakeholders who launch programmes at the local level and make them accountable to local bodies.

To achieve the above strategies, the TYIP states that the following policies will be adopted:

- I. Local bodies will be given resources and hierarchical responsibilities on the basis of rights, revenue resources, administrative privileges, uniformity and performance.
- II. To strengthen local self-governance, devolution action plans, prepared by sectoral ministries in coordination with the National Planning Commission (NPC) and the Local Development Ministry, will be effectively implemented.

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- III. Following the concept of devolution of authority, projects that are undertaken by different bodies will be coordinated and facilitated, and sharing of information will be effectively implemented.
 - IV. To make effective services and facilities available from the local bodies, their existing administrative originations will be re-evaluated and strengthened according to workload.
 - V. To prepare suitable legal bases for the local bodies, rules and regulations will be modified as required.
 - VI. Revisions will be made in the guidelines to declare municipalities.
 - VII. To create manpower to increase capabilities of local bodies, the Local Development Training Academy and other eligible organisations will conduct training in collaboration and networking with domestic and foreign organisations.
 - VIII. The capability of local bodies will be strengthened through the management of means and resources granted from the local revenue mobilisation and inter-governmental fiscal transfer so that allocation and financial potential and service provision will be effective.

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Appendix 1

Political Parties Represented in the Constituent Assembly

Party	Constituent Assembly									
	FPTP Seats			PR Seats			Nominat ed Seats	Total Seats		
	Male	Female	Total #	Male	Female	Total #	#	#	%	
Communist Party of Nepal (Maoists)	96	24	120	50	50	100	9	229	38.1%	87.7%
Nepali Congress	35	2	37	37	36	73	5	115	19.1%	
Communist Party of Nepal (U.M.L.)	32	1	33	35	35	70	5	108	18.0%	
Madhesi People's Rights Forum, Nepal	28	2	30	11	11	22	2	54	9.0%	
Tarai Madhes Loktantrik Party	8	1	9	6	5	11	1	21	3.5%	
Sadhvawana Party (Mahato)	4		4	3	2	5		9	1.5%	8.0%
Communist Party of Nepal (M.L.)				4	4	8	1	9	1.5%	
Janamorcha Nepal	2		2	3	2	5	1	8	1.3%	
Rastriya Prajatantra Party				4	4	8		8	1.3%	
Communist Party of Nepal (United)				3	2	5		5	0.8%	
Nepal Workers and Peasants Party	2		2	1	1	2	1	5	0.8%	
Rastriya Prajatantra Party Nepal				2	2	4		4	0.7%	
Rastriya Janamorcha	1		1	2	1	3		4	0.7%	
Nepal Sadhwawana Party (Anandidevi)				1	1	2	1	3	0.5%	
Rastriya Janshakti Party				2	1	3		3	0.5%	
Communist Party of Nepal (Unified)				1	1	2		2	0.3%	
Federal Democratic National Forum				1	1	2		2	0.3%	
Nepali Janata Dal				1	1	2		2	0.3%	
Rastriya Janamukti Party				1	1	2		2	0.3%	
Chure Bhawar Rastriya Ekata Party Nepal				1	0	1		1	0.2%	4.3%
Dalit Janajati Party				1	0	1		1	0.2%	
Nepa: Rastriya Party				1	0	1		1	0.2%	
Nepal Lokatantrik Samajbadi Dal				1	0	1		1	0.2%	
Nepal Pariwar Dal				1	0	1		1	0.2%	
Samajwadi Prajatantrik Janata Party, Nepal				1	0	1		1	0.2%	
Independent	2		2					2	0.3%	
	210	30	240	174	161	335	26	601	100.0%	

Source: http://en.wikipedia.org/wiki/Nepalese_Constituent_Assembly

Appendix 2

Checklists and FGD Guides

1. Checklist for Political Parties at the Central/District Level

Institutional design

- a Is the institutional design of LBs provisioned by the LSGA appropriate?
- b Is there any need to change the existing structure of the LBs?

Political access and participation

- a What are the main bases of candidate selection?
- b What provisions have been made for giving access for being selected to the candidates, particularly marginalized groups and women?
- c What is the conflict resolution mechanism in case of conflict during candidate selection process?

Resource allocations to the LBs

- a Are the bases for grant allocation and equalization process from central to LBs appropriate?
- b Is the amount disbursed by the central level to the LBs is enough as compared to their development needs?
- c Are the types of taxes provisioned by LSGA to the LBs suitable for implementation considering their capacity and avenues of taxation at the local level?
- d Do the LBs enjoy autonomy in allocation of resources in real sense?
- e Is the financial transfer mechanism to the LBs from the centre is simple, regular and timely?

- f How adequate are the provisions of LSGA for financial resources and arrangement to execute public works programs?
- g How effective have been the involvement of donors support in strengthening the LBs?

Service delivery by the LBs

- a How suitable are the existing legal provisions of LSGA and devolution provisions to LBs for service delivery?
- b Are the LSGA provisions for planning and decision making of the public works sufficient to include the women and excluded groups in the development works?
- c How apt are the LSGA provisions for implementation and monitoring process of the public works programs?
- d What are the major public works programs undertaken by the LBs?
- e How effective are the planning, implementation and monitoring practices of public works programs exercised by the LBs?
- f How successful are the public works programs in terms of area coverage and target groups?
- g Have the envisaged beneficiaries really benefitted by the public works programs?

Dispute settlement

- a How practical are the dispute settlement provisions of LSGA?
- b What are the nature of major disputes between the central/district government and LBs?
- c What measures are exercised for dispute settlement and how effective they are?

Local institutional capacity for conflict management

- a How effective are the existing legal provisions for conflict management, including law and order involving other organizations, communities, ethnic groups?
- b How and what types of conflicts originated between central government and DDC/VDC, DDC/VDC and sectoral district offices, between DDC and VDCs, and among and within DDCs/VDCs?

- c What conflict management practices are exercised by the government and LBs for conflict mitigation?
- d Whether the conflict was mitigated or escalated by exercise of conflict management practices?

2. Checklist for government officials and key informants at the Central/District Level

Institutional design

- a Is the institutional design of LBs provisioned by the LSGA appropriate?
- b Is there any need to change the existing structure of the LBs?

Political access and participation

- a Are the candidates appropriately selected by the political parties?
- b Do the political parties give access for being selected to the candidates, particularly marginalized groups and women?

Resource allocations to the LBs

- a How appropriate are the bases for grant allocation and equalization process from central to LBs?
- b Is the amount disbursed by the central level to the LBs is enough as compared to their development needs?
- c Are the types of taxes provisioned by LSGA to the LBs suitable for implementation considering their capacity and avenues of taxation at the local level?
- d Do the LBs enjoy autonomy in allocation of resources in real sense?
- e Is the financial transfer mechanism to the LBs from the centre is simple, regular and timely?
- f How adequate are the provisions of LSGA for financial resources and arrangement to execute public works programs?
- g How effective have been the involvement of donors support in strengthening the LBs?

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- a How suitable are the existing legal provisions of LSGA and devolution provisions to LBs for service delivery?

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 - c What conflict management practices are exercised by the government and LBs for conflict mitigation?
 - d Whether the conflict was mitigated or escalated by exercise of conflict management practices?
3. Checklist for focused group discussions (*for beneficiaries*)

Group formation, composition and knowledge of the programme

- a Composition of user groups (by gender, caste and ethnicity)
- b Knowledge of the formation and membership
- c Self-initiated membership
- d Informed/motivated by somebody else (politician, social workers, ethnic leaders)
- e Process of user group formation (formally selected or just informed about their nomination)
- f Type of membership (regular member or part of executive committee)
- g Duration of membership
- h Selection procedures of group members and executive members
- i Provisions for the selection of women, Janajatis, Madeshis for group members/executive members

Program planning mechanism

- a Ways in which issues are discussed
- b Ways in which decisions are made in the group
- c Awareness of budget (income and expenditure) and the level of discussions held during the planning phase
- d Mechanism adopted for implementation
- e Mechanism adopted for monitoring
- f Ways in which programs and processes are evaluated
- g Issues of transparency and accountability (openness in meetings, public release of decisions, access of members in accounts, auditing of accounts and public hearing)

Benefits of the programme

- a Who are the major beneficiaries and how they benefit from the program
- b Types of change that have occurred since joining the program
- c. Improvements in household income or livelihood level

- d. Changes in expenditure patterns
- e. Debt relief
- f. Increase in awareness
- g. Increase in level of confidence

Conflict and conflict mitigation

- a Types of conflicts
- b Conflict management practices by the group
- c Conflict mitigation or escalation by exercise of conflict management practices.

Appendix 3

District Information in Brief

District Indicators	Taplejung	Jhapa	Sindhuli	Lamjung	Bardia	Achham
Area (Sq. km.)	3646	1606	2491	1692	2025	1680
Elevation (meter)	777-8598	125-381	305-2787	793-8155	152-1457	1220-3820
VDC (No.)	50	47	52	61	31	75
Municipality no	-	3	1	-	1	-
Total Poulation (No)	134698	688109	279821	177149	382649	231285
Female	68493	346434	140541	93743	189994	122287
Male	66205	341675	139280	83406	192655	108998
Household	24764	137301	48758	36525	59569	44005
Average household (HH) size	5.44	5.01	5.74	4.85	6.42	5.26
Population Density (per sq.km)	37	428	112	105	189	138
Population by major caste/ethnicity (No.)						
Tamang(Janjati)	5530	16338	70968	11919	1002	23
Chhetri	15982	94640	40294	28051	40681	123086
Magar(Janjati)	1151	13557	39675	3554	10767	1561
Brahmin (Hill)	13974	158699	25509	26355	36163	24770
Rai	6779	30242	5408	1766	210	82
Limbu(Janjati)	56234	37646	535	40	42	46
Gurung(Janjaati)	6077	6183	645	56140	3057	52
Tharu(Janjati)	117	9588	1690	208	201276	106
Kami(Dalit)	5949	16726	12117	13159	12875	31109
Damai(Dalit)	2115	11342	7540	6021	6557	14709
Sarki(Dalit)	1134	3731	8960	6861	2297	5954
Education						
Schools (No)						
Primary	304	588	502	403	306	400
Lower Secondary	86	281	114	107	105	100
Secondary	42	173	60	66	57	52

Higher Secondary	16	26	30	19	17	19
Campus	1	5/10	1	2	1	1
Private School (No)	-	12	2	2	1	-
Literacy Rate (%):						
Both Sex	52.21	66.93	50.13	56.61	45.41	33.36
Male	62.53	75.35	62.30	88.80	55.05	53.61
Female	42.34	58.65	38.11	46.04	35.64	15.80
Health and Sanitation						
Health Institutions (No.)						
Sub-Health Post	43	38	42	50	22	60
Health Post	8	6	10	8	8	12
Primary Health Care Center	2	6	3	2	3	2
Hospital	1	1	1	1	1	1
Population Hospital Bed	8980	5862	18484	11810	25510	7710
Population Doctor	33675	30145	55452	44287	63775	77095
HH with access to toilet facilities (%)	47.5	62.7	27.03	54.36	27.44	14.95
Population with access to safe drinking water (%)	61.61	53.68	41.02	80.86	94.18	85.30

Source: ISRSC: District Demographic Profile of Nepal: (2002), Informal Sector Research and Study Centre, Kathmandu.

ISRSC: Village Development Committee Profile of Nepal, (2008), Intensive Study & Research Centre, Kathmandu.

Appendix 4

VDC Information in Brief

District	Jhapa			Sindhuli			Lamjung				Bardiya				Achham		
Name of VDC	Jalthal	Khudunabari	Khajurgachhi	Lampantar	Ratanchura	Mahadavethan	Bichour	Gaunshar	Taghri n	Bhorlet ar	Sarahwa	Mohamadpur	Bagnaha	Daulatpur	Mastamando	Mangal sen	Janalibandali
Population																	
Total Population	13132	14037	8582	5259	2650	6197	2428	6868	2358	3456	12874	10521	11728	7246	3411	8901	2913
Male	6492	7028	4316	2595	1275	3003	1188	3117	1152	1591	6538	5473	5960	3563	1632	4322	1352
Female	6640	7009	4266	2664	1375	3194	1240	3751	1206	1865	6336	5048	5768	3683	1749	4579	1561
Number of Household	2492	2699	1742	932	488	1033	504	1511	454	715	2207	1562	1645	1085	682	1663	563
Average H.H. Size	5.27	5.20	4.93	5.64	5.43	6.00	4.82	4.55	5.19	4.83	5.83	6.74	7.13	6.68	5.00	5.35	5.17
Literacy Status																	
Can't Read & Write	3953	3085	3434	2181	1069	2679	855	1519	1003	1017	5484	4978	4522	2808	1320	3744	1473
Can Read Only	284	926	305	480	275	257	165	795	229	45	637	1203	425	154	73	325	310
Read & Write	7361	8215	3546	1820	956	2068	1061	3625	867	1980	4457	2415	4960	3044	1463	3306	519
Not Stated	11	33	-	44	-	65	51	17	-	-	29	86	-	-	-	-	35
Population by Caste																	
Brahmin	3690	4505	830	910	110	182	1025	808	5	645	1655	164	1218	377	87	1195	1827
Chhetri	1302	2632	493	670	977	419	47	3003	126	570	641	333	1071	451	1836	4547	240
Dalit	1504	1739	1050	871	353	424	208	1326	132	851	1999	1668	304	269	1081	2409	684
Limbu	1465	1445	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Rai	893	714	55	-	-	-	-	8	-	6	-	-	-	-	24	17	-
Newar	183	494	146	488	461	471	11	304	14	110	40	10	97	-	101	11	-
Muslim	47	18	605	-	-	-	-	-	-	-	1100	2848	-	-	12	17	-
Tamang	469	459	-	604	46	2565	291	11	252	-	-	-	-	-	-	-	-
Magar	198	860	5	1595	257	133	12	442	-	66	370	145	188	16	27	28	-
Tharu	19	18	19	-	-	-	-	-	-	-	5495	3677	8312	5790	-	-	-
Tajpuria (T) Majhi (Ma)	Rajb.	6	682	-	-	Ma	G	G	G	G 680	Y 473	Y	Y 10	Y		Y	
Gurung (G) Yadav (Y)	445	28	104 8			1646	647	832	1802	D 193	G 112	621	G 15	18		10	
Dura (D) Rajbansi (R)		Rajb	Rajb														
				-	-	-	-	-	-	-	-	-	-	-	-	-	-

Source: District Demographic Profile of Nepal, 2002, Informal Sector Research and Study Centre: Page: 109/197/391/640/676

Village Development Committee Profile of Nepal, 2008, Intensive Study & Research Centre: Page 129/223/439/740/783

Appendix 5

Number and Ethnic Composition of FGD

District	VDC	Date of Discussion	Number of Participants		
			Total	Female	<i>Dalit</i>
Jhapa	Jalthal	1 April 2010	23	11	-
	Khajurgachhi	3 April 2010	31	15	1
	Khudunabari	2 April 2010	48	14	2
Sindhuli	Lampantar	25 April 2009	33	8	2
	Ratanchura	23 April 2009	18	2	-
	Madevsthan	21 April 2009	33	9	4
Lamjung	Bichour	14-15 May 2009	81	39	10
	Gaunsahar	17-18 May 2009	17	6	5
	Bhorletar	19 May 2009	32	10	-
	Taghring	20-21 May 2009	30	2	3
Bardiya	Sorhawa	26 Nov 2009	22	3	3
	Mohammadpur	23 Nov 2009	41	23	2
	Bagnaha	25 Nov 2009	28	5	-
	Daulatpur	20 Nov 2009	43	11	-
Achham	Janali Bandali	14 Nov 2009	44	20	4
	Mangalsen	15 Nov 2009	38	8	2
	Mastamandu	17 Nov 2009	23	3	2

Appendix 6

List of Persons Met (District Level)

Taplejung

1. Tara Nath Luitel: Planning and Administration Officer, DDC
2. Prakash Kumar Subedi, Accounts Officer, DDC
3. Bal Bahadur Rai, Joint Accounts Officer, DDC
4. Puspa Ratna Ranjit, Engineer, DDC
5. Shanti Ram Rimal, VDC Secretary, Thukima VDC
6. Kiran Karki, VDC Secretary, Thumedin VDC
7. Khem Raj Dhakal, VDC Secretary, Chaksibote VDC
8. Dharma Adikari, Journalist, Representative Kantipur
9. Chandra Prakash Bhattarai, Representative, INSEC (a national NGO)
10. Ishwor Regmi, CDO

Jhapa

11. Jeevan Prakash Sitaula, LDO
12. Pankaj Bhurtel, Planning and Administration Officer, DDC
13. Madhu Pokherel, Accounts Officer, DDC
14. Prakash Chaudhary, Information Officer, DDC
15. Rajan Neupane, Social Mobilizer, DDC
16. Hari Gautam, Planning Assistant, DDC

17. Raj Kumar Baraili, Vice-President, District Dalit Coordination Committee
18. Arjun Rai, Ex-President, DDC
19. Som Raj Thapa, Internal Auditor, DDC
20. Hari Gautam, Planning Section, DDC
21. Muralidhar Misra, Senior Agriculture Development Officer, DADO
22. Ram Prasad Pokherel, Agriculture Development Officer, DADO
23. Ganesh Budhathoki, Administrative Assistant, DADO
24. Surya Narayan Yadav, Horticulture Development Officer, DADO
25. Shiva Shanker Kuset, DADO
26. Yogendra Prasad Bhagat, Public Health Administrator, DPHO
27. Chandra Prakash Misra, Section Officer, DPHO
28. Maya Lal Poudel, Accounts Officer, DPHO
29. Dr. Dilip Sapkota, Senior Veterinary Doctor, DLSO
30. Yadav Koirala, CDO
31. Uddhav Thapa, Vice-president, District Committee, NC
32. Janak Lal Bhattarai, Principal, Rural Development Training Academy (RDTA)
33. Shaym Shrestha, Officer, RDTA
34. Sailesh Chapagain, Assistant Instructor, RDTA
35. Suresh Bhattarai, RDTA
36. Uddhav Bista, Under-secretary, DEO
37. Krishna Prasad Bhandari, Editor
38. Deepak Tamang, Nepal Trade Union Congress
39. Kundan Bhattra, CPN UML
40. Nava Raj Kharel, Secretary, CPN NL
41. Jhalak Singh Darlami Magar (alias Sandesh), District Secretary, UCPN Maoist
42. Sushil Kumar Thapa, Customs Office
43. Dr. Gyan Raj Shrestha, Chief, Customs Office
44. Sudhir Kumar Shivakoti, District President, NC

45. Lekh Nath Pokharel, Assistant CDO
46. Rabin Koirala, District Secretary, CPN UML

Sindhuli

47. Sagar Mani Pokhrel, CDO
48. Ram Mani Bhattarai, LDO
49. Keshav Raj Subedi, Planning and Administration Officer, DDC
50. Bhupendra Dhoj Basnet, Planning Assistant, DDC
51. Bisheshwore Prasad Chaudhary, Veterinary Technician, DLSO
52. Shree Lal Chaudahary, Junior Technician, DLSO
53. Ram Bhajan Shah, DLSO
54. Ashok Kumar Das, Agriculture Development Officer, DADO
55. Basudev Sapkota, Accountant, DADO
56. Ramchandra Yadav, Technician, DADO
57. Hareram Prasad Goit, Technician, DADO
58. Binaya Manandhar, Senior Public Health Officer, DPHO
59. Bal Bahadur Karki, Section Officer, DEO
60. Nava Raj Baral, DEO
61. Sunil Raj Giri, Chief Engineer, DTO
62. Laxman Karki, DTO
63. Ranga Raj Khatiwada, District President, NC
64. Manik Dhakal, district Vice-president, NC
65. Ganesh Pahadi, district Secretary, CPN UML
66. Keshav Devkota, Central Committee Member, CPN UML
67. Pralhad Pokherel, CPN UML
68. Bhoj Raj Dhungel, CPN UML
69. Hari Basnet, CPN ML
70. Ganga Shrestha, District Secretary, UCPN Maoist
71. Hari Basnet, Member District Committee, UCPN Maoist
72. Kamal Prasad Ghimire, District Secretary, CPN United
73. Bal Krishna Thapa, CPN *Ekikirt*

-
74. Govinda Prasad Pandey, District Coordinator, District Peace Committee
 75. Ram Hari Pokhrel, Chairperson, NAVIN, District Branch

Lamjung

76. Peshal Kumar Pokherel, LDO
77. Dev Bahadur Adhikari, Planning and Administration officer, DDC
78. Jamindra Man Ghale, Ex-President, DDC
79. Meghendra Pokhrel, Executive Secretary, Local Development Fund (LDF)
80. Bodh Bahadur Adhikari, Planning Officer, LDF
81. Bishnu Prasad Pokherel, CDO
82. Tanka Prasad Chapagain, Senior Public Health Officer, DPHO
83. Shanker Gautam, District Education Officer, DEO
84. Purna Bahadur Achhami, Section Officer, DEO
85. Rewati Raman Parajuli, Engineer, DTO
86. Amrit Man Maskey, Livestock Development Officer, DLSO
87. Maya Nath Adhikari, District Secretary, CPN UML
88. Tuk Raj Sigdel, Central Committee Member, CPN UML
89. Tulsi Narayan shrestha, District President, NC
90. Srinath Adhikari, VDC President, Chandreswor VDC, NC
91. Krishna Prasad Koirala, Ex-District President, NC
92. Ganesh Prasad Neupane, President Constituency 2, NC
93. Som Bahadur Dulal, Vice-president, District Dalit Upliftment Coordination Committee
94. Ms. Kalpana Basyal, Women Development Officer, Women Development Section (WDS)

Bardiya

95. Ram Bahadur Thapa, Engineer, DDC
96. Om Gyawali, Planning Assistant, DDC
97. Govinda Prasad Lamichhane, Planning Assistant, DDC

98. Lok Raj Dhungana, Vice-president, Abhiyan Nepal (NGO), Bardiya
99. Dev Mani Chaudhary, Acting District Education Officer, DEO
100. Laxmi Adhikari, Veterinary Technician, DLSO
101. Bhanu Bhakta Bhattarai, Olanning Officer, DADO
102. Shiva Raj Subedi, DADO
103. Kishore Man Shrestha, Horticulture Development Officer, DADO
104. Anil Gyawali, Office Assistant, District Peace Committee
105. Laxman Ghimire, Member District Committee, NC
106. Rajkumar Srivastav, Chief, DTCO
107. Bal Bahadur Mahat, Senior Public Health Officer, DPHO
108. Dr. Bikram Basukala, DPHO
109. Ms. Pan Kumari Khadka, Women Development Officer, Women Development Section (WDS)
110. Sanjaya Kumar Gautam, Ex-President, District committee, NC
111. Deep Bahadur Rana, Ex-DDC Chairman and District Secretary, CPN UML
112. Madhav Prasad Sharma, CPN UML
113. Purna Sharma, CPN UML
114. Prem Prasad Pokharel, Office Secretary, CPN UML
115. Deepak Tamata, CPN UML
116. Abul Hassan Haluwai, Acting President, MJF Loktantrik
117. Samina Ahmed Rahil, District Committee Member and Town Development Chairman, MJF Loktantrik
118. Kessav Yadav, Founder Member, Party Office Bardiya, TMLP
119. Asheswor Thakur, Secretary, TMLP
120. Kirtinath Yadav, District Executive Committee Chairman, TMLP
121. Iliyas Ahmed Hluwai, Member, Youth Forum, MJF Loktantrik
122. Rangi Lal Tharu, Chairman, Town Committee, NSP (Mahato)

123. Ram Surat Yadav, CPN United
124. Tilak Sharma (*alias* Himal), District Secretary, UCPN Maoist
125. Binaya Tharu (*alias* Bikalpa), UCPN Maoist
126. Deepak Sharma, Office Chief, Bardiya Krishnasar Phulbari Community FM

Achham

127. Gyan Prasad Dhakal, CDO
128. Shanker Gautam, District Education Officer, DEO
129. Bal Govinda Pathak, Senior Agriculture Development Officer, DADO
130. Prakash Pandey, Crop Protection Officer, DADO
131. Chapendra Sharma, Planning Officer, DADO
132. Narendra Kumar Mahaseth, Agriculture Extension Officer, DADO
133. Rabi Lal Chaudhary, Senior Livestock Development Officer, DLSO
134. Khadga Bahadur Shah, Livestock Development Officer, DLSO
135. Shailendra Kumar Shrestha, Senior Public Health Officer, DPHO
136. Dr. Purusottam Prasad Sedhai, District Health Officer, DPHO
137. Jhapat Dhungana, DPHO
138. Ms. Manalkala Neupane, Acting women Development Officer, WDS
139. Ms. Saraswati Khanal, District Project Officer, UNICEF
140. Ms. Manju Mahat, Chief Women Worker, WDS
141. Binod Kumar, Engineer, District Drinking Water Office
142. Ramesh Bahadur Singh, District Chief, Nepal Food Corporation
143. Surendra Ghimire, Acting LDO, Engineer, DDC
144. Krishna Prasad Jaisi (Bhattarai), Ex-President, DDC
145. Sudarsan Kandel, Planning Officer, DDC
146. Devi Bhakta Jaisi, DDC

147. Basudev Bahndari, DDC
148. Saliman Saud, DDC
149. Bhim Janala, Central Member, Dalit Samiti
150. Gopi Singh Nepali, Dalit Ekata Manch
151. Purna Bahadur Bhandari, Jupu Village Development Awareness Center
152. Devendra Bahadur Shah, District President, RPP
153. Rup Bahadur Shah, Member District Committee, RPP
154. Padam Bahadur Bohra, Acting district Secretary, CPN UML
155. Binod Thapa, Ramaroshan FM
156. Kamal Adhikari, Treasurer, VDWAC (NGO)
157. Nara Bahadur Rawal, Chairman, Community Forest User Group Federation
158. Ms. Sarita Khatri, Resource Person of Natural Conflict Transformation, Community Forest User Group Federation
159. Prem Budha, Child Right Officer, WDS
160. Ms. Mana Bhandari, Women Awareness Center
161. Bharat Rawal, Jupu VDC
162. Teja Raj Dhungana, Ilaka Secretary, UCPN Maoist
163. Prakash Saud, Vice-president, Nepal Tarun Dal, NC
164. Bishnu Shahi, District Executive Committee Member, NC
165. Danda Prasad Bhat, NC
166. Padam Bahadur Dhami, CPN UML
167. Karna Bahadur KC, Chairman, MJF
168. Kallan Singh Bogati, CPN ML
169. Takkur Bahadur Shah, Program Coordinator, Ramaroshan Vikas Samaj
170. Remanta Nath, Chairperson SEBAC Nepal (NGO)
171. Tej Raj Upadhyaya, District Coordinator, Poverty Alleviation Fund (PAF)
172. Ganesh Kunwar, PAF Program Coordinator

List of Persons Met (Central Level)

1. Mr. Bhanubhakta Dhakal, CA Member from, CPN UML)

2. Mr. Jeet Pal Kirant, Vice Chairperson, Janajati Academy, Nepal
3. Ms. Dhan Kumari Sunuwar, Member, National Women Commission, Nepal
4. Mr. Padam Snehi, Member, National Dalit Commission Nepal
5. Mr. Mangal Hajara Pasawan, Member, National Dalit Commission Nepal
6. Mr. Ram Chandra Pokhrel, Chief Secretary, Nepali Congress
7. Mr. Kiran Hari Bista, Joint Secretary, Rastriya Prajatantra Party
8. Ms. Bimala Subedi, Deputy Auditor General, Office of the Auditor General
9. Mr. Som Lal Subedi, Joint Secretary, Ministry of Local Development
10. Mr. Madhu Regmi, Joint Secretary Ministry of Peace and Reconstruction
11. Mr. Ritu Raj Bhandary, Member-Secretary, National Women Commission, Nepal
12. Mr. Basanta Raj Gautam, Under Secretary, Ministry of Local Development
13. Mr. Badri Raj Ghimire, Under Secretary, Ministry of Local Development
14. Mr. Nisam Raj Gautam, Ministry of Local Development
15. Mr. Hari Bahadur Budhathoki, Ministry of Local Development
16. Mr. Madhav Prasad Poudel, Former President, District Development Committee, Lalitpur
17. Mr. Hem Raj Lamichane, Executive Secretary, ADDCN
18. Mr. Nava Raj Koirala, Program Officer, ADDCN
19. Mr. Sarad Nepal, Executive Secretary, NAVIN

20. Mr. Sanjya Manandhar, Computer Engineer, Office of the Accountant General
21. Mr. Govinda Prasad Pandey, Convener, Conflict Victim Association
22. Mr. Ganesh Upadhyay, Conflict Victim Association

Appendix 7

List of Seminar Participants

S.No.	Name	Institution
1.	Apsara Chapagain	FECOFUN
2.	Arun Kumar Singh	NEFAS
3.	Parsuram Upadhyaya	NAVIN
4.	Shabmhu Paswan	CA Member
5.	Binod rasad Dhakal	INLOGOS
6.	Chandra D. Bahtta	FES
7.	Thakur Prasad Sharma	RPP
8.	Sanjaya Adhikari	Water Aid, Nepal
9.	Hem Raj Lamichhne	ADDCN
10.	Dr. Prem Sharma	CDRD, TU
11.	Toshinubu Miki	JICA
12.	Dr. Punya Prasad Regmi	IAAS
13.	Bihari Krishna Shrestha	Lalitpur
14.	Dr. Vikash Raj Satyal	IIDS
15.	Shanker Krishna Malla	IIDS
16.	Som Lal Subedi	MoLD
17.	Shyam Prasad Adhikari	Kathmandu
18.	Saroj Nepal	Embassy of Denmark
19.	Tunga Rai	NEPAN
20.	Dhruba Bandhu Aryal	NPC
21.	Mukti Prasad Kafle	Kathmandu
22.	Prem Raj Gautam	Kathmandu
23.	Kunda Dixit	Himal Media
24.	A. B. Bhandari	MoE
25.	Nawa Raj Koirala	ADDCN
26.	Miriam Coronel Ferrer	The Philippines
27.	V. Thamilmaran	Sri Lanka
28.	Marit Haug	NIBR
29.	Arild Schou	NIBR
30.	Dr. Yagya Prasad Adhikari	CNAS, TU
31.	Kaula Beshit	Nrowegian Embassy

32.	Kalanidhi Devkota	MuAN
33.	Nomela Bahadur Sunar	National Dalit Commission
34.	Dr. Dwarika Nath Dhungel	Study Coordinator, IIDS
35.	Mahendra R. Sapkota	IIDS
36.	Pradyumna P. Regmi	IIDS
37.	Devendra Shrestha	IIDS

Appendix 8

Inequality, Marginalization and Discrimination

Gender-based discrimination and exclusion is widespread in Nepali society which affects all women⁶⁸, regardless of their economic status, caste, ethnicity, or regional affiliation. Male domination is rooted not only in economical, social and cultural practices, but also in Nepal's governance systems and its legal framework, pervading all aspects of the lives of women and girls. Particularly, the *dalit* women face multiple layers of exclusion. As a result, the Gender-related Development Index (GDI) that measures gender disparity to reflect inequalities between female and male was low with 0.499 for the entire country in 2006 implying a greater gender disparity in basic capabilities. The situation of women is worst in the Mid-Western and Far-Western Hills and Mountains, and the Central and Western Mountain sub-regions (Table 1).

⁶⁸ Women constitute a little more than 50 per cent of the country's total population

Table: 1 Gender-related Development Index, Nepal, 2006

Region	GDI	Life expectancy 2006		Adult literacy (%)		Mean year of schooling		Estimated earned income	
		Female	Male	Female	Male	Female	Male	Female	Male
Nepal	0.499	65.71	61.92	38.44	69.67	2.468	4.080	0.408	0.503
Urban	0.618	70.18	66.19	61.23	83.36	4.345	6.033	0.481	0.633
Rural	.0471	65.09	61.32	34.30	66.47	2.149	3.682	0.377	0.464
Eastern Region	0.516	68.24	64.33	41.42	69.09	2.584	3.937	0.399	0.504
Central Region	0.517	67.75	63.87	36.57	68.74	2.415	4.195	0.428	0.547
Western Region	0.511	66.14	62.33	44.86	70.21	2.832	4.177	0.428	0.547
Mid-Western Region	0.441	59.04	55.59	35.28	70.57	2.338	3.959	0.407	0.485
Far Western Region	0.447	63.28	59.60	31.15	71.80	2.000	3.992	0.370	0.444
Mountain	0.423	59.76	56.26	29.08	64.22	1.703	3.347	0.369	0.405
Hill	0.534	68.57	64.65	44.52	73.71	2.933	4.578	0.477	0.441
Terai	0.482	64.76	61.00	34.51	66.93	2.176	3.768	0.402	0.513

Source: Nepal Human Development Report, 2009, UNDP

Similarly, Gender Empowerment Measure (GEM) which illustrates the representation and participation of women is 0.496 for Nepal in the same year. It signifies lower representation and participation of women than men in the political, economic and professional domains. The GEM depicts that women's share of earned income was about one-third of that of men, their participation in political processes was less than one-fifth of the male rate, and there was big gap between female and male in their professional and administrative employment (Table 2).

Table: 2 Gender Empowerment Measure, Nepal, 2006

Region	GEM	Women participation in local election (%)	Women in professional jobs	Women in administrative jobs	Ratio of estimated female to male earned income	Female representation in CA, 2008
Nepal	0.496	19.33	29.78	28.95	0.375	32.4
Urban	0.527	18.10	34.97	34.01	0.386	30.3
Rural	0.474	19.40	26.56	25.66	0.313	36.5
Eastern Region	0.516	19.20	31.29	36.58	0.365	29.2
Central Region	0.511	19.00	35.13	28.48	0.339	35.8
Western Region	0.488	20.30	24.29	31.88	0.407	20.9
Mid-Western Region	0.431	19.20	16.19	25.33	0.412	22.6
Far Western Region	0.456	18.60	40.59	15.41	0.451	33.6
Mountain	0.468	19.80	21.89	28.08	0.402	33.2
Hill	0.515	19.90	34.52	31.23	0.376	9.1
Terai	0.469	18.60	23.95	26.60	0.368	28.6

Source: Nepal Human Development Report, 2009, UNDP

Before 1990, women's issues were incorporated in the frame work of development and welfare but not rights. The LSGA introduced mandatory representation of women: one of the five Ward Committee Members in Village Development Committee (VDC) and 20 per cent of the municipality members. However, such intervention lacks at the DDC level. The Interim Constitution does not allow gender-based discrimination in any way; restricts

physical, mental or other form of violence inflicted on any woman; and provides equal right to ancestral property for both the sons and daughters. The Constitution also advocates special provisions to encourage maximum participation of women in national development for their education, health and employment.

Nepali women have long raised their voices against domination and have made remarkable strides in addressing policy barriers and improving participation. They have, for instance, secured the allocation of one third of CA seats to women. They have also won women's right to provide citizenship to their children.

Even so, women and girls lag behind men because of disparities in education; limitations on the rights of women to own and inherit ancestral property until the recent past; poor health, especially in the realm of reproductive health; low access to labor markets, employment and productive assets/resources; gender-based violence; and lack of fair representation in decision-making.

The divergent GDI and GEM values denote a continuing exclusion of women in decision-making and control over resources. Legacy of significant exclusion imposed by male-dominated society and exclusionary state policies in the past are its root causes. Nepal has ratified the Convention on Elimination of all forms of Discrimination against Women (CEDAW) which requires changing about 85 discriminatory laws and 137 legal provisions, the task yet to be done. "By gender, significance differences appear in the level of exclusion, with higher gender differences among Dalits, followed by Muslims and Terai Janajatis. This implies that excluded caste and ethnic groups have higher gender differentials as well, indicating a greater degree of discrimination against women" (Bennet and Parajuli, 2008). As is the case with Nepal's general population, the first step to ending such disparities lies in the inclusion and empowerment of women.

Caste-based discrimination and exclusion originated after the promulgation of the *Muluki Ain*, (the national code) in 1854 which aimed to merge Nepal's diverse population into a nation state. Ritual 'purity' and 'pollution' was the main basis for defining the caste in which Brahmans and occupied the highest and the lowest ranks in caste hierarchy respectively, and *adivasi/janajatis* occupied the middle ground with numerous distinctions among themselves. The *Muluki Ain* legally validated the caste system as perhaps

nowhere else in the world, to suit 'the terrain, time, customs and practices' without questioning these customs and practices. Some say the *Muluki Ain* helped unify Nepal by categorizing and bringing all communities of this diverse land under one law, but it froze the time for over a century. It alienated large sections of society, without even giving them the vocabulary to articulate such alienation.

The *Muluki Ain* was amended several times and was completely revised in 1963. The revised code sought to promote social harmony and declared all persons theoretically equal in the eyes of the law, thus ending legal discrimination based on caste, creed, and sex. The code granted the right to divorce, permitted inter-caste marriages, and abolished the laws sanctioning untouchability.

Thus, although the caste-based discrimination became illegal with the promulgation of new *Muluki Ain* in 1963, and Muslims still hold the lowest position in the caste hierarchy. They receive much the same treatment from *adivasi/janajatis* (indigenous groups) as from the other Hindu castes. The belief that and Muslims are “untouchables” not only isolates them from members of other castes, but also forbids them from touching non-/Muslims and their possessions. A survey conducted in 2002 listed a total of 205 existing practices of caste-based discrimination. Such practices and their implication have undermined the health and education of and Muslims, together with their interactions with members of other groups and their scope of activities in a broad range of political, economical and social sectors resulting in their low Human Development Index (HDI).

The comparative HDI of different caste and ethnicity shows wide variation with Hill/Terai Brahman/Chhetri⁶⁹ and *Newar*⁷⁰ having higher HDI value of more than 0.6 than that of both the hill and Terai Muslims (Table 3).

⁶⁹ Brahmin and Chhetri ethnic groups (upper caste people in the Nepalese society).

⁷⁰ *Newar* is a caste group mainly inhabited in Kathmandu Valley. They are mostly involved in service, business and trade, and farming. They have several divisions within themselves mainly based on occupation. They are categorized as *janajati* by the government but they do not accept it on the ground that they are superior to other indigenous groups.

Table 3: Human Development Index by Major Caste and Ethnicity, 2006

Caste/Ethnicity	HDI Value
Hill Brahman	0.612
Hill Chhetri	0.514
Madhesi Brahman/Chhetri	0.625
All Brahman/Chhetri	0.552
<i>Newar</i>	0.616
Other Madhesi Castes	0.450
Hill	0.449
Madhsi	0.383
All	0.424
Hill <i>janajatis</i>	0.507
Terai <i>janajatis</i>	0.470
All <i>janajatis</i>	0.494
Muslims	0.401
All Hill/Mountain groups	0.531
All Terai/Madhesi groups	0.448
Other (unidentified)	0.559
Nepal	0.509

Source: Nepal Human Development Report, 2009, UNDP

The low HDI of, particularly the Terai and Muslims is a consequence of their very low educational attainment as education is the most significant driver of HDI. According to Nepal Demography and Health Survey (2006), the literacy rate of Terai was 17.2 per cent for female and 48.5 per cent for male and that of Muslims was 26.5 per cent and 61.8 per cent for female and male, respectively whereas the national rate was 54 per cent for female and 81 per cent for male. Their low HDI deters their representation and participation, which, ultimately, keep up their low level of human development.

Economic inequalities by caste and ethnicity ranged from 14 percent among *Newar* to 46 percent among Muslims. Moreover, the decrease in poverty incidence is also highly disproportionate, decreasing at a higher rate for the upper caste and *Newar* and at a lower rate for Muslims, leading to further increase in the inequality (Table 4).

Table 4: Poverty Incidence by Caste and Ethnicity, 2004

Caste/Ethnicity	Poverty Rate (%)		
	1995/96	2003/04	% Change
Brahman/Chhetri	34.1	18.4	- 46
<i>Newar</i>	19.3	14.0	- 28
	57.8	45.5	- 21
Hill <i>janajatis</i>	48.7	44.0	- 28
Terai <i>janajatis</i>	53.4	35.4	- 10
Muslims	43.7	41.3	- 6
Terai middle castes	28.7	21.3	- 26
Others	46.1	31.3	- 32
Nepal	41.8	30.8	- 26

Source: Central Bureau of Statistics (CBS), 2005

Nevertheless, with the general rise of Nepali literacy and the awareness that the media has played a large role in creating, especially since 1990, these kinds of discrimination against and Muslims have begun lessening, especially in urban areas and their vicinity. However, in the remote rural areas, especially those of the Mid-and Far-Western regions, as well as parts of the Tarai, these conventional malicious practices still subsist.

Ethnicity-based discrimination and exclusion is considered to be the consequence of the imposition of Hindu caste system upon the ethnic foundation of Nepal creating the basics and negative effects for the exclusion of *janajatis*. Marginalization of indigenous and minority languages and imposition of Nepali as national language are another major factors enabling high-caste dominance to favor Hindu politics in Nepal. Redefining the national identity of state to reflect Nepal's cultural diversity has been coupled with a desire for secularism. The fall of monarchy in 2006 opened the door to revivals of varied indigenous histories, languages and festivals.

In terms of the HDI, the *janajatis* are in the middle rung with their HDI being lower than the *Brahman/Chhetri* and *Newars* and higher than the, Muslims and other *Madhesi* castes (Table 3). Even though

the *janajatis* are comprised of 31.7 per cent of the total population, their HDI lag behind *Brahmans/Chhetris* who have also almost equal share of population with 32.8 per cent, and *Newars* with only 5.5 per cent. The poverty rate prevailing among the *janajatis* was 44 per cent among hill *janajatis* and 35.4 per cent among Terai *janajatis* (Table 4) which are also fairly higher than that of *Brahman/Chhetri* and *Newars*.

Janajati movements began in the early 1950s and broadened noticeably after 1990 with the advent of various *janajati* associations advocating the two interconnected issues of political demands and cultural or identity politics. The political demands of *janajatis* comprise transformation of the state for making it more inclusive and representative of the country's population as a whole and more responsive to the needs of all citizens. The *janajati* movement calls for state restructuring through the establishment of a federal system that would enable ethnic autonomy and reserve positions for members of indigenous groups in the government and other state-sponsored institutions.

***Madhesi*-based discrimination and exclusion** resulted as the Shah/Rana rulers of Nepal viewed the fertile Tarai lands as a revenue source by means of tax and *birtas* (land grants) for rewarding their loyal people that mostly included the *Pabade* (a term used by *Madhesis* for Hill people) courtiers, and also a few local landlords. The *Pabade*-dominated system of government paid little attention for the wellbeing of native residents of *Madhes* including *Tharu* and the *Maithili*, *Bhojpuri* and *Awadhi*-speaking Hindu groups. The *Muluki Ain* defined caste hierarchy easily ignored some 25 *Madhesi* castes and *Janajati* groups that included a number of "untouchable" occupational groups such as the *Chamars*, *Mushabars* and *Tatma*, who are presently among the poorest people in Nepal. Many individuals who belong to these groups are not even identified as citizens of the country and, until recently, have faced problems in acquiring citizenship certificate.

The largely *Pabade* ruling group as well as hill dwellers regarded the *Madhesis* as "non" or "less" Nepali based on their languages rather than the locations in which they live. They are usually treated as minors and hatefully called "*Madise*." The linguistic criterion of citizenship has denied many genuine *Madhesi* their identity which has created difficulties in registering their land in their own name

despite being the land under their ancestral possession. They therefore remain officially landless. In addition, the *Madbesis*, *janajatis* and other groups who are not fluent in Nepali face stiff competition in the examinations for entry into the national civil service. This linguistic barrier narrows *Madbesis*' study options as well as their futures in the decision-making bodies of the government and administration. This is depicted by their lower HDI with 0.448 compared to hill/mountain groups with 0.531 (Table 3).

Area-based discrimination and exclusion persists despite initiation of planned development efforts in Nepal since more than five decades. Despite some material achievements observed in some socio-economic sectors due to these efforts, it will not be an exaggeration to say that there is still a long way to sort out the inconsistencies and problems existing between regions, in a meaningful way. Regional variation in development among different regions has highly been perceived in the recent years. The spatial pattern of development shows that the Mountain, Mid and Far Western Regions have less developed but Central, Eastern and Western regions have comparatively better position. HDI throughout the country varies widely by urban-rural divide, by ecological belt, and by development regions. Similar is the case with the Human Poverty Index (HPI) which accounts for the income poverty (low income) as well as low access to opportunities or their participation in them (Table 5).

Table 5: Spatial Human Development/Poverty Index, 2006

Area/Regions	HDI	HPI
Urban	0.630	20.7
Rural	0.482	38.2
Mountain	0.436	43.3
Hill	0.543	32.7
Tarai	0.494	36.9
Eastern region	0.526	33.7
Central region	0.531	35.3
Western region	0.516	33.2
Mid-western region	0.452	38.7
Far-western region	0.461	39.0
Nepal	0.509	35.4

Source: Nepal Human Development Report, 2009, UNDP.

The urban people have much higher HDI than the rural people i.e. 0.630 vs. 0.482. Among the development regions, the Mid-Western region has the lowest level of development with the HDI value of 0.452 followed by the Far-western region with the HDI value of 0.461. Without Kathmandu, the HDI value for Nepal drops to 0.494 from 0.509 implying a higher disparity between the people of Kathmandu and those outside the capital. The mountain region and some of the largely *Madhesi* districts also rank among the least developed in terms of human development resulting in comparatively lower HDI value for mountain and Tarai with 0.436 and 0.494, respectively than that of Hill having the HDI value of 0.543.

As above, the HPI value also varies by area, region and ecology. By area, the urban people are much well-off than the rural people; by ecology the mountain people are much sufferer than the people from Hill and Tarai; and by region the Far-Western region is much poverty-stricken.

The political instability, poor accessibility, poor economic integration, rigid and steep topography, high rate of inter/intra-regional migration, and environmental and natural calamities are core causes of the regional inequalities of Nepal.

Appendix 9

Historical Perspective on Local Governance and Decentralization in Brief

Ancient and Medieval Period: In Nepal, the village administration is as old as the village itself. Historical documents such as *Sukra Niti*, *Yagnyavalka Smriti* mention the popular assembly, which used to take care of local problems and decide on the local disputes. The documents state that the members of the LBs were pure, self controlled, well bred, aged and noble.

Historically, the *Kirantis* were the first to rule over Nepal and their rule, in fact, marked the origin of Nepalese culture. During their period, Nepal was a welfare state under a monarchy. The King was at the top of the administrative system. At that time Nepal was divided into different *Thums* (territories) and each *Thum* had its own *Panchayat* composed of five elected members who maintained law and order, settled disputes, managed canals and trade, and collected state taxes including land revenue within their respective areas (*Sijapati*).

The *Kirantis* were followed by the *Lichhavis*. The King was the supreme ruler during the period of *Lichhavis*. The *Lachhavi* era had different state officials both at the central and field levels. Regarding the field administration, the Kingdom was divided into three local administrative units known as *Dranga*, *Tala* and *Gramas*. Each *Dranga* consisted of some *Talas* and each *Tala* comprised of some *Gramas*. The *Tala* roughly corresponded to the present day

district unit and had its administrative chief known as *Talaswami*. Each *Gram*, which formed the lowest local administrative unit, had at least one headman. In addition to whom, it also had a village committee called *Panchali* which decided cases and disputes relating to theft, robbery and so on and discharged some administrative and public welfare functions like digging canals, construction and maintenance of temples, collection and remittance of state revenue on land and agriculture products. The King occasionally consulted the committees for making rules and regulations. Since the administrative system of the *Lichhavis* was based on the principle of decentralization, the local government officials and offices must have been entrusted with necessary powers and functions.

The *Lichhavis* were followed in the medieval period of Nepalese history by the famous *Mallas*. The Kingdom was split into divisions and sub-divisions, which were respectively governed, by *Pramana* and *Nayaka* or *Dware*. The capital was the center of the Kingdom. An official called *Desb Nayaka* governed the semi-urban areas. The *Malla* era is famous for various progressive measures for socio-economic and legal development. The *Malla* King **Jayasthiti Malla** enacted a code and laid down rules for land evaluation and taxation. The *Malla* Kings' governance was limited to only the Kathmandu valley and its surroundings.

The Unification Period: The modern history of Nepal dates back to the 18th century when the great **King Prithvi Narayan Shah** brought the petty principalities under his control, and unified Nepal. The King could not spare much attention for bringing about many changes in the then administrative system by being busy to conquer the petty states. The central administration, which was the focal point of the entire administrative system of the Kingdom, consisted of the King, crown Prince, *Chautaria*, *Kajis*, *Sardars* and *Khajanchis*. The King used to run the administration with the help of the *Bhardari Sabha* consisting of high-level dignitaries and state officials.

After the rule of **Prithvi Narayan Shah**, the district administration saw several important changes. Roughly, the former principalities that antedated the unification of the country were turned into districts, and officers known as *Subba* were appointed as district governors in place of the former Kings of those petty

principalities. The districts were divided into sub-districts each of which was headed by an officer called *Foujdar* who maintained law and order, settled disputes and executed the orders of the central government within his areas. The village level officials - *Dware* in case of hilly region and *Chaudhari* in case of Terai region – also maintained law and order and collected revenues within their respective areas. At the village level, there were village level bodies, which played a role in the village life by deciding minor disputes and imposing minor punishments. The nobles and *Dwares* of the village generally attended meetings.

The Rana Rule (1846-1950): Nepal was governed by an autocratic form of *Rana* family rule from 1846 to 1950. During that period there were only few tiers of administration. The final authority was in the hands of hereditary Prime Ministers. Since Nepal neither experienced colonial rule nor inherited an administrative set-up from any particular country, a unique type of administration was developed by *Rana* rulers, which was highly centralized. The country was divided into 4 zones and 32 districts. Each zone was headed by a military General and each district by a *Badabakim* (district administrator) who used to be automatically a Colonel or Captain in the military hierarchy. The main function of the *Badabakim* was to collect revenue, maintain law and order, and give judicial decision.

Under the *Rana* regime, it was for the first time in 1926 that an Act, which made provisions for the establishment of local *Panchayat* institutions, was initiated. This Act created LBs composed of village elders. These bodies were entrusted with the responsibility to maintain law and order, settle local disputes and advise local people to file appeal in the court of law. Besides these, the *Panchayats* were empowered to regulate the general activities like protecting the villages from thieves/robbers, motivate villagers to cultivate land, supervise the canals and dams for irrigation and so on. The Act was enforced firstly in Dang Deukhuri and later in Kathmandu. Through this Act, District Magistrates were empowered to constitute one *Panchayat* each for an area of four/five *Gaon* (village) and *Manja* (a division of land), which was headed by the *Talukdar Jimmawala* (the land tax collector).

The effectiveness of these local *Panchayat* institutions convinced the government to promulgate a special Act for constituting

additional units in Terai districts. The Act envisaged constituting an eight-member unit including one member nominated by the central government in each district. It entrusted the local *Panchayats* with judicial powers to entertain cases arising at the local level with an authority to impose financial penalties. In 1949, the Village *Panchayat* Act and the *Panchayat* Court Act made provision for electing one-third of the members each year in a rotational order by members of village assembly, who were at least 21 years old. For augmenting the financial resources, the Act explicitly authorized the Village *Panchayats* to impose 5 percent additional tax on land and also levy some fees on business.

At the last lap of *Rana* rule, effort was made to draft a written Constitution, which envisaged for the *Gram* (village), *Nagar* (Town) and *Zilla* (District) *Panchayats*, According to the Constitution, all the members of the *Panchayats* had to be elected through adult suffrage, which also had to elect the *Panchayat* Unit Chiefs. But the Constitution could not be implemented due to the strong resistance from the hard-liner *Ranas*.

The Democratic Era (1951-1960): In 1951, an armed revolution overthrew the *Rana* rule and efforts were made to set-up a democratic form of government. For modernizing the administration, help was sought from India, the United Nations and the United States of America from 1951 to 1959.

A central secretariat was quickly set up at *Singh Darbar* and the form of a modern administrative system was introduced for which modern ministries headed by cabinet ministers were organized. The country's first budget was prepared and new and higher grades of civil service created. Old pay scales were revised. A manual on personnel administration, new civil service acts and rules, a secretarial manual for *Bada Hakims* were drafted. However, these structural changes were not accompanied by equally significant changes in bureaucracy's operating principles. Many of the civil servants – having trained and experienced during *Rana* rule - tended to adhere staunchly to well-tried and well-known procedures. The high degree of centralization of authority and responsibility that had characterized the *Rana* regime was not perceptibly diminished.

Successive governments from 1950 to 1960 appeared to be preoccupied with the spirit of local self-government. Attempts for rural development in the country were made since early 1950s with the inception of *Tribhuvan Gram Bikas* (Tribhuvan Village Development) Program. A Village Development Training Center to train manpower for village development was established in 1952. The graduates of the Training Center, after completing a six-month course, were to work at the satellite stations outside Kathmandu and also train multipurpose Village Development Workers.

The *Tribhuvan* Village Development Program was a multifaceted activity intended to cover various aspects of rural community's need. The implementation strategy of this program was based on a three-stage village development approach. The first stage was to identify the remote villages where the infrastructural facilities were to be developed. These were called Nucleus Development Areas. The second stage was to provide improved seeds, fertilizers, livestock development facilities, schools, drinking water and irrigation in the identified areas. The third stage, called the intensive stage, was to provide scientific farming assistance, extension of health services, establishment of cottage industries and cooperatives.

At the district level, a District Development Board was constituted which consisted of representatives from the local people, related line agencies and concerned specialists. The *Badahakim* (Chief District Officer) was ex-officio Chairman of the Board and District Development Officer was posted from the center as the executive officer to carry out development works.

Rural development strategy was worked out in the First Five Year Plan (1956-61). The country was divided into 150 blocks averaging about 200 villages in each block for the purpose of implementing village development activities. Experiments were carried out for the institutionalization of village co-operatives for economically strengthening the rural communities and to infuse them a sense of self-help.

The Administrative Reform Planning Commission constituted in 1957, proposed a hierarchical organization for village development activities. Village *Panchayat* was at the bottom with a block composed of a number of villages, a sub-division with a number of

blocks was organized for supervision, and a district unit was established to coordinate the overall activities. By 1960, the district and village development activities were organized in line with the proposal of the Commission.

In 1959, the promulgation of a new democratic Constitution was followed by the first ever multi-party election. After the establishment of the first multi-party system of government in 1959, a separate Ministry of Development was formed and the *Tribhuvan* Village Development Department, which was in charge of the village development programs, was put under this Ministry. The first democratically elected government initiated the process of institutionalization of democracy at the grass-root level by implementing the policy of decentralization. In this process, District Development Officers for each district were appointed. A high level committee under the Chairmanship of the Prime Minister was also constituted for reviewing the implementation of the district level projects. The proposed decentralization scheme of the government had apparently intended to create 14 provinces, 69 sub-districts and 35 districts. Under the scheme, the Government had also intended to introduce an Act regarding the handing over of central power to the districts. However, with the Royal takeover of the 1960 followed by the introduction of Partyless *Panchayat* Polity, the scheme did not materialize. The *Tribhuvan* Village Development Program was terminated after this.

The Panchayat Period (1960-1990): After the introduction of *Panchayat* polity, King Mahendra constituted Commission for Administrative Power Decentralization in May 1963 (known as *Thapa* Commission by being headed by Mr. *Biswa Bandhu Thapa*), which comprised of 21 members, 19 of them were the members of *Rastriya Panchayat* (National Assembly) and 2 other were the Secretaries of Home and *Panchayat* Ministries. In August 1963, the Commission submitted its report. Its recommendations are summarized as follows:

- gradual decentralization of power on a phase-wise basis,
- implementation of the programs stage-by-stage so that the *Panchayats* could undertake the new responsibilities and functions transferred to them,

- delegation of all the powers to the *Panchayats* in such manner so that the working efficiency and effectiveness may not be hampered,
- delegation of power to the *Panchayats* according to their capacity,
- abolition of the post of *Bada Hakim*,
- transfer of law and order and corruption eradication functions to the Zonal Commissioner, and
- all other powers to be vested to the District *Panchayats*.

The Commission also recommended to establish model *Panchayats* at the village and district levels and to declare Kathmandu Valley a *Mahanagar* (Metropolis). Other specific recommendations were delegations of powers and functions to the local *Panchayats* in the areas of maintaining law and order, controlling corruption, handling land administration, forestry management, agriculture, health, education, transport and communication, revenue collection and judicial authority.

Decentralization Plan , 1965

After the publication of the Commission's report, the government made a **Decentralization Plan in 1965** in order to execute the recommendations of the Commission. The decentralization plan divided the 12-year period in three phases for execution. In the first phase, the existing 35 administrative districts and the post of *Badahakim* were proposed to be phased-out and a proposition was made to divide Nepal into 14 zones and 75 districts and to appoint Zonal Commissioner in each Zone and Chief District Officer (CDO) in each district. The CDO was to be responsible to the District *Panchayat*, zonal commissioner and Ministry. The District *Panchayat* was envisaged to perform the tasks of education, health, agriculture and land reform; and the CDO to retain the responsibility of maintaining law and order. In the second phase, the task was to prepare the works to be performed in the last phase, manage the staff for it and organize training. In the final phase, responsibility of developing villages and districts was to be devolved to the local *Panchayats* and to entrust them with the task of looking into agriculture, education, health, cottage industries and supplies. *Panchayat* Development and Land Tax was proposed.

Creation of a separate Decentralization Unit for making necessary preparation to implement the decentralization plan; and a committee consisting of the Secretaries of all ministries under the Chairmanship of the head of Cabinet to remove obstacles in course of plan implementation was also envisaged.

The Local Administration Act, 1965

The Local Administration Act 1965 reorganized the country into 14 zones and 75 districts. The Act replaced the *Badshahim* by the CDO and placed the district administrative units under the control of District *Panchayat*. The CDO was given the authority to maintain law and order and also to coordinate the implementation of development projects at the district level. Moreover, responsibility of the secretaries of the District *Panchayat* was also entrusted to the CDOs. Powers and functions to deal with the unclaimed property, revision of land tariff, award of contracts of natural gas, oil and mines were delegated to the District *Panchayats*. Some selected Village *Panchayats* were empowered to collect land revenue and also with judicial authority to adjudicate some petty cases.

At the zonal level, which comprised of several districts, a Zonal Commissioner was appointed by the king with powers primarily relating to law and order and political activities over the whole zone and also relating to development issues such as inter-district coordination and enforcing administrative punishment for corruption and negligence in implementing development activities.

In 1967 the Constitution was amended and decentralization was adopted as one of the basic features of the *Panchayat* system. This is evident from Article 189 of the Constitution i.e. the Directive Principles of the State, which provided, “the aim of Panchayat system shall be to promote the welfare of the people by setting up a society which is democratic, just, dynamic and free from exploitation.” In addition, Clause 2 of the same Article also mentioned, “the objective of the system was to mobilize to the maximum possible extent and on voluntary basis, the national genius and resources for setting-up a society as envisaged by Clause (1) by associating through the gradual decentralization, the maximum number of representatives of people at all levels of administration and by making the general public vigilant and conscious.”

21-member Decentralization Committee

In the same year (1971), a 21-member Decentralization Committee (known as *Ghimire* Committee by being headed by Mr. *Bhoj Raj Ghimire*) was appointed by the government. The terms of references of the Committee were to:

- to delineate powers entrusted to the district *Panchayats*,
- judge efficiency and capacity of village and district *Panchayats*,
- articulate interaction between the CDO and the district *Panchayat* authorities, and
- recommend sustainable measures for an effective law and order administration in the districts.

The Committee in its report severely criticized the recommendations submitted by the earlier *Thapa* Commission, 1963 and opined that the recommendations of the Commission were “too sweeping” and not suitable to the soil of the nation. It recommended the implementation of the programs in two phases as follows:

- abolition of grant aids to the *Panchayats* and incorporation of village and district development schemes in the national economic plans, and
- withdrawal of authority of the *Panchayats* to levy taxes and enforcement of the *Panchayat* Development and Land Tax.

It also recommended entrusting more power to the Zonal Commissioners and making CDOs the kingpin for the coordination of all the district level offices. In short, this Committee’s recommendations were more towards centralization of authority rather than decentralization.

The Administrative Reform Commission, 1968

The Administrative Reform Commission formed in 1968 prepared three reports: the first in 1968, the second mid-term report in 1969 and the third in 1970. In the first report, it suggested to create the post of Panchayat Development Officer (PDO) because of the impracticability of making the CDO entirely responsible for all district activities and to give the responsibility of secretary of

District *Panchayat* to the PDO instead of CDO. It suggested making the CDO responsible for maintaining law and order without being involved in development activities, to put the district level offices under CDO, and to keep the development related technical offices in the district under District *Panchayat*. In its second medium-term report, the Commission emphasized to implement the suggestions of the first report. The third report suggested that the Center should be involved only in policy formulation and supervision, and implementation of programs should be entrusted to Zones and districts. It also suggested forming a plan formulation and execution committee consisting of members of *Rastriya Panchayat* under the Chairmanship of the Chairman of District *Panchayat*.

Jaya Prakash Committee, 1969

In 1969, yet another Committee on Decentralization was set up (known as *Jaya Prakash* Committee). The Committee in its report pointed out the need of rectifying the past mistakes. For the effective implementation of the programs, it recommended to set up two permanent committees, one at the central level under the Chairmanship of Prime Minister with all the Ministers and Secretaries of HMG/N as members, and the second committee under the Chairmanship of *Panchayat* Secretary with all the Departmental Heads as its members. The Committee's report recommended that the District *Panchayats* and District Assemblies be empowered with executive and legislative powers. The report aimed at creating autonomous governing units at the local level. But it was not translated into practice.

It was noted that the District *Panchayat* interfered in the business of district administration. For this reason, amendment to the Act was felt imminent which occurred in 1971. In 1971, the government issued Local Administration Ordinance, which withdrew the responsibility of CDO as secretary of District *Panchayat* and entrusted him with the tasks of maintaining law and order, supervision, coordination and executing the decisions of the District *Panchayat*. A new post of Panchayat Development Officer (PDO) was created, which had the responsibility of holding the job of District *Panchayat* Secretary, a position previously held by CDO, and also to function as the link between District *Panchayat* and the Government.

In order to help the village development activities, especially the infrastructure development, a Local Development Department under the Ministry of Home was established in 1971. This department provided technical services as well as material and financial assistance at the village level.

District Administration Plan, 1975

A new District Administration Plan was introduced in 1975, which emphasized on integration of multi-sectoral district development programs. A unified system of district administration with the CDO as the coordinator was also created. In fact, the Local Development Act 1971 and the District Administration Plan 1975 consolidated and strengthened the position of CDO. All the district level government offices were placed under CDO with exception to judiciary and defense. Under these new arrangements, some of the powers delegated to the District *Panchayats* were withdrawn and entrusted to CDO, who had to function as a liaison between District *Panchayat* and the Government to coordinate the activities of District *Panchayat* and district level offices, maintain law and order, perform some quasi-judicial function and also look after development activities. The Plan made provision of forming various plan formulation committees for the formulation of the district development plans and implementing it only after the approval of the District Assembly. Besides, it made the provision of local multipurpose development workers and Village *Panchayat* Secretary for laying the foundation of institutional development of Village *Panchayats*.

In 1975, the government launched several multi-sectoral rural development projects (IRDPs) for area-specific development. They made an effort to adjust the district development-planning concept of the government.

Integrated Panchayat Development Design, 1978

An Integrated Panchayat Development Design planned in 1978 was another initiative. The Design emphasized inter-sectoral coordination at the district level. The Design also recommended establishing a coordination mechanism at the national level and the establishment of multi disciplinary services centers in each of the 9 *Ilakas* (political division in the districts) to provide technical support at the village level. The centers were to act as focal point

for planning, implementation and supervision of development programs at the local level. People's participation was envisaged as an important aspect of this new Design.

A new Ministry of *Panchayat* and Local Development was created in 1980 for which a working paper was prepared. The Local Development Department under the Ministry of Home was brought under the new Ministry. A Local Development Officer (LDO) was appointed in each district to act as the secretary to the District *Panchayat* and also as the coordinator of the district development program, a role previously carried out by the CDO. The working paper made provision of the users' committees for the formulation of local development plans, establishment of service centers and their operation, formation of central, regional and zonal level coordination and implementation committees for the integrated development projects.

Grave political crisis started to crop up after the second amendment of the Constitution, which preferred the politics of consensus rather than that of competition. Similarly, the dismal economic performance, repressive policy towards people with differing political views and ban on political parties and their activities led the politically motivated university students to agitate. This posed a serious challenge to the validity and legitimacy of the *Panchayat* system. The situation became grave and the late King Birendra made a Royal Proclamation for the holding of a national referendum on the 24th May 1979 on whether to opt for multi-party system or a reformed *Panchayat* system.

Following the victory of the modified *Panchayat* system in the national referendum, the King in his message to the nation on 16th December 1981 remarked, *"To take the Nepalese society forward, I think we should be able to translate into reality the process of decentralization by giving the decision-making roles to the lowest units of our Panchayat polity."*

Decentralization Sub-committee, 1981

Following the third amendment of the Constitution in 1981, the King constituted a Decentralization Sub-committee in the same year. The Sub-committee cited the following main reasons for the low progress of decentralization during 20 years of *Panchayat* rule:

- diverse view on decentralization,

- lack of implementation,
- irregularity of decentralization efforts,
- lack of perspective to realize decentralization as a strategy of national development, and
- confined decentralization efforts to only the executive boundary.

Decentralization Act, 1982

The Sub-committee submitted its report in 1982. Based on this report, for the first time in Nepal, the Decentralization Act was legislated in 1982. This Act was amended in 1983 before its implementation. By-laws of the Act were framed in 1984 and both the Act and By-laws (together called the Decentralization Scheme) were formally enacted in 1984. The preamble of Act set the major goals and objectives as follows:

- Wider mobilization of people in resource allocation and distribution of the fruits of development in order to achieve the broader goal of creating exploitation less welfare society,
- Formulation and implementation of medium term and annual plans at the local level suitable to the local talents, potentialities and needs, and
- Development of lower level *Panchayat* institutions in order to make them capable in exercising democratic practices for identifying and determining the felt needs of the local people, managing planned development at lower levels, and involving beneficiaries themselves in taking decisions on matters relating to their daily needs.

The main features of this Act were:

1. Classification of development programs into district, regional and central level projects. The local government institution (mainly the then District Panchayat) was made responsible for planning, implementation and supervision of the district level programs— District Development Plan (DDP).
2. Establishment of a District Secretariat (DS) – District Panchayat Secretariat, to assist the DP in the planning and management of the DDP; and designation of the district

level offices of the government as the sections of the DS. District Level Offices that were treated as the sections of the District Secretariat were those related to Education and Culture, Health and Population, Agriculture and Irrigation, Works and Transportation, Drinking Water and Water Power, Forest, Soil Conservation and Environment, Commerce and Tourism, Fuel, Local Development and Social Welfare, Sajha (cooperatives) and other development related offices. The LDO was designated as the Coordinator of the development team and head of the DS.

3. Requirement for the preparation of district profile indicating all physical, natural and human resources available within the district and its use as the basis for the preparation of the district periodic plan and annual programs.
4. Establishment of Service Centers in all the nine *Ilakas* of the district as service delivery mechanism at the sub district level.
5. Requirement to establish of a review room in each district to display the charts, graphs and process on various development programs.
6. Requirement to constitute the Users' (Consumers') Groups from among the elected officials and real beneficiaries as organizational structure to undertake, operate, maintain and repair the development works, such as drinking water schemes, small irrigation and so forth.
7. Acceptance of both the village and district as the planning unit. It was made obligatory for the National Planning Commission (NPC) to have the approval of the DP for the inclusion of district level projects/ programs (departmental ones) in the national budget.
8. Provision for the establishment of Five Technical Committees: Agriculture and Irrigation Committee, Forest, Soil Conservation and Industry Committee, Health and Population Committee, Education Committee and Construction and Maintenance Committee. Each Committee was to be constituted under the Convenorship of one of the DP Members with other DP Members and other concerned district level officials as members. These Committees required assisting the DP to determine the technical soundness and approval of sectoral programs.

All the attempts made to reform and strengthen local democracy by streamlining grass root level people's institution had yet to bear substantial outcome when the formal dissolution of the old LGIs took place in 1990 as a result of change in the political system.

Appendix 10

Organizational Structure VC, VDC, DC and DDC

10.1 The VDC

The VDC is the lowest tier of local institution. It comprises of an executive committee, VDC and a council, VC. The area of a VDC is specified based on the geographical situation, population, communal unity or diversity of inhabitants. VDCs, as per LSGA, are to be divided into A, B, C categories depending on their population size, geographical diversity, transportation, communications, and education and health facilities⁷¹.

⁷¹ Group "A" VDC should have:

population of at least five thousand, motarable road to the center or an airport of running condition within the range of eight miles from the centre, facilities of telephone, post office and where at least fifty percent of the population have the facility to use electricity service, a secondary school, and the fifty percent of the population literate, and a sub-health post and where at least fifty percent of the population has the facility to consume drinking water supplied through pipe-line or tube well.

Group "B" VDC should have:

minimum population of four thousand, motarable road to the center or an airport of running condition within the range of sixteen miles from the centre, a post office and where at least twenty five percent of the population have the facility to use electricity service, a secondary school and having at least forty five per cent of the population literate, a sub-health post and where at least forty percent of the population have the facility to consume drinking water supplied through pipe-line or tube well.

Group "C" VDC:

The VDC which do not fall under the classification of Groups "A" and "B"

The VDC is constituted as the executive arm of the VC. The VDC is divided into nine Wards consisting of equal population to the extent possible. The institutional design of a VDC as provided by the LSGA is as follows:

Ward Committee: A Ward Committee is a 5-person committee⁷² elected by the Ward people for 5-years tenure. The Ward committee is composed of a Ward Chairperson and 4 Ward members including a women member. Inclusion of the women member is obligatory.

VC: In each VDC, there is VC, which a deliberative body of the VDC and is supposed to consist of the members as follows⁷³:

- Chairperson and Vice-chairperson of the VDC,
- Ward Chairpersons, Woman Ward Members and Ward Members of each Ward Committee, and
- Six persons including one woman nominated by the VC.

The nominated members of the VC must be from among the social workers, socially and economically backward tribes and ethnic communities, down-trodden and indigenous people living within the village development area, belonging to the class whose representation in the VC does not exist. As such, the VC consists of 53 persons including at least 10 women.

VDC: A VDC, is an executive committee of the VC. The VDC consisted of 13 persons⁷⁴ as follows:

- One elected Chairperson and one Vice-chairperson,
- Nine elected Ward Chairpersons one each from their respective Wards, and
- Two nominated members including one woman by the VDC from among the members of the VC.

The VDC is a legal entity having perpetual succession. Members of the VDC are elected by the people living within its territorial

⁷² Present arrangement is given in the portion dealing with All party mechanism

⁷³ Ibid

⁷⁴ Ibid

jurisdiction on the basis of the universal adult franchise for a period of five years, the tenure ends on the 15/16 July of the fifth year of election. While the Chairperson and Vice Chairperson are elected by all the voters, the Ward Members are elected by the voters of the respective wards. Besides the elected and nominated members, MoLD appoints a government official, as its secretary who also acts as the Secretary to the VC. In addition, the VDC can appoint its other staff on the basis of its financial resources.

Other Committees: The VC should constitute a 3-member Accounts Committee under the leadership of any of its members including the VDC Chairman to supervise and oversight its income and expenses⁷⁵. In addition, the VC may form following sectoral committees with three members to give necessary advice and suggestions to it on various matters. These committees are:

- Infrastructure and Construction Development Committee,
- Agriculture, Forest and Environment Committee,
- Population and Social Committee,
- Organization and Administration Committee, and
- Water Resources and Land Committee.

The members of these committees would have to be other than those included in the Accounts Committee. Similarly, member of one sectoral committee is not eligible for being member of another committee. Similarly, the VC may also form an Advisory Committee comprising of members ranging from three to nine, including social workers, intellectuals and persons having technical knowledge and skills to render assistance in its functions. Only those are not members of the VC are eligible for the membership of this Committee.

⁷⁵ The Accounts Committee is to study and submit a report to the meeting of the VC along with its opinion and recommendations on the following subjects: (i) Whether or not the resources have been mobilized and amounts have been collected as per the estimation in the annual budget. (ii). Whether or not the programs stipulated in the annual budget have been conducted, and (iii) Whether or not necessary actions have been taken in order to regularize, realize and settle the unsettled and irregular amounts in connection with the amounts determined as unsettled and irregular from the auditing.

10.2 The DDC

Term of the Members: Members of the local bodies are elected for a period of five years and their term comes to an end on the last day Ashar of the fifth year (July 14/15)

The DDC is the next tier of the local institution. It is the executive committee of the DC, a deliberative body. Each of the 75 districts has a DDC, which is the focal unit for administration, planning and development in the country. The DDC, as per LSGA, is to be categorized as 'A', 'B' and 'C'⁷⁶.

For the purpose of the election to the DDC, districts are divided into sub areas, called *Ilakas*, a cluster of 3 to 5 VDCs. A district may have minimum 9 to 17 *Ilakas* depending upon its size and population.

DC: In each district, as already stated, there is a DC which comprises the members as follows⁷⁷:

- Chairperson and Deputy-chairperson of each VDC in the District,
- Mayor and Deputy Mayor of each Municipality in the District,
- Members of the DDC,
- Members of the House of Representatives and the National Assembly within the District as ex-officio Member,

⁷⁶ Grade 'A' DDCs should have:

- facility of motorable road up to the district headquarters for transportation in all seasons of a year,
- achieved the target fixed in the education sector by the national indicator aimed at periodic plans,
- facility of at least one hundred fifty telephone lines installed
- having the facility of telephone provided in seventy five percent VDCs in the district, and
- achieved the target fixed in the health sector by the national indicator aimed at periodic plans.

Grade 'B' DDCs should have at least any two of the infrastructures referred to in grade A; and grade 'C' DDCs are those which have failed to be included in the above classifications.

⁷⁷ Present arrangement is given portion dealing with All Party mechanism

- Six persons including one woman nominated by the DC from among the social workers, socially and economically backward tribes and ethnic communities, down-trodden and indigenous people within the District, belonging to the class, whose representation in the DC does not exist.

As in the case of VC, The nominated members of the DC also must be from among the social workers, socially and economically backward tribes and ethnic communities, down-trodden and indigenous people living within the village development area, belonging to the class whose representation in the DC does not exist.

DDC: DDC is the executive committee of the DC. The DDC is composed of the following members⁷⁸:

Members elected by the elected members of the VC and Municipal Council in each *Ilaka* of the district from among themselves at the rate of one member from each *Ilaka*,

- Chairperson and Vice-chairperson elected by the elected members of each VC and Municipal Council in the district from among themselves,
- Members of the House of Representatives and the National Assembly within the District, ex-officio Member,
- Two Members including one woman nominated by the DDC from among the members of the DC.

Unlike in the case of VDC and municipality, the voters of the concerned district do not directly elect the members of both the DC and DDC. Rather the members of the VDC/Municipality elect them. But like the VDC and Municipality they are also elected for a period of five years, the tenure ends on the 15/16 July of the fifth year of election.

Other Committees: The LSGA and LSGR have provided provisions for the formation of different committees in the DDC. These committees include Integrated Plan Formulation Committee, Sectoral Committees, Supervision and Monitoring

⁷⁸ Ibid

Committee, and Accounts Committee. In addition, a DDC is also required to establish an Information and Records Centre within its organizational set up.

The DDC is provided the service of a Secretary (Local Development Officer), a planning and administration officer, accounts officer and some technical professional by the government from the members of the regular government service. Other than these could be appointed by the DDC on the basis of grants received from the government or its financial resources.

Accounts Committee: At the VDC level, The VC constitutes a 4-member Account Committee chaired by one of its members to oversee financial irregularities. The VDC Accounts Committee:

- Prepares the budget and submits it to the VC for approval,
- Puts forward proposals relating to the levying and collecting of taxes, charges, fees, and levies, approved by the VC;
- Puts forward proposals relating to the raising of loan for approval,
- Discusses irregularities pointed out in the audit report of the VDC and direct the VDC to take necessary action, and
- Grants approval of allowances and other facilities of employees proposed by the VDC.

At the DDC level, the DC forms an Account Committee chaired by one of its members comprising of maximum five members to oversee financial irregularities. The DDC Accounts Committee:

- Submits the budget to the DC for approval,
- Puts forward proposals relating to taxes, charges, fees, tariffs, loans or borrowings and internal resources and the DC adopts it,
- Holds discussion on the audit reports of the DDC and give necessary direction to it for the settlement of irregular accounts,
- Proposes remuneration, allowances and other facilities of the employees to the DC for its approval, and

- Puts forward the proposals relating to imposing taxes, fees, charges and duties and raising loans for approval of DC.
Source: Local Self Governance Act 1999.

Appendix 11

Functions, Duties and Powers of the LBs

11.1 Functions, Duties and Power of the VDC

In addition to executing or causing to be executed the decisions and directions of the Village Council, the functions, duties and powers of the Village Development Committee shall be as follows:

(a) Relating Agriculture

- (1) To carry out or cause to be carried out agricultural development programs within the village development area
- (2) To arrange for agricultural Hat (weekly temporary bazaar), markets and fairs or to assist in organizing such fairs within the village development area.

To operate or cause to be operated veterinary hospitals, as per necessity, for the prevention and control of animal diseases within the village development area, and to arrange or cause to be arranged for pasture areas, as required, for cattle grazing.

(b) Relating to Rural Drinking Water

- (1) To prepare drinking water projects for the supply of drinking water required within the village development area and to implement and operate the same, and to arrange or cause to be arranged for their maintenance.
- (2) To construct, maintain and repair or cause to be constructed, maintained and repaired wells, deep water, ponds, taps etc. within the village development area.

- (3) To preserve or cause to be preserved the sources of water within the village development area.

(c) Relating to Works and Transport

- (1) To prepare projects on tracks and trails, and rural roads required within the village development area and to implement the same and make arrangement for their maintenance and repair.
- (2) To maintain and repair bridges, twines, ghats (embankments) and culverts handed over by various agencies.

(d) Relating to Education and Sports

- (1) To establish pre-primary schools with own source, to give permission to establish them and to operate and manage the same.
- (2) To supervise and manage the schools being operated within the village development area.
- (3) To assist in providing primary level education in mother tongue within the village development area.
- (4) To make programs on adult education and informal education and to carry out or cause to be carried out the same.
- (5) To establish and operate or cause to be established or operated libraries.
- (6) To formulate plans on the development of sports and to implement the same, and to extend support to the development of sports by constituting village level sports development committee.
- (7) To make arrangements for providing scholarships to the students of oppressed ethnic communities who are extremely backward on economic point of view.

(e) Relating to Irrigation and Soil-erosion and River Control

- (1) To prepare projects of irrigation, dams, canals, water channel, water bank (*Panigbat I*) etc. required within the village development area and to implement or cause to be implemented the same.
- (2) To prepare programs on soil-erosion and river control that affects the village development area and to implement or cause to be implemented the same.

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- (3) To generate and distribute electricity and to cause to be generated and distributed the same.

(f) Relating to Physical Development

- (1) To build community buildings, rest houses and public toilets.
- (2) To prepare criteria for houses, buildings, roads and other physical infrastructures etc. to be constructed within the village development area and to grant approval as prescribed for the construction of them.
- (3) To formulate land-utilization plans of the village and to implement or cause to be implemented the same.
- (4) To make or cause to be made arrangements for necessary sewerage and drainage in settlement areas.

(g) Relating to Health Service

- (1) To operate and manage village level health centre, health post and sub-health posts.
- (2) To prepare programs on primary health education and sanitation and disposal of wastes and garbage in the village development area and to implement the same.
- (3) To provide assistance in the development and expansion of herbs.
- (4) To launch programs on family planning and maternity and childcare.

(h) Relating to Forests and Environment

- (1) To afforest or have afforestation in barren land, hills, steppe and steep land and in public land.
- (2) To prepare programs in respect of forests, vegetation, biological diversity and soil conservation and to carry out or cause to be carried out the same.
- (3) To make various programs on environment protection and to carry out or cause to be carried out the same.

(i) Relating to Language and Culture

- (1) To keep records of religious places and rest houses, inns, shelters etc. within the village development area and to look after and preserve them or cause to be done the same.

- (2) To preserve or cause to be preserved various languages, religions and cultures and assist in their development.

(j) Relating to Tourism and Cottage Industries

- (1) To preserve, develop and expand tourist areas and to make or cause to be made arrangements for preventing pollution in such places.
- (2) To act as a motivator for carrying out cottage industries in the village development area.

(k) Miscellaneous

- (1) To develop human resources, to make arrangements for making available employment and self-employment opportunities.
- (2) To provide assistance for cooperatives.
- (3) To keep records of population, houses, land and livestock within the village development area.
- (4) To carry out or cause to be carried out necessary works in respect of controlling natural calamities.
- (5) To register birth, death and other personal events in accordance with the prevailing law.
- (6) To maintain the inventory of the helpless, orphan and disabled children within the village development area and to make arrangements for keeping them in appropriate place.
- (7) To prepare necessary plans for the upliftment of women within the village development area and to implement the same.
- (8) To carry out activities regarding the protection of orphan children, helpless women, aged and old, disabled and incapacitated persons in line with the national policy and to carry out or cause to be carried out acts regarding the wiping out of social ill-practices and the protection of girls and women.
- (9) To protect movable and immovable properties which are under ownership and control of the Village Development Committee.
- (10) To frame byelaws of the Village Development Committee and submit them to the Village Council.

- (11) To control immoral activities like sale and distribution of intoxicating substances and gambling and playing cards within the village development area
- (12) To encourage or cause to be encouraged to carry on cooperative, industrial and commercial activities generating income to the Village Development with the investment of private sector as well.
- (13) To formulate various programs based on cooperativeness and to carry out or to cause to be carried out the same
- (14) To evaluate the performance of the secretary and forward it with recommendations to the authority.
- (15) To carry out such other functions as are prescribed by the prevailing law.

Source: Local Self Governance Act, 1999 (LSGA), Section Article
28

11.2 Functions. Duties and Powers of the DDC

In addition to implement and cause to be implemented, the decisions and directions of the District Council, the functions and duties of the District Development Committee shall be as follows

(a) Relating to Agriculture

- (1) To make District level policy on agriculture and livestock development, and formulate and operate programs in consonance therewith, and inspect and monitor, and cause to be inspected and monitored, the programs operated.
- (2) To arrange for, and cause to be arranged for, the seeds, fertilizers and other agricultural inputs required in the District.
- (3) To provide, and cause to be provided, the services relating to agriculture extension in the district development area
- (4) To promote, and cause to be promoted the agricultural *Hat* markets and fairs.
- (5) To manages and cause to be managed, the markets for agricultural products.

(b) Relating to Rural Drinking Water and Habitation Development

- (1) To formulate and implement, and cause to be implemented, such drinking water plans as are to benefit the people in more than one village development area in rural areas of the district development area.
- (2) To formulate plans on habitation and market development in rural areas of the District development area, and implement and cause to be implemented them.

(c) Relating to Hydropower

- (1) To formulate, implement, operate, distribute and maintain and repair projects on mini and micro hydropower and other energy, and cause to be done the same.

(d) Relating to Works and Transport

- (1) To prepare a master plan of district-level roads in the district development area and get it approved by the District Council.
- (2) To build, operate, monitor, evaluate and maintain and repair the approved District level roads, and cause to be done the same.
- (3) To formulate, build and maintain and repair the plans of suspension bridges required in the district development area and cause to be done the same.
- (4) To make necessary- arrangements on the means of transport to be operated within the district development area
- (5) To give license to “D” class contractors and cancel and renew it pursuant to the prevailing law.
- (6) To develop and promote the waterways and ropeways.

(e) Relating to Land Reforms and Land Management

- (1) To protect and promote the *Ailani* (unregistered) land and governmental barren land situated within the district development area.

f) Relating to Development of Women and Helpless People

- (1) To prepare and implement a plan required for the upliftment of the women in the district development area.
- (2) To carry out acts on the protection of the orphans, helpless women, the aged, disabled and incapacitated persons as per the national policy, and to carry out or cause to be carried out acts on the wiping out of social ill-practices and the protection of the girls and women.

(g) Relating to Forest and Environment

- (1) To prepare plans on forests, vegetation, biological diversity and soil conservation, and implement and cause to be implemented the same.
- (2) To protect and promote, and cause to be protected and promoted, the environment.

(h) Relating to Education and Sports

- (1) To set priority for establishing schools in the district development area and make recommendation thereof.
- (2) To make recommendation, setting out rationale and reasons, for the approval and dissolution of the schools in the district development area.
- (3) To supervise and monitor the schools in the district development area and assist in their operation and management.
- (4) To formulate policies and programs on the District level adult education as well as informal education.
- (5) To set programs relating to sports and physical development, and implement and cause to be implemented them.
- (6) To determine rate of wages for labour and rate of workmanship at the district level.
- (7) To set and operate programs on abolition of child labour and rescue of the children,

(i) Relating to Wage and Labour

- (1) To determine rate of wages for labour and rate of workmanship at the district labour,
- (2) To set and operate programs on abolition of child labour and rescue of the Children.

(j) Relating to Irrigation and Soil erosion and River Control

- (1) To formulate, implement, operate and maintain and repair programs on irrigation, ditch, embankment, and small ditch providing facility to more than one village development area in the district development area, and cause to be done the same.
- (2) To formulate plans on prevention of soil- erosion, river cutting etc. in the areas affected from such acts, and implement and cause to be implemented the same.

(k) Relating to Information and Communications

- (1) To give approval to set up cinema halls in the district development area except for the Municipality area.
- (2) To open district level libraries, reading rooms and information centers in other rural areas accept the Municipality area in the district development area.

(l) Relating to Language and Culture

- (1) To keep records of culturally and religiously important places located within the district development area and to preserve and promote them by having them repaired and maintained.
- (2) To promote, and cause to be promoted, various languages, religions and culture
- (3) To preserve, promote and use, and cause to be preserved, promoted and used, the archaeological objects, languages, religion, art and culture within the district development area

(m) Relating to Cottage Industry

- (1) To maintain records of the cottage industries to be establish within the district development area.

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- (2) To identify and develop an industrial zone in the district.

(n) Relating to Health Service

- (1) To operate and manage, and cause to be operated and managed, the district level health posts, hospitals, *Ayurvedic* dispensaries, health centers, health offices etc.
- (2) To formulate and implement the programs such as family planning, mother child welfare, extensive vaccination, nutrition and population education and public health.
- (3) To give approval to open sub-health posts in the village development areas under the district development area and inspect and monitor them
- (4) To make arrangements for supply of such medicines and materials and equipment relating to treatment as required for the district development area, and inspects and monitors the quality standards thereof.
- (5) To prohibit or remove the public use of the things injurious to the public health in the district development area.
- (6) To prohibit the sale, distribution and consumption of such consumable goods as may cause adverse impacts on the public health.

(o) Relating to Tourism

- (1) To protect, promote, expand and utilize the natural, cultural, historical and tourist heritages in the district development area, and cause to be done so.

(p) Miscellaneous

- (1) To maintain data of the district development area.
- (2) To carry out necessary acts in respect of controlling natural calamities.
- (3) To protect the movable and immovable properties remained under the ownership and control of the District Development Committee.
- (4) To draft the byelaws of the District Development Committee and submit it to the District Council.

- (5) To carry out such other functions as prescribed under the prevailing law.
- (6) The District Development Committee may give grants for the approved programme to any organization, association or body, being subject to the approved budget.
- (7) The District Development Committee may, subject to this Act, carry out the development and construction works by entering into agreement as prescribed with any individual, governmental or non governmental organization or person. Information on the agreement so entered into shall have to be given to His Majesty s Government. Provided that without prior approval of His Majesty s Government no such agreement shall be entered with any international non-governmental organization or foreigner.
- (8) If it is received information that any project or programme of national level operated in the district development area has not been operated effectively or any kind of irregularity has been done there, the District Development Committee may give necessary suggestions in that regard or make recommendation to the concerned body for action.
- (9) In addition to those as mentioned in this Act, other functions, duties and powers of the District Development Committee shall be as prescribed.

Source: Local Self Governance Act, 1999 (LSGA), Section 189

Appendix 12

14-Steps Planning Process

Steps	Activities	Participants	Time Schedule
First: Directives from the NPC and Government	<ul style="list-style-type: none"> Directives and information, budget ceiling for next year from sectoral ministries and NPC 	District level sectoral agencies	By the 2 nd week of November
Second: Review of Directives	<ul style="list-style-type: none"> Analysis and review of directives, policies, and guidelines estimated budget provided by sectoral Ministries/NPC. 	Sectoral Agencies, Chief, DDC Chairperson, Vice Chairperson and Members	By the 3 rd week of November
Third: Planning Workshop	<ul style="list-style-type: none"> Dissemination of information on policies, objectives, program resources, activities, available budget of sectoral ministries and allocation of estimated budget per VDC. Distribution of project request forms and orientation to fill the form to DC Chairperson, Vice-chairperson, Secretary and others. 	DDC Officials, Sectoral Agencies, Chief representative of Financial institutions, CCII/NGOs, VDCs Chairperson and Vice Chairperson and Secretary	By the end of November
Fourth: VDC Meeting	<ul style="list-style-type: none"> Analysis of programs/projects to be carried out in ward/settlement level by VDC. 	VDC, DDC and Sectoral Agencies' representatives	By the 2 nd week of December
Fifth: Settlement level plan selection workshop	<ul style="list-style-type: none"> Assessment and analysis of the projects and programs in a participatory way, which benefits the maximum no. of households (local resident/Core-User Groups). Fill forms at settlement level by communities with signature of the participants. 	Local residence I/NGOs, CO, UG/CS and Ward Chairperson and Members	By the 3 rd week of December
Sixth: Ward committee Meeting	<ul style="list-style-type: none"> Prioritization of programs/projects received from the settlement level community level. 	Ward Chairperson, Members, COs and UG/CS	By the end of December

Steps	Activities	Participants	Time Schedule
Seventh: VDC meeting	<ul style="list-style-type: none"> • Prepare list of program/projects received from the settlement level • Identify and finalize programs/project. • Prioritize programs/projects, which VDC can implement on its own and which needs outside support with estimated budget and separate those to be done from VDC and requiring support from outside. 	VDC officials and Sectoral Agencies representative	By the 1 st week of January
Eighth: Village council Meeting	<ul style="list-style-type: none"> • Approve those program/projects to be done through VDC resources. • Identify those that require support from outside, prioritize them and forward to DDC for assistance. 	VDC council members	By the 2 nd week of January
Ninth: Ilaka level planning workshop	<ul style="list-style-type: none"> • Prioritize sectoral program identified by VDC and Municipalities and forward them to DDCs sectoral committee. • Ilaka member conduct Ilaka level planning workshop. 	Ilaka member, VDC Chairperson, Vice Chairperson, Ward Chairperson, Mayors and Deputy Mayors, Chief of Sectoral Agency, Chief of Financial Institutions and I/NGOs representatives	By the 1 st week of February
Tenth: Sectoral planning committee meeting	<ul style="list-style-type: none"> • Prioritize sectoral program identified by VDC and Municipalities and forward them to DDC's sectoral committees. • Ilaka member conduct Ilaka level planning workshop. 	DDCs members, I/NGOs representative, sectoral committees' members as per the nature of their work	By the 2 nd week February
Eleventh: Integrated plan formulation committee meeting	<ul style="list-style-type: none"> • Assess and analyze the prioritized programs/projects of different sectors. • Incorporate prioritized project into different sectoral committees' development plans and submit the draft to integrated plan formulation committee. 	DDC Chairperson, Vice-chair person, MPs of the district, sectoral committees' chief and representative of I/NGOs	By the 3 rd week of February
Twelfth: District Development Committee	<ul style="list-style-type: none"> • Assess the District Development Plan in relation to government/NPC instruction, district periodic plan, resource map, environmental impact etc. • Classify program/projects separately between those to be done from the district and from the center. • Prioritize programs and projects on sectoral or geographic basis and submit the draft plan for the approval of the District Council. 	DDC Chairperson, Vice - Chairperson and members	By the 1 st week of March
Thirteenth:	<ul style="list-style-type: none"> • Discuss the draft District Development 	Members of District	By the 2 nd week

Steps	Activities	Participants	Time Schedule
District Council	Plan & approval of the District Development Plan.	Council	March
Fourteenth: Implementation of District Development Plan	<ul style="list-style-type: none"> • Forward the District Development Plan to MLD and NPC. • Forward the sectoral program and project to sectoral Ministries. 	NPC, MLD and Sectoral Ministries	By the end of March

Source: Ministry of Local Development (MoLD)

Appendix 13

Composition of *Dalit* Upliftment District Coordination Committee, Indigenous and Ethnic District Coordination Committee and Gender and Child Right Mainstreaming Program

13.1 *Dalit* Upliftment District Coordination Committee

9.	District Development Committee (DDC) chairperson:	President
10.	A person actively engaged in <i>Dalit's</i> welfare and social works nominated by DDC:	Vice President
11.	One <i>Dalit</i> each nominated by the active political parties in the district:	Member
12.	Coordinator of the DDC Social Committee:	Member
13.	Municipality Mayor (s) in the district:	Member
14.	Chief District Officer (CDO) or Assistant CDO:	Member
15.	Local Development Officer :	Member
16.	District Police Office Chief:	Member
17.	District Education Officer:	Member
18.	Executive Officer (s) of the Municipality in the district:	Member
19.	District Public Health Officer:	Member
20.	Women Development Officer:	Member

21.	Two women from among the <i>Dalit</i> community of the district active in <i>Dalit</i> upliftment nominated by the Coordination Committee:	Member
22.	One representative from among the NGOs active in <i>Dalit</i> upliftment in the district nominated by the Coordination Committee:	Member
23.	One Representative of District Chamber of Commerce and Industry:	Member
24.	One Representative of the National Association of Village Development Committees in Nepal:	Member
25.	DDC officer looking after Social Work (Focal Point): Member Secretary	

Note: In case of the absence of LA officials, the Vice-president of the above committee will be a person nominated by the Minister/State Minister upon the advice of related DDC, National *Dalit* Commission and Neglected, Oppressed and *Dalit* Upliftment Development Committee, as necessary.

Source: www.MoLD.gov.np

13.2 Composition of Indigenous and Ethnic District Level Coordination Committee

26.	Chairperson, District Development Committee (DDC):	Chairperson
27.	Government nominee from among the active persons from the indigenous and ethnic communities from within the district:	Vice Chairperson
28.	Political parties(recognized) ' nominees one from each recognized party:	Member
29.	Convener, Social committee of the DDC:	Member
30.	Chief , Municipality from within the district:	Member
31.	Chief District Officer (CDO) or the deputy, District Administration Office:	Member
32.	Chief District Police:	Member
33.	Local Development Officer:	Member
34.	Executive Officer, Municipality from within the district:	Member
35.	District Education Officer:	Member
36.	District Public Health Officer, district:	Member

37.	District Women Development Officer:	Member
38.	District Cottage and Small Scale Industry Officer:	Member
39.	Chairperson, VDC located in the district headquarters:	Member
40.	Nominee of the indigenous and ethnic organizations:	Member
41.	Two women nominated by the indigenous and Ethnic organization:	Member
42.	Representative, District committee of FNCCI:	Member
43.	Nominee of the Nepal Association of Village Development Committees of Nepal (NAVIN):	Member
44.	Officer in charge of Social Development in the DDC secretariat:	Member Secretary

Source: www.MoLD.gov.np

13.3 District Level Gender Equality and Social Inclusive Implementation Committee

	Local Development Officer	Chairperson
	Women Development Officer	Vice Chairperson
	Representatives District Level Committee: a. Dalit, indigenous and Ethnic matters b. Gender mainstreaming	Member Member
	Representatives from Muslim Madheshi Disabled Others backward community	Member Member Member Member
	Representative from among those Registered organizations involved in Gender empowerment or inclusion matters	Member
	Representative from among Children related Organizations	Member
	Representative from among the staff associated With the social mobilization unit within DDC	Member

	Representative, DDC Planning and Monitoring Unit	Member
	Gender Related Liaison Officers/Personnel of various government and Non government organizations	Member

The meeting of this committee would take place once in four months, maintain all the decisions made on gender, children and excluded groups and provide progress report to the DDC.

Source: Policy on Gender Equality and Inclusiveness: BS 2066(2009), Government of Nepal, Ministry of Local Development, Kathmandu

Appendix 14

Nature of Projects to be funded by the local bodies for the targeted population under the Local Bodies Grants Operating Procedures, 2010

1. Projects to be funded that would provide direct benefits to Women from the 10 per cent allocation;

- 1.1. Infrastructure development: Health and sanitation, drinking water and sanitation, workload saving programmes or projects, temporary shelters for violence affected women, equipments for the disabled women, community building for increasing social capital and running trainings etc.
1. 2. Social / Capacity Building Programmes, such as conscious raising programmes, preparatory class for appearing PSC exams, leadership development women literacy programmes
1. 3. Economic/ Skill development Programmes: Agriculture and Non agriculture related programmes, small and cottage industries related programmes
- 1.4. Institutional Development, such as institutional improvement programmes of health post and sub posts, women cooperatives, women community organizations

2. Projects to be funded that would provide direct benefits to Children from the 10 per cent allocation

- 2.1. Infrastructure development programmes such as primary education, education materials, toilets etc. shelter house for violence affected children
- 2.2. Social/Capacity Development programmes such as children's rights, and children related information etc. capacity development of children related clubs etc.
- 2.3. Institutional Development programmes such as institutional development of schools, clubs, net works and expansion of children related clubs and net works etc.

3. Projects to be funded from the allocation of 15 per cent to provide direct benefits to economically and socially deprived sections, Dalits, Indigenous/Ethnic groups, senior citizens, disabled, Madhesis, backward communities, Muslim and other backward communities

- 3.1. Infrastructure Development: Drinking water and sanitation, alternative energy and improved stoves, social capital increasing and human resources development related activities.
- 3.2. Social/ Capacity Development programmes such as profile and mapping of the backward sections, awareness raising programmes on various programmes and foreign employment, preparatory classes for appearing PSC exams. Etc
- 3.3. Economic/ Skill development related to the agriculture and non agriculture related programmes, cottage and small industries related ones.
- 3.4. Institutional Development Programmes for community organizations and other related organizations

Source: Local Bodies Grants Operating Procedures 2010

Appendix 15

Types of VDC Level Programs/Projects

Jhapa

Types of Programs/Projects	Number of Projects		
	Jalthal* (2008/09)	Khajurgachhi* (2008/09)	Khudunabari** (2008/09)
Roads and trails	13	2	15
Culverts and wood overpass (bridge)	3		
Electrification	13	5	
Human resource development	6		
Partnership program	1		
Market improvement	1		
Health		2	1
Irrigation		1	3
Agriculture/Livestock and Forest/Environment		2	12
Skill oriented training		1	
Targeted programs for women/children/youth/ <i>Dalit/</i> <i>adivashi/Janajati/disable</i>			9
Embankment		1	
Education		1	6
Buildings and Temple		1	
Repair and maintenance		1	
Drinking water		1	2
Other construction		Not identified	
Miscellaneous		2	
Total	37	20+	58

Source: Annual Programs and Progress Reports of the VDCs. Note: * From annual program and ** from progress report.

Sindhuli

Types of Programs/Projects	Number of Projects		
	Mahadevsthan (2008/09)	Ratanchura (2008/09)	Lampantar (2008/09)
Roads and trails	6	4	4
Culverts and wood overpass (bridge)			2
River control	6		
Electrification	1		2
Human resource development			
Health	7	1	1
Irrigation	5		1
Agriculture/Livestock and Forest/Environment	2		
Targeted programs for women/ children/ youth/ <i>Dalit/ adivashi/ Janajati</i> / disable	Programs not Identified	Programs not identified	Programs not identified
Education	7	3	13
Drinking water	19	2	
Other construction	2		
Miscellaneous		1	1
Total	55+	11+	24+

Source: Annual Programs of the VDCs.

Lamjung

Types of Programs/Projects	Number of Projects			
	Bichaur* (2008/09)	Gaunshahar** (2007/08)	Bhorletar* (2008/09)	Taghring* (2008/09)
Roads and trails	2	8	8	2
Culverts and wood overpass (bridge)			1	
Suspension bridge	1		1	
Electrification	1	2	1	2
Irrigation	1		6	3
Agriculture/Livestock and Forest/ Environment			3	4
Targeted programs for women/ children/ youth/ <i>Dalit/ adivashi/ Janajati</i> / disable		1 (for disable)	2 (one each for women and <i>Dalit</i>)	1 (for <i>Dalit</i>)
Support to Mothers' Group and Club		1		4
Education	2	4	5	5
Buildings and Temple		3	2	1
Repair and maintenance		2		
Drinking water	2	7	9	2
Other construction			2	
Miscellaneous	4		4	1
Total	13	28	44	25

Source: Annual Programs and Audit Report of the VDCs.

Note: * From annual program and ** from progress report.

Bardiya

Types of Programs/Projects	Number of Projects			
	Daulatpur* (2008/09)	Bagnaha** (2008/09)	Mohamma dpur** (2008/09)	Sorhawa* (2008/09)
Roads and trails	1		10	4
Culverts and wood overpass (bridge)	7			2
Electrification	3		2	2
Human resource development			1	
Health	3	3	1	
Irrigation				
Agriculture/Livestock and Forest/Environment	Programs not identified			
Targeted programs for women/children/youth/ <i>Dalit/ adivas bi/Janajati</i> /disable	Programs not identified	1 (for youth club)	7	
Embankment	1			
Education	2	Programs not identified		
Buildings and temple construction	1			2
Repair and maintenance		3	1	
Drinking water				1
Other construction		1		
Miscellaneous			1	1
Total	18+	8+	23	12

Source: Progress Reports, Audit Reports and Annual Programs of the VDCs.

Note: * From annual program and ** from progress report.

Achham

Types of Programs/Projects	Number of Projects		
	Janali Bandali (2008/09)	Mangalsen (2008/09)	Mastamandu (2008/09)
Roads and trails	3		
River control			4
Electrification			1
Health	1	2	4
Irrigation		4	4
Agriculture/Livestock and Forest/Environment	1 (Tree plantation)		
Skill oriented training			
Targeted programs for women/children/youth/ <i>Dalit</i> / <i>adivashi</i> / <i>Janajati</i> /disable		Programs not identified	4 (2 for women, and one each for children and <i>Dalit</i>)
Education	1	6	1
Buildings and Temple		3	7
Repair and maintenance			7
Drinking water		3	1
Miscellaneous	1	1	4
Total	7	19+	37

Source: Annual Programs of the VDCs.

Appendix 16

Types of DDC Level Programs/Projects

Taplejung

S.N.	Programme	Number of Program/Projects (FY 2008/09)
1.	Construction of DDC building	1
2.	Landslide control	12
3.	Micro-hydro power development	1
4.	Local development fund	1
5.	Participatory program	1
6.	Health	2
7.	School building	3
8.	Sports and covered hall	7
9.	Tourism	4
10.	Cardamom/herbs development	2
11.	Capacity building/participatory project	2
12.	Irrigation	1
13.	Women, <i>Dalit</i> , indigenous people, disable and others	25
14.	Decentralized rural infrastructure: livelihood program	5
15.	Rural drinking water	3
16.	Agriculture road	3
17.	Community development program	19
18.	Miscellaneous	13

Source: DDC Taplejung.

Jhapa

S.N.	Programme	Number of Program/Projects (FY 2007/08)
1.	Roads	10
2.	Agricultural and rural roads	28
3.	Drinking water and sanitation	12
4.	Suspension bridge	2
5.	Logistic support to communities	3
6.	Technology transfer and income generation	5
7.	Capacity building training	11
8.	Observation visit	2
9.	Seed grant	6
10.	DDC internal Source	5

Source: DDC, Jhapa

Sindhuli

S.N.	Programme	Number of Program/Projects (FY 2007/08)
1.	Income generation activities	4
2.	Education (Infrastructure development)	4
3.	Agriculture and rural roads and maintenance	22
4.	Bisheswar with poor and village development program (Women, Children, <i>Dalit</i> , Janajati and related to promotion of agriculture and live stock)	12
5.	Rural drinking water project and maintenance	23
6.	Suspension bridge	5
7.	Irrigation	3
8.	Hydro electricity (micro)	3

Source: DDC, Sindhuli

Lamjung

S.N.	Programme	Number of Program /Projects (FY 2007/08)
1.	Drinking water and sanitation	17
2.	Suspension bridge	3
3.	Agriculture and rural roads and maintenance	46
4.	Electrification	1

Source: DDC, Lamjung

Bardiya

S.N	Programme	Number of Program/Projects (FY 2009/10)
1.	Agricultural and rural roads	68
2.	Drinking water and sanitation	4
3.	Office building construction and maintenance	23
4.	Miscellaneous	7

Source: DDC, Bardiya

Achham

S.N	Programme	Number of Program/Projects (FY 2008/09)
	Rural water resource management	35
	Rural drinking water and sanitation and maintenance	9
	Agricultural and rural roads	20
	Suspension bridge construction and maintenance	32
	Office building construction and maintenance	46
	Irrigation	66
	Electrification	3
	Decentralized fiscal management program.	45

Source: DDC, Achham

Appendix 17

Revenue Sources of the LBs

17.1 Revenue Sources of the VDCs

The VDC can levy the following taxes within its area:

- House and land tax.
- Land revenue or land tax (provided that 25 per cent of its revenue to be handed over to the related DDC).
- *Haat* (temporary weekly/bi-weekly market) shop tax.
- Vehicle registration and annual vehicle tax on the prescribed vehicles within the village development area and occasional vehicle tax on all kinds of vehicles entering into its area.
- Entertainment tax on the places of entertainment such as permitted cinema-hall, video-hall, cultural-show hall etc.
- Rent and Tenancy (Bitauri) tax on the temporary VDC constructed, supervised or operated shops given on rent at the *Haat* market places or at unregistered (Ailani) land or road sides, within the village development area.
- Advertisement tax on sign boards placed within the village development area.
- Business tax on the prescribed industry, trade, profession or occupation within the village development area.
- Commercial video tax within the village development area.
- Natural Resources Utilization Tax: for commercial exploitation of natural resources and heritage within the village development area.

- Other taxes as prescribed.

The VDC may also impose the following service charges for the services made available by it within its area:

- Service charge on sanitation, drainage and sewerage.
- Tourist places entrance charge.
- Entrance charge on parks, garden, picnic places and view towers etc.
- Charge for performing entertainment activities like magic and circus.
- Service charge on the amount realized by it for somebody else, if it realizes and recovers any other's amount and goods.

The VDC may charge the fees for:

- licensing and renewal for television, video and other equipment;
- approval (house construction, vehicle operation etc.) and
- recommendation (such as vital registration, citizenship certificate, passport etc.

The VDC may raise income through selling:

- Soil of governmental barren land.
- Products of public ponds or gardens.
- Assets of the VDC.
- Forest products such as dried timber, fire woods, branches, splints, twigs, roots etc.
- Straw, grass etc.

The other sources of VDC income are comprised of loan or borrowings:

- with or without pledging any movable and immovable property under its ownership and possession, or under the guarantee of GoN from a bank or any other organization or institution; and amount received from:
- the use, other than public use, of water of public rivers and streams;

- amount received from donations, grants, assistance or gifts;
- extending cooperation in the acts of preventing smuggling and theft of forests products;
- the income generating programs;
- fines and penalties; and
- authorization sanctioned by GoN or available under other prevailing law.

17.2 Revenue Sources of the DDC

The DDC may impose tax on:

- roads, paths, bridges, irrigation, ditches, ponds etc. built by or transferred to it.
- wool, turpentine, herbs, worn and torn goods, stones, slates, sand and bone, horn, wing, leather etc. of the animals except those prohibited, pursuant to the prevailing law and on other goods as prescribed. (However, the DDC needs to provide 35-50% of collected tax to the concerned VDC/Municipality).

The Service Charges that the DDC may impose include:

- charge of the guest house, library clinic, hermitage, city hall etc. built by it or under its
- custody; charge of the ditch, small ditch, embankment etc. built by it; local development fees; and
- other service charge as prescribed.

The DDC may impose fees for:

- license and renewal thereof, for carrying out water course, conducting boats and tunings and fishing; for registration of *Panigbat* and renewal thereof; for different types of recommendation; and other fees as prescribed.
- is also entitled to sale sand in the rivers and canals, concrete (*roda*), stones, soil, wood swept by river, etc. lying in its area.

- is required to give 35-50 per cent of the proceeds of such sale to the concerned VDC/Municipality.

The concerned DDC is entitled to receive the prescribed amount from the followings:

- Registration fees obtained by GoN for the purchase and sale of house and land;
- Amount obtained by GoN for royalty of mines, petroleum products, forests, water resources including electricity generation, and other natural resources; and .
- Entrance fee obtained by GoN for entry of tourists into the area of DDC.

The provisions for revenue sharing with DDC are as follows:

- 5 to 90 per cent of the revenue from house and registration fee;
- 50 per cent of the royalty from mines;
- 10 per cent of the income from forestry sector;
- 10 per cent of the income to from electric power house; and
- 30 percent of the income from tourist entrance

The DDC has power to:

- raise loan, or receive borrowings with or without pledging any of its movable and immovable property owned and possessed by it or under guarantee of GoN from a bank or any other organization;
- receive twenty-five per cent of the land revenue collected by the VDC/Municipality;
- obtain donations, gifts, grants or assistance from any person or organization; get amounts from any foreign government or international organization;
- receive amounts from fines and penalties, obtain amounts from income-generating programs; and receive amounts from other sources.

Source: Local Self Governance Act, 1999 (LSGA).

Appendix 18

Revenues of the VDCs

Jhapa VDCs

1. Jalthal

S.N.	Revenue Sources	Fiscal year/Amount) in NRs.)
		2007/08
A.	External Source:	
1	Cash balance	49,328.00
2	Recurrent grants received from DDC	1,146,424.00
3	Capital grants received from DDC	717,125.00
4	Social security grants received from DDC	526,400.00
	Sub-total	1545,298.00
B.	Internal Source:	
1	Land revenue	141,428.00
2	Others	72,113.00
	Sub-total	3304,137.00
	Total	2,652,818.00
	Internal Revenue %	8.04

Source: Audit Reports

2.Khudunabari

S.N.	Revenue Sources	Fiscal year/Amount (in NRs.)	
		2006/07	2007/08
A.	External Source:		
1	Bank balance	865,365.00	38,211.00
2	Recurrent grants received from DDC	492,253.00	698,349.00
3	Capital grants received from DDC	505,615.00	602,075.00
4	Social security grants received from DDC	582,400.00	511,500.00
5	Others	40,500.00	148,400.00
	Sub-total	2772,704.00	2249,41.00
B.	Internal Source:		
1	Land revenue	141,412.00	168,681.00
2	Rent	1,919,658.00	-
3	Internal Source	356,996.00	512,287.00
	Sub-total	6046,393.00	5179,788.00
	Total	4,904,199.00	2,685,503.00
	Internal Revenue %	49.30	25.35

Source: Audit Reports

3.Khajurgachhi

S.N.	Revenue Sources	Fiscal year/Amount (in NRs.)	
		2006/07	2007/08
A.	External Source:		
1	Cash balance	12,052.00	249,532.00
2	Recurrent grants received from DDC	330,455.00	708,200.00
3	Capital grants received from DDC	622,664.00	998,024.00
4	Social security grants received from DDC	378,800.00	358,500.00
5	Others	10,110.00	18,850.00
	Sub-total	1640,652.00	2583,981.00
B.	Internal Source:		
1	Land revenue	190,979.00	101,385.00
2	Rent	54,646.00	408,605.00
3	Others	382,690.00	57,370.00
	Sub-total	628,315.00	5735,322.00
	Total	1,982,396.00	2,900,466.00
	Internal Revenue %	31.69	19.56

Source: Audit Reports

Sindhuli VDCs

4. Lampantar

S.N.	Revenue Sources	Fiscal year/Amount (in NRs.)	
		2006/07	2007/08
A.	External Source:		
1	Bank balance b/d	15,529.85	31,981.00
	- Capital account balance Rs.	-	1,371.03
	- Recurrent account balance Rs.	-	-
2	Recurrent grants received from DDC	200,000.00	200,000.00
3	Capital grants received from DDC	780,000.00	780,000.00
4	Social security grants received from DDC	222,800.00	193,050.00
5	Other grants received from DDC	-	47,500.00
	Sub-total	1,218,329.85	1,253,902.03
B.	Internal Source:		
1	Land revenue	3674.16	6,349.00
2	Recommendations and applications	-	-
3	<i>Panjikaran</i>	-	-
4	Other income	3,325.00	2,750.00
5	Due advance clearance	-	261,700.00
	Sub-total	6,999.16	270,799.00
	Total	1,225,329.01	1,524,701.03
	Internal Revenue %	0.57	17.76

Source: Audit Reports

5. Ratanchura

S.N.	Revenue Sources	Fiscal year/Amount (in NRs.)
		2006/07
A.	External Source:	
1	Recurrent grants received from DDC	200,000.00
2	Capital grants received from DDC	800,000.00
3	Social security grants received from DDC	97,600.00
	Sub-total	1,097,600.00
B.	Internal Source:	
1	Land revenue	20,000.00
2	Other income	5,000.00
	Sub-total	25,000.00
	Total	1,122,600.00
	Internal revenue %	2.23

Source: Audit Reports

6. Mahadevsthan

S.N.	Revenue Sources	Fiscal year/Amount (in NRs.)	
		2006/07	2007/08
A.	External Source:		
1	Bank balance b/d	132,846.61	222,070.61
2	Recurrent grants received from DDC	200,000.00	200,000.00
3	Capital grants received from DDC	780,000.00	780,000.00
4	Other grants received from DDC	-	239,000.00
5	Social security grants received from DDC	224,000.00	193,350.00
	Sub-total	1,336,846.61	1,634,420.61
B.	Internal Source:		
1	Land revenue	8,905.00	4,242.00
2	Recommendations and applications	-	1,000.00
3	Advance clearance of last year	3,000.00	-
4	Advance of last year	5,000.00	-
	Sub-total	16,905.00	5,242.00
	Total	1,353,751.61	1,639,662.61
	Internal Revenue %	1.25	0.32

Source: Audit Reports

Lamjung VDCs

7. Bichour

S.N.	Revenue Sources	Fiscal year/Amount (in NRs.)	
		2006/07	2007/08
A.	External Source:		
1	Bank balance b/d	79,816	43
2	Cash balance	4,527	1,027
3	Recurrent grants received from DDC	198,333	193,500
4	Capital grants received from DDC	780,000	780,000
5	Other grants received from DDC	-	-
6	Last year's advance received from DDC	-	-
7	Social security grants received from DDC	254,200	224,880
8	Advance clearance of last year	-	49,361
	Sub-total	1,316,876	1,248,811
B.	Internal Source:		
1	Land revenue	-	7,325
2	Recommendations and application fees	500	575
3	Revenue from sale of stone/mine	-	8,500
4	Vital registration	380	620
5	Administrative	11,500	-
6	Tax revenue receivable	2,374	-
7	Other income	400	-
8	Due cheque issue	300	-
	Sub-total	15,454	17,020
	Total	1,332,330	1,265,831
	Internal Revenue %	1.16	1.34

Source: Audit Reports

8. Gaunsahar

S.N.	Revenue Sources	Fiscal year/Amount (in NRs.)
		2007/08
A.	External Source:	
1	Bank balance b/d	-
	- Capital account Rs.	71,051.83
	- Recurrent account Rs.	63,430.02
2	Cash balance	21,489.49
3	Recurrent grants received from DDC	200,000.00
4	Capital grants received from DDC	800,000.00
5	Other grants received from DDC	-
6	Social security grants received	531,200.00
	Sub-total	1,687,171.34
B.	Internal Source:	
1	Land revenue	8,754.73
2	Recommendations and application fees	12225
3	Revenue from <i>Bali</i>	2,050.00
4	Vital Registration	2,450.00
5	Income tax	-
6	Due revenue share to DDC/Gov.	-
7	Other income	-
	Sub-total	25,479.73
	Total	1,712,651.07
	Internal Revenue %	1.49

Source: Audit Reports

9. Bhorletar

S.N.	Revenue Sources	Fiscal year/Amount (in NRs.)	
		2006/07	2007/08
A.	External Source:		
1	Bank balance b/d		
	- Capital account	38,986.74	15,784.76
	- Recurrent account	11,550.10	11,762.54
	- Interest received	212.44	-
2	Internal fund cash balance	2,930.81	25.72
3	Recurrent grants received from DDC	198,334.02	193,500.00
4	Capital grants received from DDC	780,000.00	780,000.00
5	Social security grants received	232,000.00	202,000.00
	Sub-total	1,264,014.11	1,203,073.02
B.	Internal Source:		
1	Land revenue	3,085.91	2,621.35
2	Recommendations and applications	1,980.00	2,210.00
3	Other revenue (Vital Registration)	1,552.00	646
	Sub-total	6,617.91	5,477.35
	Total	1,270,632.02	1,208,550.37
	Internal Revenue %	0.52	0.45

Source: Audit Reports

10. Taghring

S.N.	Revenue Sources	Fiscal year/Amount (in NRs.)	
		2006/07	2007/08
A.	External Source:		
1	Bank balance b/d	240,174.14	30,281.16
2	Recurrent grants received from DDC	198,333.02	200,000.00
3	Capital grants received from DDC	780,000.00	800,000.00
4	Social security grants received from DDC	140,400.00	123,880.00
	Sub-total	1,358,907.16	1,154,161.16
B.	Internal Source:		
1	Land revenue	7,145.00	750.00
2	Recommendations and application fees	-	-
3	Vital registration	360.00	180.00
4	Other income	0.00	6,860.00
5	Due advance clearance	-	100.00
	Sub-total	7,505.00	7,890.00
	Total	1,366,412.16	1,162,051.16
	Internal Revenue %	0.55	0.68

Source: Audit Reports

Bardia VDCs

11. Sorhawa

S.N.	Revenue Sources	Fiscal year/Amount (in NRs.)	
		2006/07	2007/08
A.	External Source:		
1	Bank balance	178,669.80	56,399.80
2	Recurrent grants received from DDC	1,000,000.00	200,000.00
3	Capital grants received from DDC	(lump-sum)	771,555.56
4	Other grants received from DDC	-	280,000.00
5	Social security grants received	318,800.00	282,200.00
	Sub-total	1,497,469.8	1,590,155.36
B.	Internal Source:		
1	Land revenue	196,367.45	378,320.00
2	Fees	74,238.40	56,665.00
3	Other income	11,224.95	32,742.40
	Sub-total	281,830.8	467,727.69
	Total	1,779,300.6	2,057,883.05
	Internal Revenue %	15.83	22.72

Source: Audit Report

12. Mohammadpur

S.N	Revenue Sources	Fiscal year/Amount (in NRs.)	
		2006/07	2007/08
A.	External Source:		
1	Cash balance	45,548.00	97,616.64
2	Recurrent grants received from DDC	200,000.00	200,000.00
3	Capital grants received from DDC	800,000.00	771,555.55
4	Social security grants received from DDC	123,200.00	123,800.00
5	Others (target community grant)	-	210,000.00
	Sub-total	1,168,748.00	1,402,972.19
B.	Internal Source:		
1	Land revenue	170,343.34	191,753.88
2	House tax	29,915.00	14,505.00
2	Fees	84,637.00	41,367.00
3	Others	5,000.32	-
	Sub-total	289,895.66	247,625.88
	Total	1,458,643.66	1,650,598.07
	Internal Revenue %	19.87	15.00

Source: Audit Reports

13. Bagnaha

S.N.	Revenue Sources	Fiscal year/Amount (in NRs.)
		2007/08
A.	External Source:	
1	Bank balance	-
2	Cash balance	205,750.39
3	Recurrent grants received from DDC	200,000.00
4	Capital grants received from DDC	496,439.57
5	Other grants received from DDC	20,000.00
6	Social security grants received	186,800.00
	Sub-total	1,108,989.96
B.	Internal Source:	
1	Land revenue	72,731.19
2	Fees	33,827.00
3	House tax	23,950.00
4	Others	40,325.33
	Sub-total	170,833.52
	Total	1,279,823.48
	Internal Revenue %	13.34

Source: Audit Report

14. Daulatpur

S.N.	Revenue Sources	Fiscal year/Amount (in NRs.)	
		2006/07	2007/08
A.	External Source:		
1	Cash balance	92,610.00	26.41
2	Bank balance	17,965.07	1,027.00
3	Recurrent grants received from DDC	1,000,000.00	966,862.00
4	Capital grants received from DDC	(lump-sum)	(lump-sum)
5	Social security grants received from DDC	229,800.00	211,600.00
6	Others	12,000.00	-
	Sub-total	1,352,375.07	1,179,515.41
B.	Internal Source:		
1	Land revenue	133,393.34	107,626.16
2	House tax	6,945.00	6,205.00
3	Fees	16,629.87	-
4	Other income	100,000.00	62,368.00
	Sub-total	256,968.21	176,199.16
	Total	1,609,343.28	1,355,714.57
	Internal Revenue %	15.96	12.99

Source: Audit Reports

Achham VDCs**15. Janali Bandali**

S.N.	Revenue Sources	Fiscal year/Amount (in NRs.)	
		2006/07	2007/08
A.	External Source:		
1	Cash balance	-	40,630.09
2	Bank balance	-	19,045.00
3	Recurrent grants received from DDC	200,000.00	200,000.00
4	Capital grants received from DDC	768,000.00	767,400.00
5	Social security grants received from DDC	243,200.00	209,959.00
	Sub-total	1497,771.00	1496,909
B.	Internal Source:		
1	No any revenue from internal sources	-	-
	Internal Revenue %	0.00	0.00

Source: Audit Reports

16. Mangalsen

S.N.	Revenue Sources	Fiscal year/Amount (in NRs.)	
		2006/07	2007/08
A.	External Source:		
1	Cash balance	10,500.00	-
2	Bank balance	41,410.82	-
3	Recurrent grants from DDC	200,000.00	200,000.00
4	Capital grants received from DDC	980,000.00	761,000.00
5	Social security grants received from DDC	610,200.00	541,600.00
	Sub-total	2210,681.82	1,502,600.00
B.	Internal Source:		
1	Land revenue	10,365.87	8,630.56
2	House tax	4,417.00	-
3	Rent from office building	42,840.00	4,680.00
4	Others	21,163.00	68,275.00
	Sub-total	78,785.87	81,585.56
	Total	1,920,896.69	1,584,185.56
	Internal revenue %	4.10	5.14

Source: Audit Reports

17. Mastamandu

S.N.	Revenue Sources	Fiscal year/Amount (in NRs.)	
		2006/07	2007/08
A.	External Source:		
1	Cash balance	-	5,702.00
2	Bank balance	40,395.00	22,093.00
3	Recurrent grants received from DDC		200,000.00
4	Capital grants received from DDC	699,800.00	761,000.00
6	Other grants received from DDC	(lump-sum)	397,350.00
	Sub-total	740,195.00	1,386,145.00
S.N.	Revenue Sources	Fiscal year/Amount (in NRs.)	
		2006/07	2007/08
B.	Internal Source:		
1	Land revenue	-	769.00
2	Rent	-	18,600.00
3	Internal source	25,991.00	-
	Sub-total	25,991.00	19,369.00
	Total	766,186.00	1,405,514.00
	Internal Revenue %	3.39	1.37

Source: Audit Reports

Appendix 19

LGCDP: Functioning and Impact

The LGCDP is a national program, managed and implemented by MoLD. It is financed by the Government of Nepal and is supported by a wide range of Development Partners (DPs) such as the ADB, CIDA DFID, DANIDA, GTZ, Norway, SDC, and UN Agencies including UNDP, UNCDF, UNICEF, UNFPA, UNV, UNIFEM etc. The overarching goal of LGCDP is 'to contribute towards poverty reduction through inclusive, responsive and accountable local governance and participatory community-led development'. LGCDP's implementation commenced in July 2008 and will last for four years – July 15, 2012.

Aim of LGCDP

LGCDP aims to contribute towards poverty reduction through inclusive responsive and accountable local governance and participatory community-led development. With the end of the conflict and the need to rebuild local government a number of Nepal's donors are pooling their support to a new national program.

The UN Joint Program (JP) of support to LGCDP is bringing together UNDP, UNICEF, UNFPA, UNV and UNCDF contributions to the new program. The joint program will be an integral part of LGCDP being subject to the wider program's management, work planning and implementation arrangements. Within the joint program UNDP, in association with the other UN agencies, will provide technical and capacity building support in three key areas.

Key Principles and Approaches

The following are the principles and approaches which underlie the LGCDP as GON's national program⁷⁹:

- a Alignment with government policies including Three-year Interim Plan and MoLD Concept Paper on Local Development and Self Governance: LGCDP will be the basis for the implementation of the Three-year Interim Plan (2007/08 – 2009/10) as a GON program in support of decentralization and local governance, to which MoLD and development partners recently committed. In addition, MoLD concept paper (July 2007) which set the future direction of MoLD on devolution, local governance and community development activities. It will be designed and implemented in compliance with the present Constitution and the LSGA and related regulations (until new policy & legislation are in place).
- b Inclusiveness and gender equity Community-led development: The program will operate so as to support community-led development, defined as an approach where citizens and communities either individually or collectively, as active partners in the local governance process, prioritize, implement or fulfill their basic needs through collective action. Users' committee guidelines will be improved to address the above.
- c Community-led development: The program will operate so as to support community-led development, defined as an approach where citizens and communities either individually or collectively, as active partners in the local governance process, prioritize, implement or fulfill their basic needs through collective action. Users' committee guidelines will be improved to address the above.
- d Rights-based participatory approach: LGCDP will operate according to a rights-based approach based on participatory planning and the development of demand-responsive service providers at local government level. The focus will be on those aspects of poverty reduction which can be addressed through social mobilization and local government-supported activity (but not on others, e.g. those requiring micro-finance). Social mobilization and LDF experiences and their best practices

⁷⁹ LGCDP Program Document, MoLD, July 2008

adopted in Nepal will be reflected in the new guidelines. LGCDP is committed to advocate for civil rights and to support the emergence and growth of *dalit*, differently-able and women organizations which defend their rights at the local level.

- e Adoption of flexible and process-oriented approach: The program will work to translate GON's commitments to strengthen local self-governance, state restructuring and the engagement of local bodies with communities with the aim of improving the delivering public goods and services at the local government level. Thus, support to local governance will be flexible and process-oriented. This includes consideration of innovative and flexible ways to ensure that the primary program outcome of responsive, inclusive, and accountable local governance through participatory community-led development is attained.
- f Peace building: The program will follow conflict sensitive implementation approach, promoting factors in support of reconciliation and peace building and avoiding those that inhibiting peace or stimulate conflict/violence at the local level. LGCDP will coordinate with the Local Peace Committees (LPC) formed at the district level. The LPCs are constituted by all party representation and function as an early warning mechanism to minimize conflict. The LPCs can build linkages with existing peace groups and networks at the VDC level and can provide support to improve government-citizen interaction.
- g The program will support development of a clear policy and strategy to address the needs of the children, young people, women, conflict victims (families of martyrs disappeared and wounded people) and the disadvantaged. Towards this end, the program will seek to ensure that their voices are heard in key decision-making processes at the local level, including, to the extent possible, by mainstreaming and institutionalizing their participation in such institutions. This is one specific way by which downward accountability of local governments to the disadvantaged populations can be better ensured.
- h Transparency and accountability: The LGCDP will ensure transparency in all its operations budgets, decision making process, and communication to all actors, coordination among

-
- line agencies and non-state agencies and in reaching to the remote areas to focus on tangible benefits of the program at local level. The program will delineate roles and responsibilities of all the actors and use a systemic program implementation approach to increase accountability at all levels.
- i Performance/criteria based funding: Funding will be allocated to allow a substantial increase in GoN's current annual grant support to local governments nation-wide, to augment funding available for such goods and services, and also to introduce incentives for better local performance and compliance with agreed governance standards through modified use of the Minimum Conditions/Performance Measures System to pursue implementation of the performance based management provisions of the LSGA. These general, unconditional grant funds will be open for local government expenditure on the "menu" of public goods and services mandated by the LSGA to that particular level of government. A systematized criteria based local development fee will be allocated to the municipalities.
 - j Harmonized approach: The design of the LGCDP will reflect the "Guiding Principles towards Harmonized Local Governance & Community Led Local Development Approach", recently adopted by all partners. Specifically, it will provide a common framework for funding public and community services, infrastructure and other public assets which will be channeled through central and local government, and be allocated according to and reflected in local government planning & budgeting processes, depending on the respective functions of the different levels. In this, the VDCs will play the key role in funding destined for community-led proposals, and in monitoring all development activities in their jurisdictions. Thus, LGCDP will be a framework to harmonize the multiple donor and NGO projects and to lay the basis for a SWAP in support of decentralized local governance and community development. LGCDP will be a joint program, bringing together UN agencies (UNDP, UNCDF, UNICEF, UNV and UNFPA); bilateral agencies (DFID, Norway, DANIDA, CIDA, SDC, JICA, GTZ and others); and multilateral banks (World Bank and ADB etc.)

- k Downward accountability: The following measures would be adopted to ensure downward accountability to the people and communities; they include: VDC selection will be made based upon category 4 of DAG mapping and gradually category 3, 2, and 1 will be covered by the program; interim all party mechanism at the VDC level will be activated; planning advisory committee will be formed at the VDC level representing civil society, technocrats, and other concern stakeholders; and at the DDC level Integrated Planning Committee will be strengthened; social & public audit system will be placed; income & expenditure will be disclosed in a routine basis during the program period; LB's level public hearing system will be introduced; and participatory planning process will be adopted fully to address the prioritized project of the communities.
- l Mechanism of hearing people voices: People's / DAG voice will be heard through the mechanism of participation; social mobilization process and response will be taken by the LBs. LB's will coordinate local NGO and civil society, and optimize their resources. Civil society raise the voice of the disadvantaged and marginal people; Indigenous Nationalized district coordination Committee; District Coordination Committee, District Gender Mainstreaming Committee will be further mobilized to address the voice of the people. Addition to these, paralegal committee will be strengthened for the mediation against the domestic violence; and to raise the voice of women, children, youth, *janjati*, *madhesi*, muslim, disables and DAG etc. Finally Planning Advisory Committee will ensure these voices are incorporated in the annual work plan and budget.

Rule 273(D) of the LSGA allows for assessments of LBs and permits subsidies to local bodies to be expanded or reduced, after having obtained a recommendation from the LBFC and taking minimum conditions and performance measures (MCPMs) into consideration. In this context, the Government's budget speech of FY 2006/07 contained a provision "In order to promote the increment of local sources and effectively utilize sources that are already obtained, the policy is such that subsidies to local bodies shall, depending upon their work performances, be expanded or reduced." The GoN has adapted the principle that the amount of

subsidies to the LBs shall depend on assessments of their performance as specified by Act.

The MoLD initiated the performance based grant system from FY 2004/05 in order to make LBs more transparent, accountable and effective in providing public goods and services at the local level. The MoLD has linked fiscal transfer system first with the DDCs and afterwards VDCs and Municipalities with MCPMs.

The LGCDP is providing funds for the assessment of MCPM to LBFC. Furthermore, MoLD provides fund to DDCs for the assessment of minimum conditions of VDCs. The MoLD commenced annual countrywide assessment of DDCs since the FY of 2006/07.

The performance assessment for VDCs and Municipalities was initiated from the FY 2007/08. The Government's unconditional capital block grant for the DDCs had been linked with the performance based measurement with the government and LGCDP topping grants. However, in case of VDCs and municipalities, the performance based measurement system has been commenced with LGCDP topping - up grant only from the FY 2009/10.

The LGCDP has implemented performance based grant system to provide additional grant to DDCs from the fiscal year 2008/2009 and for VDCs and municipalities from the FY 2009/10.

The regular assessment of MCs and PMs of LBs is expected to help establishing data on service delivery status, accountability to citizens and also identified the capacity gap in various functional areas to be used for developing a strategic and pragmatic capacity building program. Furthermore, regular assessment of MCs and PMs is also anticipated in strengthening the general monitoring and evaluation system of LBs that promotes annual progress in various service delivery functions, responsibility and ensures that accountability can be measured.

The Minimum Conditions (MCs) and Performance Measures (PMs)

In order to receive allocated full capital grant, each DDC must have had to pass all indicators of MCs and also have to achieve minimum score in all functional areas of PMs in order not to be

sanctioned. 20 per cent sanction on allocated grant will be applied if DDCs fail to achieve minimum score in any one of the functional areas of PMs.

The Minimum Conditions

The MCs include indicators relating to the compliance of compulsory laws by the LBs. Indicators for MCs are statutory requirements of LBs as provisioned in the LSGA and associated rules and regulations. These indicators are core service delivery functional areas of LBs such as planning and budgeting, financial management, functioning of various committees, transparency, accountability etc. In order to receive annual unconditional capital development grant, LBs must have meet all indicators of MCs. In case the LBs cannot fulfill the minimum conditions, there shall be reduction in grants receivable by them. The responsible officer and staffs may be awarded if additional grant is received, or sanctioned if allocated grant is deducted.

Indicators of MCs

The MCPMs assessment manual consists of 15 MCs indicators, which covers four functional areas. However, only 13 indicators within three functional areas have been applied. Other indicators would not be applicable unless political representatives are in place in DDCs. The functional areas and indicators of MCs are as follows.

Planning and Management

- Approved annual plan and budget for the current year by District Council in previous Finance Year (LSGA, Art. 188, 195, 197 and LSGR Art. 199).
- Annual budget ceiling and planning guidelines provided to Municipalities and VDCs (LGSR, Art. 199) by DDC to all VDCs. In case central government did not provide such guidelines and ceilings to DDCs, even then the DDC should have provided them from its internal resources.
- DDC has publicly informed the Municipalities, VDCs and relevant stakeholders (inhabitants) about the approved annual budget and programs (LSGA Art. 202, 2 (i)) of the previous FY.
- Annual Progress Review of the previous year conducted by the DDC as per LSGA 211. The review workshop of the previous

year has been conducted within the first 6 months of the current FY.

- DDC has submitted its reports as per the provision mentioned in grant guideline. Being a Trigger MCs, grant to DDC could be stopped in the middle of a FY if not complied with.

Financial Management

- Accounts from previous FY but one completed and submitted for final audit (LBFAR 203).
- DDC has prepared the annual statement of income and expenditures of District Development Fund (DDF) and financial statements for the previous FY (LBFAR 196).
- DDC must release the budget or grant from DDF (non - operating account to) VDCs, Municipalities, sectors and other organizations as per approved work plans and budgets.
- No transfer should be made in the operating account prior to council approval.
- Internal Audit Section established (LSGA art. 232) and functioning in accordance with (LBFAR art. 57 and 58).
- Due and timely response have been made upon comments and reactions made in the Office of the Auditor's General Report. DDC must have had to respond on comments of Audit report within the given time or 35 days from the date of received report (LBFAR 205 - 1).
- Cumulative Records of unsettled irregularities documented and updated (LBFAR 60 Appendix 75)
- DDC appoints final auditors to audit last FY of the last FY of VDCs final accounts.

Transparency

- Information and records centre keeps all information and records as specified (LSGA Art. 212)

Performance Measures

PMs are designed to create incentives for LBs to improve their performance. PMs provide a range of score in different functional areas that help to assess the service delivery capacity and efficiency. LBs annual grant will depend on the scores achieved in PMs. The indicator of the performance evaluates the procedures, result and

quality of the different working areas of the LB. These indicators direct the LBs to monitor its own function, to improve internal working capacity and to compare its activities with other LBs.

Indicators of PMs

A total of 62 indicators covering eight functional areas have been fixed for PMs. Out of that 57 indicators representing eight functional areas have been applied. The functional areas and indicators of PMs are as follows.

Planning and Program Management

- Budget ceiling and planning guidelines issued by the DDC to the VDCs, municipalities and sector agencies should mention pro - poor policy, national and district development priorities, criteria for selecting projects (cf. LSGA 1999).
- Participatory planning process followed (cf. LSGA 197, and LSGR, Art. 199)
- Compliance with the procedures and checklists for selection of investment proposals are applied as an integral part of the planning cycle
- Annual plan is prepared, using the resource map and poverty information and district sectoral plans.
- Representatives from NGOs, civil society and organization related with women and children and disabled groups are invited in the sectoral meeting of plan formulation committee meeting
- Pre - feasibility of projects are done before plan approval (applicable in case of larger projects bigger than Rs 1.5 million). This ceiling is decided as per as per budget guideline by MoF, 2007.
- Plan and budget is clearly linked, especially in terms of infrastructure projects (limited to infrastructure projects that have total cost of Rs 500 thousand or more)
- The plan specifies O & M arrangements (responsible body, costs, funding source etc.) for all projects (limited to those approved projects larger than Rs 1.5 million)

Budget Management

- Percentage (%) of infrastructure projects completed within the approved cost estimate and budget.
- Percentage of previous Fiscal Year's internal revenues collected against budgeted revenues.
- Budget for target groups considers the need and concerns of DAG, ethnic groups, disabled and old people.
- Annual plan allocate budget directly benefiting for women and children from internal resource. More emphasis is given to allocate resources for women and children from internal source.
- All eight Special fund accounts established and budget provision has been ensured according to LBFAR 54 (ka).
- DDC has deposited matching fund as per agreement with GON and other donors supported programs/projects

Financial Management

- Status of outstanding advances at the end of the FY.
- DDCs provide economic support or donation within the limit as mentioned in the financial rules/regulation.
- Quality of audit report for the previous FY.
- Volume of cumulative audit irregularities up to the end of previous year but one, settled during the previous fiscal year.
- Liabilities of previous fiscal year not paid within the same FY as compared to total expenditure of that FY (these liabilities will impact on the next FY).
- DDCs prepared annual procurement plan.
- Utilization status of deposit account.
- Computer accounting package installed and financial report prepared.
- Document all recoverable amount as recommended by the OAG in the audit report and made due effort to recover such amount.

Fiscal Resource Mobilization Capacity

- DDC has done study/estimation of potential internal revenue sources and projections are done accordingly. All possible internal revenue sources are identified and estimation has been done considering the capacity of the DDC to mobilize them.
- Fiscal Effort: Percent increase in the internal revenue (tax, service charge, rent, sale, fee levied) as per LSGA and LBFAR compared to previous year (except for the revenue shared by the central government).
- Adherence to the regulations on transfer of funds to Municipalities and VDCs of the applicable internal revenue sources.
- Budget arrangement is done for the development and sustainability of the internal revenue sources.
- Revenues shared by the central government are spent on those priority sectors (from where such revenues are obtained).
- DDC has established internal revenue section and it is functional.

Budget Release and Program Execution

- Percentage of actual expenditure on against planned development budget in the previous FY.
- Percentage of actual capital development expenditure against capital development budget in the previous year.
- Expenditure made on programs addressing the need and concerns of women, children, DAG, ethnic groups, disabled and old people.
- DDC has complied with the limit regarding administrative/regular expenses as specified by law.
- Income received from revenue sharing is not spend for administrative purpose.
- Expenditures on Operational and maintenance of larger investments (projects larger than Rs 1.5 million) made as per budget.

-
- Inventory of projects (larger than Rs 500 thousand) completed in the past 3 consecutive years maintained.

Communication and Transparency

- DDC provides information to the public about project selection criteria, and approved annual plan and budget.
- DDC provides information to the public about the DDC's annual statements of incomes and expenditures.
- Project Information board/hoarding boards are maintained at project sites in projects exceeding Rs 300 thousand.
- Reports of Auditor General submitted to the Council and decision is made.
- Information/record/documentation centre operational (LSGA 212) and opened to the public (access).
- Public hearing system implemented about the services and development activities of DDC.
- DDC should publish the results of the MC/PM - assessment result through media, notice boards or public meetings.
- Social Audit conducted within four months after the end of FY.

Monitoring and Evaluation

- Implementation status of Monitoring and Evaluation System.
- Reporting: Submission of monthly and annual statement of income and expenditure within the time limit and specified format.
- Final inspections and clearance by DDC of projects within one month after completion report is received.
- Impact studies/analysis of the DDC level projects about their implications on the poor.
- DDC has carried out annual review about the status and budget of programs/projects implemented with donor support within first trimester of the FY.
- Functioning of DDC supervision and monitoring sub - committee.

Organizations, Service Delivery and Property Management

- DDC has carried out study about organization development (OD).
- DDC has prepared and updated the inventory/record of its assets/property.
- Inspection (physical verification) of stores carried out during the previous year.
- Internal control and audit procedures elaborated, disseminated and enforced.
- Establishment and functioning of staff recruitment committee.
- DDCs organize regular staff meeting.
- Provision of help - desk in the DDCs.
- Capacity building plan of DDC is formulated.

Overall Impact

A recent study⁸⁰ has shown that the overall assessment indicates that LBs are showing eagerness as well as capability to improve their performance. The study has also found that the progress is also visible from the sharp decline in penalty districts and ability of more and more districts to receive bonus. Non compliance districts have come down to 8 from 28. Similarly, districts able to secure different category of bonus have risen from 2007/8 to 2008/9. This is a very encouraging outcome towards the effort to improve basic service delivery and establish transparency and accountability in LBs. Another notable factor is the perceived success of criteria based financing of LGCDP prompting many other donors to think in similar lines. Out of assessed VDCs, 80 percent VDCs have complied with the requirement of MCs. Similar situation appears with Municipalities. The performance rate of DDCs and municipalities is 61 and 49 percent respectively. The overall results of the performance based funding system have significantly improved in the planning, budgeting, financial

⁸⁰ Khim Lal Devkota: A Brief Overview of Minimum Conditions and Performance Measures (MCPMs) of Local Bodies of Nepal, LGCDP, December 2009

management, transparency, etc system of LBs. Finally, the overall performance of LBs stands at average level. Therefore, there is a need to scale up the performance of LBs by improving their actual operation of their activities in the days to come.

Appendix 20

Details of Incomes and Expenditures and Irregularities of DDCs

Particulars	Districts/Years																	
	Taplejung			Jhapa			Sindhuli			Lamjung			Bardiya			Achham		
	2007/8	2008/9	2009/10	2007/8	2008/9	2009/10	2007/8	2008/9	2009/10	2007/8	2008/9	2009/10	2007/8	2008/9	2009/10	2007/8	2008/9	2009/10
Income																		
Last years' balance including deposits	6,232	6,486	8,892	26,227	17,424	54,896	9,454	23,030	9,110	22,483	23,116	45,859	21,737	34,039	30,112	5,397	6,813	7,244
Government grant	63,748	129,502	108,955	67,060	178,523	148,445	69,745	165,187	126,704	80,459	175,385	148,867	42,106	105,647	80,780	91,713	198,975	182,528
Others	4,293	24,887	11,682	39,841	45,763	81,904	34,578	35,961	42,867	29,926	38,279	34,972	12,153	15,491	17,742	10,120	9,231	17,901
Internal source	4,065	5,953	5,143	59,293	15,869	78,719	26,323	4,007	7,229	12,073	15,533	14,644	18,226	14,790	19,202	2,015	3,133	0
This years' deposits	1,888	3,192	4,855	32,546	12,385	20,414	1,577	2,095	2,444	1,194	3,864	2,417	4,259	3,519	1,730	466	708	301
Total	80,226	170,020	139,527	224,967	269,964	384,378	141,677	230,280	188,354	146,135	256,177	246,759	98,481	173,486	149,566	109,711	218,860	207,974
Expenditure																		
Budget expenditure	63,748	129,602	113,129	122,685	208,997	303,217	106,285	217,774	172,870	122,335	208,845	201,665	62,580	124,409	80,780	91,713	209,955	182,528
Deposits	1,879	1,144	1,149	30,004	5,949	44,323	1,819	1,301	2,008	684	1,474	1,621	1,643	1,018	3,872	556	634	22
Others	9303	30320	10,526	42,601	3,298	0	10,542	2,114	1,321	0	0	0	0	14887	30982	10,629	1,027	13,355
Reserve	5,296	8,954	14,723	30,077	51,720	36,838	23,030	9,091	12,155	23,116	45,858	43,473	34,258	33,172	33,932	6,813	7,244	12,069
Total	80,226	170,020	139,527	225,367	269,964	384,378	141,676	230,280	188,354	146,135	256,177	246,759	98,481	173,486	149,566	109,711	218,860	207,974
Unsettled amount (irregularities)	6,614	8,200	31,071	13,695	42,741	31,402	12,265	92,871	13,303	3,016	9,066	9,063	7,934	34,840	35,164	2,210	3,487	16,330
Irregularities %	8.24	4.82	22.27	6.08	15.83	8.17	8.66	40.33	7.06	2.06	3.54	3.67	8.06	20.08	23.51	2.01	1.59	7.85

Source: Annual Reports of the Office of the Auditor General, Part 4 (District Development Committees).

Appendix 21

Expenditures of the VDCs

Jhapa VDCs

1. Jalthal

S. No.	Items of Expenditure	Fiscal year/Amount (in NRs.)
		2007/08
1	Recurrent Expenditure	619,297.00
2	Capital Expenditure	894,161.00
3	Social Security	526,400.00
4	Others	145,407.00
	Total	2436,14.00

Source: Audit Report

2. Khudunabari

S. No.	Items of Expenditure	Fiscal year/Amount (in NRs.)	
		2006/07	2007/08
1	Recurrent Expenditure	752,971.00	864,020.00
2	Capital Expenditure	3,456,659.00	953,328.00
3	Social Security	582,400.00	558,220.00
4	Grants	47,467.00	-
5	Others	26,450.00	41,979.00
	Total	1699,974.00	2668,422.00

Source: Audit Reports

3. Khajurgachhi

S. No.	Items of Expenditure	Fiscal year/Amount (in NRs.)	
		2006/07	2007/08
1	Recurrent Expenditure	731,400.00	773,746.00
2	Capital Expenditure	622,664.00	1,398,760.00
3	Social Security	378,800.00	358,500.00
4	Others	249,532.00	80,874.00
	Total	2268,967.00	1466,153.00

Source: Audit Reports
Sindhuli VDCs

4. Lampantar

S. No.	Items of Expenditure	Fiscal year/Amount (in NRs.)	
		2006/07	2007/08
1	Recurrent Expenditure	177,203.13	222,618.25
2	Capital Expenditure	771,029.00	566,500.00
3	Social Security	226,000.00	193,050.00
4	Others (Clearance of advances)	-	261,700.00
	Total	1,174,232.13	1,243,868.25

Source: Audit Reports

5. Ratanchura

S. No.	Items of Expenditure	Fiscal year/Amount (in NRs.)	
		2006/07	
1	Recurrent Expenditure	155,000.00	
2	Capital Expenditure	839,000.00	
	Total	994,000.00	

Source: Audit Reports

6. Mahadevsthan

S. No.	Items of Expenditure	Fiscal year/Amount (in NRs.)	
		2006/07	2007/08
1	Recurrent Expenditure	129,312.40	197,685.50
2	Capital Expenditure	3,987.60	3,920.00
3	Social Security	765,300.00	720,000.00
4	Others (Clearance of advances)	221,150.00	193,400.00
	Total	1,119,750.00	1,115,005.50

Source: Audit Reports

Lumjung VDCs

7. Bichaour

S. No.	Items of Expenditure	Fiscal year/Amount (in NRs.)	
		2006/07	2007/08
1	Recurrent Expenditure	178,682.00	212,805.00
2	Capital Expenditure	889,000.00	809,361.00
3	Social Security	254,200.00	224,880.00
4	Others	380.00	620.00
	Total	1,322,262.00	1,247,666.00

Source: Audit Reports

8. Gaunshahar

S. No.	Items of Expenditure	Fiscal year/Amount (in NRs.)
		2007/08
1	Recurrent Expenditure	256,831.00
2	Capital Expenditure	888,850.00
3	Social Security	521,266.00
4	Others	14,574.00
	Total	1,681,521.00

Source: Audit Reports

9. Bhorletar

S. No.	Items of Expenditure	Fiscal year/Amount (in NRs.)	
		2006/07	2007/08
1	Recurrent Expenditure	117,246.00	124,164.72
2	Capital Expenditure	891,490.00	861,500.00
3	Social Security	232,000.00	205,000.00
4	Others	2,323.00	1,302.00
	Total	1,243,059.00	1,191,966.72

Source: Audit Reports

10. Taghring

S. No.	Items of Expenditure	Fiscal year/Amount (in NRs.)	
		2006/07	2007/08
1	Recurrent Expenditure	226,431.00	223,891.00
2	Capital Expenditure	970,560.00	790,294.00
3	Social Security	140,400.00	123,880.00
4	Others	360.00	930.00
	Total	1,337,751.00	1,138,995.00

Source: Audit Reports

Bardia VDCs**11. Sorhawa**

S. No.	Items of Expenditure	Fiscal year/Amount (in NRs.)	
		2006/07	2007/08
1	Recurrent Expenditure	438,564.00	359,282.00
2	Capital Expenditure	890,000.00	478,000.00
3	Social Security	305,400.00	282,200.00
4	Others	56,194.00	103,276.86
5	Aid to flood victim	-	280,000.00
	Total	1976,729.00	1839,633

Source: Audit Reports

12. Mohammadpur

S. No.	Items of Expenditure	Fiscal year/Amount (in NRs.)	
		2006/07	2007/08
1	Recurrent Expenditure	400,382.02	366,248.50
2	Capital Expenditure	735,245.00	221,900.00
3	Social Security	123,200.00	345,897.00
4	Others	48,200.00	57,755.38
5	Women targeted program	54,000.00	64,300.00
6	Social service grant	-	86,860.00
	Total	1649,598.02	1481,835

Source: Audit Reports

13. Bagnaha

S. No.	Items of Expenditure	Fiscal year/Amount (in NRs.)	
		2006/07	2007/08
1	Recurrent Expenditure	179,250.00	79,915.00
2	Capital Expenditure	460,991.96	1,953,307.00
3	Social Security	186,800.00	1,402,400.00
4	Others	-	29,693.00
5	Program expenses	-	419,710.00
	Total	1209,612	784,255.00

Source: Audit Reports

14. Daulatpur

S. No.	Items of Expenditure	Fiscal year/Amount (in NRs.)	
		2006/07	2007/08
1	Recurrent Expenditure	178,773.00	343,898.00
2	Capital Expenditure	838,365.00	643,864.00
3	Social Security	226,600.00	211,600.00
4	Other programs	-	164,999.00
5	Others	16,000.00	17,020.00
	Total	1546,309.00	1632,256.00

Source: Audit Reports

Achham VDCs**15. Janali Bandali**

S. No.	Items of Expenditure	Fiscal year/Amount (in NRs.)	
		2006/07	2007/08
1	Recurrent Expenditure	182,000.00	203,000.00
2	Capital Expenditure	768,000.00	752,000.00
3	Social Security	243,200.00	209,950.00
	Total	1479,771.00	1415,825.00

Source: Audit Reports

16. Mangalsen

S. No.	Items of Expenditure	Fiscal year/Amount (in NRs.)	
		2006/07	2007/08
1	Recurrent Expenditure	260,040.69	288,464.60
2	Capital Expenditure	831,410.84	752,000.00
3	Social Security	592,572.00	1,106,772.00
4	Others	2,248.75	30,318.00
	Total	2200,841	1383,5350

Source: Audit Reports

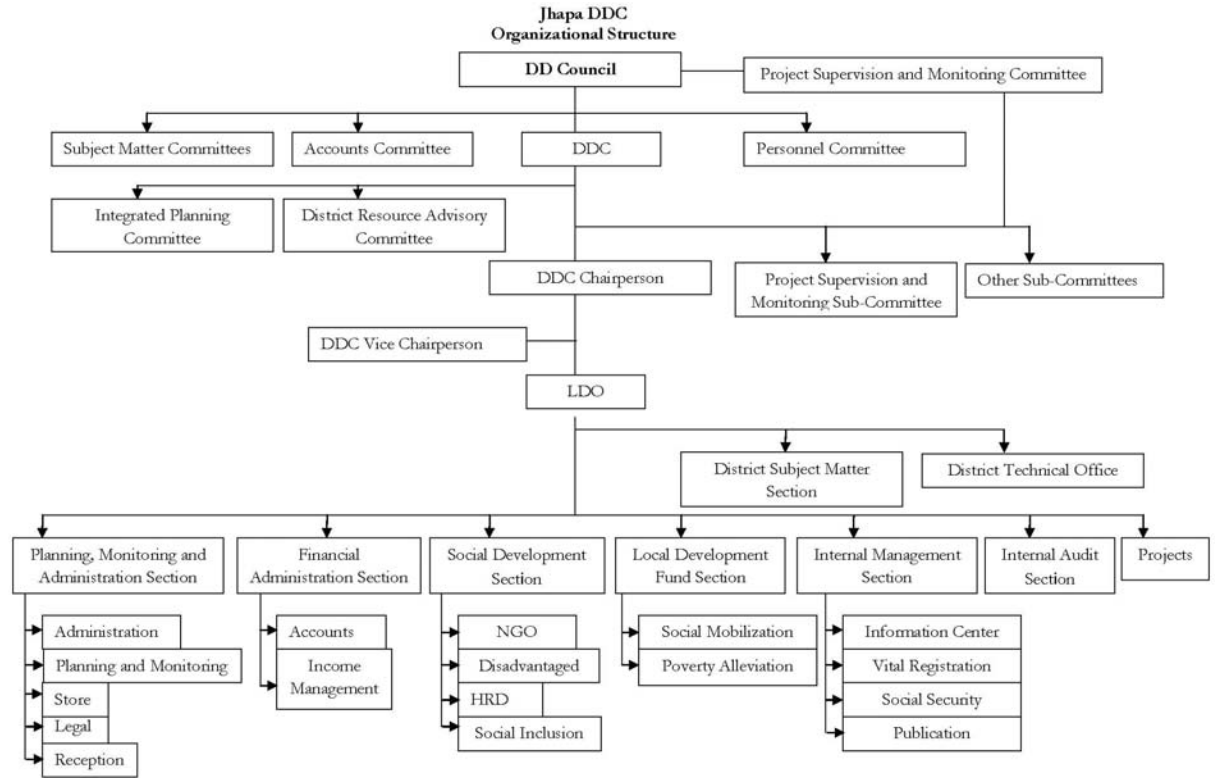
17. Mastamandu

S. No.	Items of Expenditure	Fiscal year/Amount (in NRs.)	
		2006/07	2007/08
1	Recurrent Expenditure	131,355.00	180,556.00
2	Capital Expenditure	122,260.00	737,000.00
3	Social Security	470,200.00	397,350.00
4	Others	14,634.00	-
	Total	1025,02	1565,781.00

Source: Audit Reports

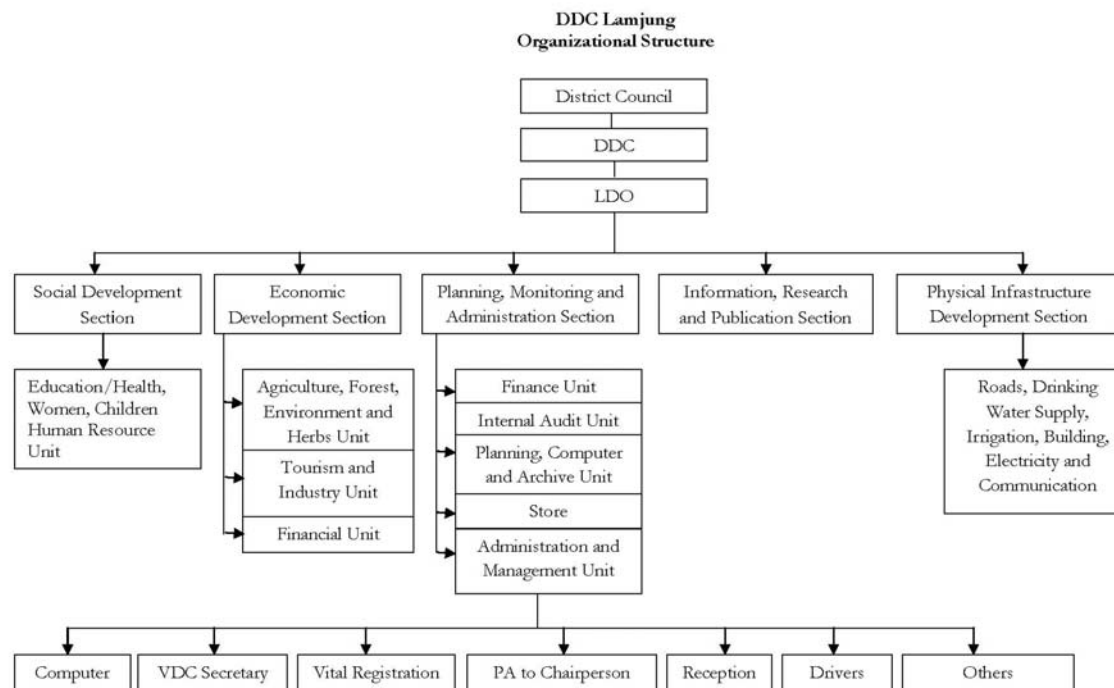
Appendix 22

Organizational Structure of DDCs (Sample of four districts)

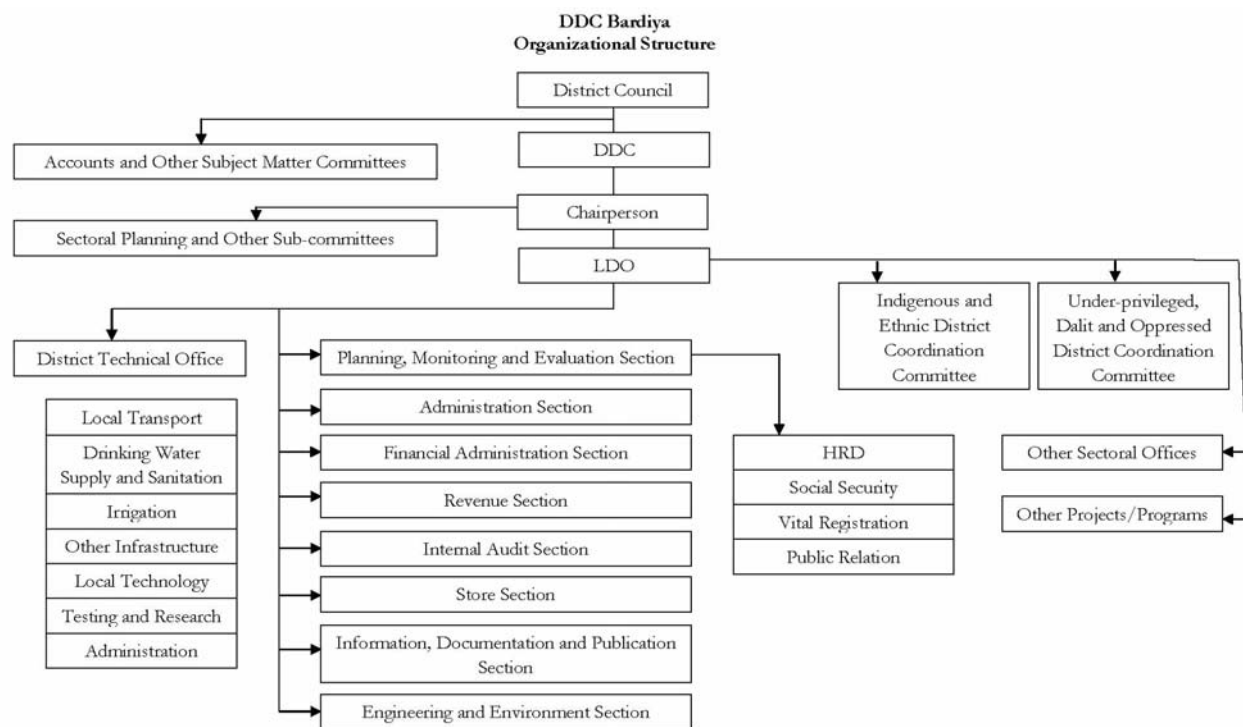


Source: Concerned DDC

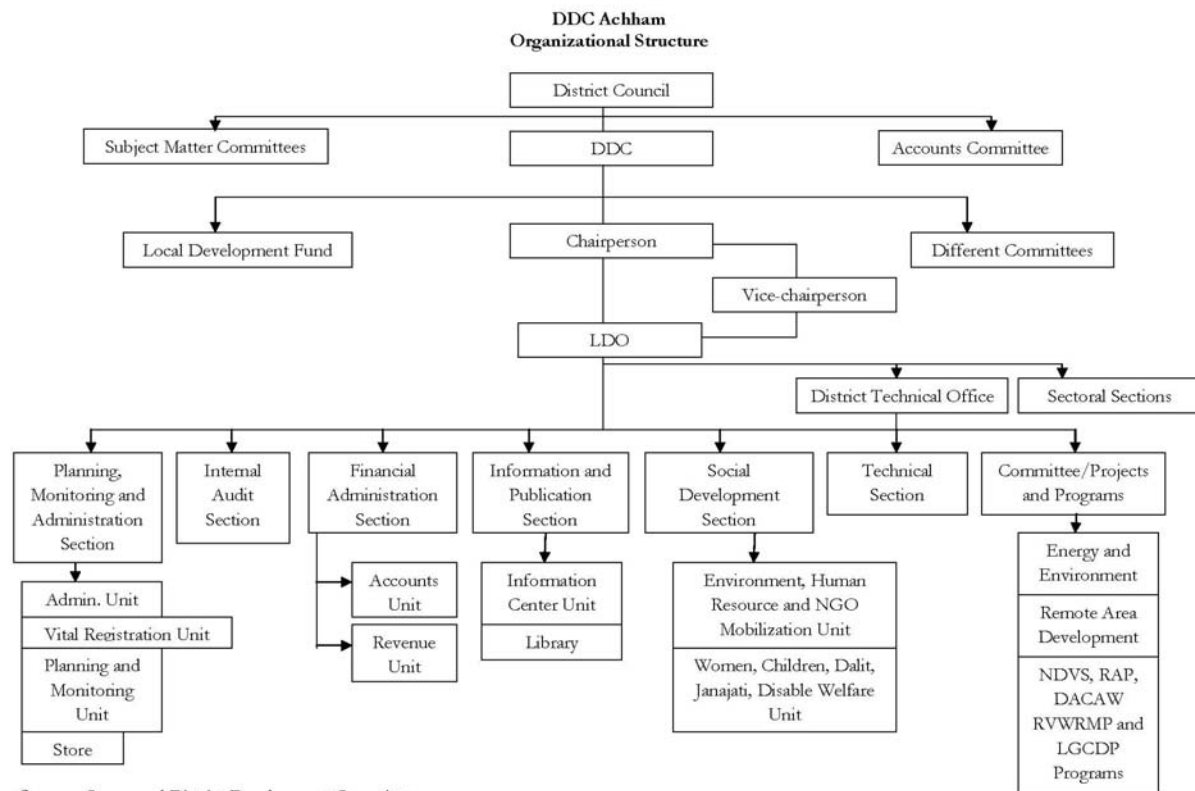
NIBR Re



Source: Lamjung District Profile, Lamjung DDC



Source: www.ddcbardiya.gov.np



Source: Concerned District Development Committee

Appendix 23

Composition of Decentralization Implementation and Monitoring Committee (DIMC)

Prime Minister	Chairman
Minister for Local Development	Vice- chairman
Leader of Opposition Party in the House of Representatives	Member
Ministers of Government	Member
Chairman of the concerned Committee of the House of Representatives	Member
Vice-chairman, National Planning Commission	Member
Members, National Planning Commission	Member
Chief Secretary of Government	Member
Secretaries at the Ministries of Government	Member
One representative of each political party representing in the House of Representatives	Member
Chairman of the Associations, Federations relating to the Local Body	Member
Coordinator of the Working Committee	Member
Secretary at the MoLD	Member- Secretary

Source: Local Self Governance Act 1999.

Appendix 24

Composition of Decentralization Implementation and Monitoring Committee (Working Committee)

Minister or Minister of State for Local Development	Coordinator
Secretary at the MoLD	Member
Six persons designated by Government from amongst those persons who have experience of at least 10 years in the field of decentralization, revenue, accounts, rural development, administration and law	Member
A person of at least Gazetted First Class, designated by Government	Member-Secretary

Source: Local Self Governance Act 1999.

Appendix 25

Composition of Local Body Fiscal Commission

Minister, MoLD:	Coordinator
NPC, Vice Chairperson:	Co-Coordinator
Chief Secretary:	Member
Finance Secretary:	Member
Secretary, Ministry of Local Development:	Member
Representative, FNCCI:	Member
Representative, ADDCN:	Member
Representative, NAVIN,	Member
Representative, MuAN;	Member
Nominated Financial Expert:	Member
Any Joint secretary of MoLD nominated by the Minister:	Member Secretary

Source: Local Body Fiscal Commission