

Decentralization Policy and Political Transition in Nepal*

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Abstract

Decentralization is one of the key reform efforts practiced in developing countries to strengthen good governance by enhancing, for instance, people's participation, transparency and accountability. Nepal has been suffering, however, from a long political transition since the 1990s. Along with political and government change in the country, Nepal has experimented with different forms of decentralization ranging from deconcentration to delegation and devolution. The Local Self Governance Act (LSGA) 1999 devolved special power, authority, roles and responsibilities to the local bodies. From the perspective of decentralization policy implementation, the periods before and after July 2002 present different contexts. Due to a prolonged political transition and changing context, the decentralization and local self-governance system in Nepal have faced several constraints and challenges in planning, implementing and monitoring local level development activities. This article discusses some of the key constraints and challenges of decentralization policy in the context of political transition in Nepal.

Keywords: decentralization policy, political transition, Nepal

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นโยบายการกระจายอำนาจ และการเปลี่ยนผ่านทางการเมืองในประเทศเนปาล

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บทคัดย่อ

การกระจายอำนาจเป็นหนึ่งในความพยายามหลักในการปฏิรูปประเทศซึ่งมีการดำเนินการในประเทศกำลังพัฒนา เพื่อที่จะสร้างความเข้มแข็งให้กับธรรมาภิบาลโดยการส่งเสริมการมีส่วนร่วมของประชาชน ความโปร่งใส และความรับผิดชอบ เป็นต้น ประเทศเนปาลอยู่คู่กับการเปลี่ยนแปลงทางการเมืองและการปกครอง ได้มีการทดสอบรูปแบบต่างๆ ของการกระจายอำนาจมาโดยตลอด ตั้งแต่การแบ่งอำนาจ การมอบอำนาจ และการโอนอำนาจ พระราชบัญญัติการปกครองตนเองปี 1999 ได้กำหนดให้มีถ่ายโอนอำนาจพิเศษอำนาจหน้าที่ บทบาท และความรับผิดชอบไปยังองค์กรปกครองส่วนท้องถิ่น อย่างไรก็ตาม เนปาลยังคงประสบกับปัญหาจากการเปลี่ยนผ่านทางการเมืองตั้งแต่ทศวรรษที่ 90 เป็นต้นมา การนำนโยบายการกระจายอำนาจไปปฏิบัติในช่วงเวลาก่อนและหลังเดือนกรกฎาคม ปี 2002 ได้ถูกนำไปใช้ในบริบทที่แตกต่างกัน จากการเปลี่ยนผ่านทางการเมืองและบริบทการเปลี่ยนแปลงที่ค่อนข้างยาวนาน การกระจายอำนาจ และระบบการปกครองตนเองของท้องถิ่นในประเทศเนปาลต้องเผชิญกับปัญหาและความท้าทายหลายประการ ทั้งในด้านการวางแผนการนำไปปฏิบัติ และการกำกับดูแลกิจกรรมการพัฒนาท้องถิ่น บทความนี้มีจุดมุ่งหมายในการถกแถลงถึงข้อจำกัดและความท้าทายบางประการของนโยบายการกระจายอำนาจในบริบทของการเปลี่ยนผ่านทางการเมืองในประเทศเนปาล

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Introduction

Decentralization is a complex concept where central government relinquishes some of its authorities and management responsibilities to a local government, local leader, or community institution. It also refers to the delegation of legal and political authority and resources from the central government to its agencies or field level organizations (Rondinelli, 1981), or to subordinate units or levels of government, semi-autonomous public authorities or corporations, area wide, regional or functional authorities, or non-governmental private or voluntary organizations (Vengroff & Salem, 1992; cited in Uwadibie, 2000:51-52) to make decisions, plans, implementation and evaluation. Uwadibie (2000) further states that decentralization is a means of cutting through the enormous amounts of “red tape” and the highly bureaucratic procedures characteristic of planning and administration in developing nations that result, in part, from the over-concentration of power, authority, and resources by the central government.

Decentralization is broadly categorized as administrative decentralization, political decentralization, fiscal decentralization and market decentralization. Administrative decentralization relates to the transfer of authorities and responsibilities to perform certain public functions among different levels of government, its agencies, semi-autonomous public authorities, and so on. Administrative decentralization is also further classified as deconcentration, delegation and devolution. Through deconcentration, decision making authority and financial and management responsibilities are redistributed among different levels of the central government such as provinces, regions, districts, municipalities, village development committees (VDCs), and so on. It is also known as the weakest form of decentralization. Delegation refers to the transfer of authorities and responsibilities to perform public functions to the semi-autonomous organizations such as public enterprises, semi-autonomous universities, and so on. Devolution is more of political decentralization in nature. Through devolution, government usually relinquishes responsibilities for public services to municipalities or VDCs that elect their own mayors or chairpersons and councils, raise their own revenues, and have independent authority to make investment decisions.

Political decentralization refers to the transfer of authority to make public decisions to the citizens or their elected representatives. Fiscal decentralization relinquishes the authority to raise revenues locally and/or make decisions about expenditure. It can take many forms such as self-financing, co-financing, expansion of local revenue through property or sales taxes or indirect charges, intergovernmental transfers that shift general revenues from taxes collected by the central government to local governments, and authorization of municipal borrowing and the mobilization of either national or local government resources through loan guarantees (World Bank, nd.).

Market decentralization is viewed as the most decentralized form of decentralization. In market decentralization, the public sector relinquishes most of the decision-making power to private organizations. It has two forms: privatization (allowing private enterprises to perform public functions, e.g. contracting out), and deregulation (transferring services provision to production activities to competing private organizations, e.g. electricity provided by competing companies) (FAO, nd.). These forms of decentralization may not be exclusive to each other. Most of the countries have adopted mixed types of decentralization. Nepal also is not an exception.

Decentralization is expected to advance democratization, participation, efficiency, equity (Agrawan & Ribot, 1999, cited in Ahmed & Mbwambo, 2004:4), rural development, public service performance, and poverty alleviation (Ribot, J.C., 2004). Crook and Sverrison (2001) argued that decentralized authorities best serve marginal populations when the central state supports poverty alleviation and other programs to serve the interests of the poor (cited in Ribot, 2004:43). It strengthens the development policymaking by ensuring the people's participation in the policymaking process at the local level. The responsiveness and accountability of a government can be measured by its policies if they are adopted as preferred and sanctioned by the citizens of the country (Manin et al., 199; cited in Ribot, J.C., 2004:18).

The sequence of decentralization and intergovernmental power is very crucial for effective decentralization. According to The Sequential Theory of Decentralization, decentralization is a process which includes a number of policy reforms aimed at transferring responsibilities, resources or authority from higher to lower levels of government. The sequence of decentralization determines the change in the balance of power. If, at the first, political and administrative type of decentralization reform takes place in sub-national and national level respectively and both leads to fiscal decentralization and subsequently administrative and political type of decentralization reform takes place in sub-national and national level, respectively, then it results with high balance of intergovernmental power (Falleti, 2004). The dearth of the balance of intergovernmental power at national and sub-national levels may cause numerous constraints and challenges to reach the goals of decentralization policy.

Concept of Political Transition

Transition is a process of change from one form or state to another. Similarly, political transition is also a process of transformation from one form of political regime to another. It is an interval between one political regime and another, which is a very common phenomenon in every country. From the viewpoint of the traditional doctrine of political transition, it is a shift away from one authoritarian regime to democracy (Nifosi, 2004-2005). The transition might occur in different modes of political transitions: reform, compromise and overthrow (Huntington, 1991, cited in Nifosi, 2004-2005:72). In the reform mode, the old regime takes the lead in the transition and adapts itself towards a new system. In the compromise mode of transition, the ruling regime and the oppositions realize the need of each other in the change process; thus reach a compromise, which may take the form of a Peace Agreement if the country is facing a civil war, and together initiate the transition. The Comprehensive Peace Agreement 2006 concluded between the government and the Communist Party of Nepal (Maoist) in November 21, 2006 is an example of the compromise mode of transition. In the overthrow mode of political transition, the oppositions are

strong enough to overthrow the old regime and establish a new regime where the new government has the total power to direct the regime. From this perspective, the end of the Rana regime in 1951, and the restoration of democracy regime in the early 1990s can be considered as examples of the overthrow mode of political transition in Nepal.

The political transition from authoritative to democratic is also viewed as a process of sequential phases of change. According to Nifosi, it passes through three sequential phases: opening, breakthrough and consolidation. In the opening phase, the political transition itself begins and coincides with the movement of the oppositions/reformers. In the breakthrough phase, the old regime – authoritative regime, is collapsed and a new regime – democratic regime, is established. In the consolidation phase, democracy is shaped and materialized through the implementation of state reforms, the holding of periodic elections and flourishing of civil society. From the sequential perspective of political transition, Nepal since the early 1990s has been in the phase between breakthrough and consolidation phase.

Decentralization in Nepal: A Historical Perspective

Decentralization is not a very new concept in Nepal. The history of reform in Nepal shows that one way or the other, the efforts to decentralize the roles, responsibility, power and authority from the central level to the lower level to some extent have always been a continuous and progressive process. The modern history of public sector reform in Nepal dates back to 1770 when the country was united from smaller states. Prithivi Narayan Shah, the great king of Gorkha (a district) unified the smaller states in one nation and became the memorable monarch of “Greater Nepal” encompassing Terai/plain, Hill, valleys and mountains. The administration was very difficult because of diversified geography, languages, cultures, traditions, ethnic characteristics, etc. The administrative system was reformed with the establishment of some special offices to look after the different issues of public service administration, such as Muluki Adda – to look after the public service administration; Kitab Khana – to

look after the maintenance of the records of all public and military personnel, certifying for the payment of salary; Hajiri Goshwara – to look after the attendance of government servants, reporting the job performance by the government servants and submission to the Maharaja Prime Minister; Drabya Kosh – to deal with the pensions and provident fund of military personnel; and Darshanbet – to collect special levies from army personnel when appointed (Thapa, 2010).

After the takeover of the king's rule by Rana Prime Minister Jang Bahadur Rana in 1846, the monarchy and royal palace administrative system were reformed. Two types of personnel system were formed: member of the Rana oligarchy, and ordinary public servants. The members of the Rana oligarchy were the Rana family members included in the role of succession. The final administrative control authority was in the hands of the Prime Minister (Thapa, 2010). It was a kind of centralized system. During the Rana regime, access to public service was confined to some aristocracies and well-wishers of the Rana dynasty only.

After 104 years, in 1951, the Rana regime was toppled and a period of quasi-constitutional rule followed, during which the monarch, assisted by the leaders of fledgling political parties, governed the country. This system ushered new decentralized ideas for development and welfare of the people. In 1956, the Tribhuvan Village Development Programme was introduced by US and Indian Aid with an objective of improving efficiency and effectiveness in rural development. Under this program, village development centers were established and block development officers were appointed to coordinate rural development (UNDP, 2009).

In 1960, the king established a party-less system, 'Panchayat,' in the country. A series of efforts were made to create different forms of decentralization. In the Panchayat system, the king had executive power to rule the country. Nepal was divided into 14 zones with the head of every zone directly appointed by the His Majesty's Government. Every zone was further divided into a couple

of districts, and districts were assigned cities and villages for administrative and developmental activities (Thapa, 2010). The local institutions in the village and district were called “Village Panchayat/Jan Panchayat” and “District Panchayat/Zilla Panchayat,” respectively. The local authorities were placed within the constitutional framework; they were, however, used extensively as an extended arm of the central government. In 1962, the “Constitution of Nepal 2019” was promulgated (UNDP, 2009).

Under the Panchayat system, several commissions were set up to work with decentralization administration and to examine its different aspects. For instance, in 1963, with an objective of public reform, the Vishabandhu Thapa Commission, a commission on decentralization of administration, was formed. The commission made some major recommendations, such as: (i) provision of district and village level cabinets; (ii) delegation of law and order responsibility for the village; and (iii) enactment of the local administration act. The recommendations of the commission led to the promulgation of the Local Administration Act in 1966, which established 75 districts in place of the existing 35 districts.

In 1967, a committee known as the Bhojraj Ghimire Committee was formed to look into the implementation of decentralization. The committee made some major recommendations such as: (i) decentralization of power to local level institutions; (ii) appointment of the chief district officer as the District Panchayat Secretary; and (iii) provision of government financial grants to local Panchayats. In 1968, a commission on administrative reform was formed, the Vedananda Jha Commission. The Commission recommended administrative reform and reorganization of the existing system. And, in 1969, the Jaya Prakash Committee was formed to examine the effectiveness of decentralization schemes in the country. The Committee made major recommendations, such as: (i) coordination among various central level ministries; (ii) formulation of district level plans by District Panchayat and its implementation by the Chief District Officer (CDO). In 1970, the Committee also recommended to strengthen decentralization efforts (UNDP, 2009).

The fourth five-year national plan (1970-1975) included regional planning and growth pole development strategy under which the country was divided into four development regions each with a growth pole. In 1974, as recommended by the Jaya Prakash Committee, the district plan was implemented. All district line agencies of development ministries were placed under the authority of the CDO, and were made responsible for the formulation of district development plans. In 1975, a small area development plan was also implemented and the concepts of growth centers and growth corridors were introduced. In 1976, the Bhekh Bahadur Thapa Commission on administrative reform recommended administrative reform both at central and local levels. In 1976, an integrated rural development project was launched with support from the International Bank for Reconstruction and Development Assistance (IBRD). Similarly in 1978, the integrated Panchayat development decision was implemented which transferred the authority for formulating and approving plans to the village and district assemblies and Panchayats and service centers. In 1980, created and assigned with the responsibility of coordinating all rural development projects and programs. Similarly, in 1981, a subcommittee was formed to work on the Decentralization Act 1982. The Decentralization Act 1982, which was promulgated in 1982, devolved decision-making power to the local Panchayats. In 1984, decentralization bylaws were enacted to implement the Decentralization Act 1982 nationwide on a phased basis with a completion date of 1991 (UNDP, 2009).

The political movement of democratic leaders in 1990 overthrew the authoritative type of party-less Panchayat system and established a democratic system (constitutional monarchy) in Nepal, which is commonly understood to represent the restoration of democracy. With the restoration of democracy, the new democratic constitution envisioned decentralization as a fundamental element of Nepalese democracy. In 1996, a high-level decentralization coordination committee (1996) chaired by the prime minister made some major recommendations based on which the Local-Self Governance Act (LSGA) 1999 was enacted in 1999. The Decentralization Act 1999 and the Decentralization

Rules 2000 were also enacted. The acts and rules have devolved authority to local bodies. The LSGA from the perspective of decentralization has the goal and objective of strengthening grassroots participatory planning; balancing distribution of the fruits of developments; strengthening governance and service delivery capacity of local bodies; coordinating development efforts among government, donors and NGOs, civil society and private sectors; enhancing cost effectiveness and service efficiencies; developing local leadership and accountability of local bodies to local people; and increasing private sector participation to provide basic services for sustainable development (Kafle, 2004).

Furthermore, particularly, during the period when the congress government formed in 1991 and ended in 1994 to seek a fresh mandate through a mid-term election, a faction of the ultra-left boycotted the mid-term poll and appealed for an armed revolution in February 1996 under the banner of the Nepal Communist Party (Maoists), in order to establish a republican state. The party put forward some 40-point demands to the government (Keshiyab, 2002). Since then, Nepal has suffered a decade long armed conflict/civil war. During this period there were frequent changes in government. Following the royal massacre in June 2001, King Gyanendra became the king. In 2005, alleging that the political parties were incompetent and had failed to conduct elections or handle the Maoist insurgency, and in order to maintain peace and law and order in the country, King Gyanendra suspended the constitution and assumed direct authority. However, a people's movement jointly initiated by the Maoists and other political parties compelled the king to relinquish power to the people on April 24, 2006 by restoring the previous parliament. On August 25, 2006 the interim constitution was drafted which abolished the constitutional monarchy and declared Nepal as a republic. In 2008, with an objective of drafting a new constitution for the Republic of Nepal, the election of a constituent assembly (CA) was conducted. The members of the constituent assembly were expected to finish writing a new constitution for the country by May 27, 2012. But, due to the lack of consensus among the political parties on the issues related to

federalism, the constitution writing process could not be accomplished. Finally on May 28, 2012, the constituent assembly was dissolved.

Decentralization Policy: its Constraints and Challenges

Nepal has been suffering as a result of the long period of political transition that began in the 1990s. Due to such a protracted political transition, the decentralization and local self-governance system in Nepal have faced several constraints and challenges. After the local election in 1997, the local government was run by the elected representatives until July 2002. The LSGA 1999 devolved special power, authority, roles and responsibilities to the local bodies. During the period between 1997 and 2002, the decentralization policy had some unique constraints and challenges, but after the dissolution of the local bodies in July 2002, the decentralization policy has faced other unique kinds of constraints and challenges. Some of the key constraints and challenges of decentralization policy in Nepal are broadly categorized as policy and implementation process related issues and briefly discussed below.

1. Policy related issues

The LSGA 1999 has an objective of developing local self-governance by devolving special powers, authorities, roles and responsibilities to the local bodies. The basic principles and policies of local self-governance in LSGA 1999 are: devolution of such powers, responsibilities, and means and resources as are required to make the local bodies capable and efficient in local self-governance; building and development of institutional mechanisms and functional structures in local bodies capable of considering local people and bearing responsibilities; devolution of powers to collect and mobilize such means and resources as are required to discharge the functions, duties, responsibilities and accountability conferred to the local bodies; having the local bodies oriented towards establishing a civil society based on democratic processes, transparent practices, public accountability, and people's participation in carrying out the functions devolved on them for the purpose of developing local leadership; arrangement of effective mechanism to make the local body accountable to the people in

its own areas; and encouraging the private sector to participate in local self-governance in the task of providing basic services for sustainable development (Part 1, LSGA 1999).

LSGA has a two-tier local governance structure with 75 district development committees (DDCs) and 104 municipalities (including one metropolitan city and four sub-metropolitan cities) on the top tier, and 3754 village development committees (VDCs)¹ in the grass-roots tier. Every municipality and VDC have Ward committees. The legal frameworks have transferred the power and authority to the local levels, increased the authority and responsibilities of the local bodies, and increased the devolution of administrative, judicial and fiscal power to the local elected bodies. The DDC is the focal point of decentralized planning and coordination at the district level. The DDCs have the power, functions and responsibilities associated with planning, administration, finance, development and so on in the district. For instance, every DDC has to formulate district periodical and annual plans; maintain coordination with governmental, non-governmental and donor agencies while formulating plans and service programs; prepare budgets; impose taxes, charges, fees, levies, etc. as approved by the district council; establish information and record centers in the district; and impose punishments on those who act in contravention of LSGA or the rules. In the same way, the municipalities and VDCs also have their own power, functions and responsibilities associated with planning, administration, finance, development and so on in the municipalities/VDCs. For instance, every

¹The government declared 41 new municipalities across the country through the budget speech presented in the legislature parliament on Friday 15, July 2011. The government restructured 161 VDCs into 41 municipalities as per a recommendation from a panel led by Professor Surya Lal Amatya. With the addition of these 41 municipalities, the number of municipalities across the country reached 99. In addition, there is one metropolitan city and four sub-metropolitan cities. Kathmandu is the metropolitan city and Lalitpur, Pokhara, Biratnagar and Birgunj are the sub-metropolitan cities. Earlier, there were 58 municipalities. The number of VDCs has reduced from 3915 to 3754 (Nepalnews.com July 6, 2011, available at <http://www.nepalnews.com/archive/2011/jul/jul16/news03.php>, accessed on 17.6.2012).

municipality has to formulate periodical and annual plans; maintain coordination with governmental, non-governmental and donor agencies while formulating plans and service programmes; prepare an annual budget; impose taxes, charges, fees, levies, etc. as approved by the municipal council; punish those who do not pay taxes, fees, charges, etc.; keep records of the population, houses, land; and register birth, death and other personal events (LSGA, 1999). However, the LSGA is often criticized for having some policy deficiencies. For example, the Joint HMGN-Donor Review has observed the lack of a clear and strategic framework and a time bound action plan for the implementation of the act, and contradictions between the LSGA and existing laws and guidelines that have hampered effective implementation (cited in Hesselbarth, 2007:7).

2. Implementation process related issues

The implementation process plays a vital role in policy success. There are several kinds of constraints and challenges during the implementation process such as capacity of the local bodies; capacity of the central level; financial capacity of the local bodies; central control; multi-parties and multiethnic societies; accountability and transparency; and the restoration of records and reconstruction of infrastructure, which are discussed below.

Capacity of the local bodies. The LSGA has devolved various powers, functions and responsibilities such as formulating periodical and annual plans, coordinating with governmental, non-governmental and donor agencies, preparing budgets, imposing taxes, charges, fees, levies, imposing punishments on those who act in contravention of the LSGA or the rules to the local levels like DDCs, Municipalities and VDCs, so that some local development projects could be designed and funded at the local level. But the majority of the elected members mostly in the VDCs did not have experience in executing such responsibilities before. Therefore, local plans and budgets although developed at the local level were often criticized for not being more creative, innovative, efficient and effective in addressing problems at the local level. Scholars have suggested that the local bodies needed capacity development in various areas such as strategic

management, participatory planning and management, financial management, information management system, leadership development, organizational development, project monitoring and evaluation, orientation on LSGA and decentralization, facilitations skills, and political awareness and leadership development (Khadka, 2004). Realizing this fact, later on some capacity building efforts were initiated such as training programs on bottom-up planning for the elected representatives and the staff at the local level. However, the efforts have not been adequate. There is still a long way ahead to go forward to perform the public functions efficiently and effectively. The Joint HMGN-Donor Review pointed out the inadequacy of technical capacity of such bodies to plan, design and implement devolved activities (cited in Hesselbarth, 2007:7).

Capacity at the central level. Owing to geographical or environmental constraints, local bodies are not resourceful and capable of managing everything locally. They require support from the central government. There are three key functions that have to be performed by the center: first, strategic direction for planning and resource allocation; second, technical and financial support; and third, provision of the necessary regulatory framework (HMG, 2002). The central level organizations also have limited capacities to regulate, facilitate and guide decentralized functions and services. The central government lacks a good mechanism of monitoring and evaluating the local bodies and their performance. In the absence of monitoring and evaluation of the local bodies, the performance of the local bodies might not be in line with the spirit of the decentralization policy to achieve its goals. Less transparent and a weak fiscal discipline prevailed in the local bodies, hampering local resource mobilization and causing substantial irregularities.

Financial capacity of the local bodies. Despite being a small country, the number of VDCs in Nepal is often considered too large (around 3,754) from the perspective of planning, administration, coordination, cost efficiency and service delivery. A great majority of the local bodies (around 90 percent of VDCs, 40 percent of municipalities and 25 percent of DDCs), because of their geo-

spatial structure and resource limitations, are not capable of self-financing; thus they are fully dependent on the central government finance (HMG, 2002:6). Because of the geo-spatial variation of the country, there is a widening resource gap among the local bodies. The VDCs/municipalities and districts with better access to resources are doing better and the other districts which have poor access to resources and are more reliant on government budgets are not able to progress as much as other districts. The large number of local bodies and majority dependence on the central budget has resulted in high administrative expenses at the cost of development expenditure.

Central control. Despite the provision of planning from the local level in the Decentralization Act and LSGA 1999, a centralized planning and budgeting system still exists in the form of line agencies that follow the blueprint approach and a set of targets from the center (HMG, 2002:5). The central government has its own targets such as the Millennium Development Goals (MDGs) targets, but the local bodies have their own targets. The LSGA 1999 provides that every district carries out their district periodic plan (DPP). With such a situation in planning the problem of the conflict of interests between the central and local level may arise, tending to hamper the decentralized system of policy implementation. Similarly, the attitude of central line agencies that consider the local bodies as subordinate agents of local development rather than autonomous units of local self-governance is also an issue of decentralization in Nepal (Khadka, 2004).

Multi-parties and multiethnic societies. After the restoration of multiparty democracy in 1990, the number of political parties has increased rapidly.² Every party has its own political interest. The representatives of different political parties in the local bodies often create obstacles in planning and implementing the programs due to their own political interests. For instance, due to conflict between the political parties in the country, the caretaker government

²54 political parties participated in the CA election of 2008 (for detail, see on [http://www.election.gov.np/reports/CAResults/reportBody.php?selectedMenu1=Party%20Wise%20Count%20In%20Nation\(English\)](http://www.election.gov.np/reports/CAResults/reportBody.php?selectedMenu1=Party%20Wise%20Count%20In%20Nation(English)), accessed on 3.3.2012), and recently as of May 31, 2013, 139 political parties have been registered at Election Commission of Nepal for the next CA election (available at http://www.election.gov.np/EN/downloads/political_parties_list.pdf, accessed on 03.06.2013).

was not able to launch the budget particularly for the fiscal year 2012/2013, which has affected the efficiency of budget transfer to the local bodies as well. Similarly, Nepal has more than one hundred caste/ethnic groups³ (CBS, 2012). Each caste/ethnic group has its own tradition and culture and therefore makes different demands. Because of the unstable political environment of the country, the communal feeling of each caste/ethnic group is rising day-by-day; thereby raising difficulties in engineering consensus among the competing interests of the different political and social groups in planning and implementing the policies and programs at the local levels.

Accountability and transparency. Besides elected members, every local body in Nepal has at least one or more government personnel working as regular staff. For instance, government staff such as secretary in the VDC, executive director and other staff in the municipality, and Local Development Officers (LDOs) and planning and programming officers in the DDC, as well as other personnel. These civil servants sometimes seem to have a centralist attitude. Their personal and career growth depends on their performance in the eyes of their superiors, i.e. senior government staff. Therefore, the staff deployed from ministries often tends to be more accountable to the central/respective ministries, rather than to the local bodies responsible for devolved functions. In the absence of proper and adequate support from these staff, even the regular general functions in the local bodies cannot be performed well. In the case of elected members, they are generally supposed to have a greater accountability towards the citizen. However, the elected members in Nepal are often criticized for favoring their party cadres rather than the ordinary citizens.

Moreover, as pointed out above, the LSGA 1999 has devolved the power and responsibilities to the elected representatives of local bodies. Nevertheless, the local bodies have not had elected members since the dissolution of the

³Nepal has 126 caste/ethnic groups reported in the census 2011. Chhetri is the largest caste/ethnic group having 16.6% (4,398,053) of the total population followed by Brahman-Hill (12.2% ; 3,226,903), Magar (7.1%; 1,887,733), Tharu (6.6%; 1,737,470), Tamang (5.8%; 1,539,830), Newar (5%; 1,321,933), Kami (4.8%; 1,258,554), Musalman (4.4%; 1,164,255), Yadav (4%; 1,054,458) and Rai (2.3%; 620,004) (CBS, 2012).

local bodies in July 2002. The officials appointed by the government are leading the local bodies. The divergence between the policy and the system has aroused a great deal of constraints and challenges related to accountability, participation, responsiveness, transparency, and so on, which have affected resource mobilization, planning, implementing and monitoring aspects of the development activities at the local level. To fill the gap and carry on the development work, an all-party mechanism (a temporary arrangement) has been formed at the local level. Since the all-party mechanism is not an elected body, it is often criticized for corruption and misappropriation of the budget, and lack of accountability and transparency. Political parties in close involvement with the local body officials have misappropriated the development budget. Lack of elected representatives and unnecessary political interference have promoted irregularities and corruption in the local development ministry and local bodies and thus hit development works hard (Baniya, 2012; The Kathmandu Post, 2012). Billions of rupees being allocated have not been spent accountably and transparently (Bhattarai, 2011).

Restoration of the records and reconstruction of infrastructure. The local bodies were one of the most affected bodies of government during the decade long Maoist insurgency. The representatives of the local bodies were hit severely during the Maoist insurgency. The Maoists had declared a parallel people's government (Janasarkar) at the local level. During the insurgency, almost all the local bodies from villages were moved to the city/urban center for safety reasons. The infrastructure and various vital records have been destroyed, which has affected the overall decentralized service delivery of local bodies. It is a substantial constraint in providing services and a considerable challenge to restore the records and reconstruct the infrastructure again across the country.

Conclusion

Nepal has been adopting more or less progressive strategies on transferring or delegating roles, responsibilities, powers and authorities since the 1700s. The Decentralization Act 1999, LSGA 1999 and the Decentralization Rules 2000 are

the key legal frameworks of decentralization at present in Nepal. These legal frameworks have formed a two-tier local governance structure and transferred different kinds of power, authority, functions and responsibilities to the local levels. Despite the benefits of decentralization such as improved accountability towards the people, direct participation of people in planning and implementing the policies and programs, and transparency, the decentralization policy has also faced many policy and implementation process related constraints and challenges. These constraints and challenges are related to the capacity of the local bodies, capacity of the central level, financial capacity of the local bodies, central control, multi-parties and multiethnic societies, accountability and transparency, and restoration of records and reconstruction of the infrastructure destroyed during the Maoist insurgency.

In the present political transitional period, it is difficult to presume the future direction of reform. The process of writing a new constitution and restructuring the administrative structure of the government has not yet been finished. The type of federal structure to be adopted has become a burning issue among the political leaders and various interest groups, and the governance system of the state may be restructured; thus resulting in changes in the structure of the local bodies and thereby introducing a new decentralized governance system to the country.

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