



## **Final Report**

# **Findings on Functioning of Local and Provincial Governments in Nepal**

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## Table of Contents

Acknowledgements

List of Acronyms and Abbreviations

Executive Summary

1. Introduction.....	1
2. DRCN Methodology and Observation.....	2
2.1 DRCN Research Methodology .....	2
2.2 DRCN Observation .....	3
3. Political Context and Overview .....	3
4. Legal Framework for Subnational Governance .....	4
4.1 Formation and structure of local and provincial governments .....	4
4.2 Powers of local and provincial governments .....	5
4.3 Relations between federal, provincial, and local governments .....	8
4.4 Federal laws .....	8
4.5 Act Relating to Operation of Local Government 2017 .....	9
4.5.1 Late enactment of the LGA .....	9
4.5.2 Powers, functions and duties of local governments .....	9
4.5.3 Powers, functions and duties of ward committees .....	10
4.5.4 Powers of local unit chief, deputy, and ward chair .....	10
4.5.5 Operation of local executive and assembly .....	10
4.5.6 Judicial Committees .....	11
4.5.7 Authority to collect taxes .....	11
4.5.8 Local government administration .....	12
4.6 Enactment of ‘model laws’, federal directives and circulars.....	12
5. Findings on Local Governments.....	12
5.1 Restructuring Issues .....	12
5.2 Legislation .....	16
5.3 Service Delivery .....	17
5.4 Staffing and Infrastructure .....	20
5.5 Trainings and Capacity Building.....	23
5.6 Planning and Implementation .....	24

5.7 Transparency and Accountability.....	26
5.8 Communications and Citizen Involvement.....	27
5.9 Inclusion and Empowerment .....	27
5.10 Judicial Committees.....	28
5.11 Taxation and Revenue .....	30
5.12 Conflicts .....	31
5.12.1 Elected Representatives versus Government Employees.....	31
5.12.2 Conflicts between Different Levels of Government .....	32
5.12.3 Local Unit Chiefs versus Deputies .....	33
5.12.4 Ward versus the Municipality or Rural Municipality .....	34
5.12.5 Political Party Leaders versus Elected Representatives .....	34
6. Findings on Provincial Governments.....	34
6.1 Legislation of Provincial Laws .....	35
6.2 Infrastructure and Resources.....	35
6.3 Competing Claims over Names, Capitals and Official Languages.....	36
6.4 General Perception on Provincial Setup.....	37
7. Conclusion and Recommendations .....	38
7.1 Conclusion.....	38
7.2 Recommendations: .....	39
Appendix A: DRCN Field Researchers.....	42
Appendix B: Districts and Local Units Covered.....	43

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## List of Acronyms and Abbreviations

APM	All Party Mechanism
CA	Constituent Assembly
CAO	Chief Administrative Officer
CIAA	Commission for Investigation of Abuse of Authority
CPN-MC	Communist Party of Nepal - Maoist Center
CPN-UML	Communist Party of Nepal - Unified Marxist Leninist
DCC	District Coordination Committee
DCO	District Coordination Officer
DFO	District Forest Office
DHQ	District Headquarter
DRCN	Democracy Resource Center Nepal
FARC	Federal Administrative Restructuring Committee
FSFN	Federalist Socialist Forum Nepal
GoN	Government of Nepal
HoR	House of Representatives
IPT	Integrated Property Tax
JC	Judicial Committee
LGA	Local Government Operation Act
LGCDP	Local Governance and Community Development Program
LLRC	Local Level Restructuring Commission
MoF	Ministry of Finance
MoFAGA	Ministry of Federal Affairs and General Administration
MuAN	Municipal Association of Nepal
NC	Nepali Congress
NCP	Nepal Communist Party
PHC	Primary Health Center
RJPN	Rashtriya Janata Party Nepal
ToR	Terms of Reference
VDC	Village Development Committee

## Executive Summary

The conclusion of the elections to the local units, provincial assemblies, and federal House of Representatives (HoR), between May and December of 2017, under the new Constitution marked a major step forward in Nepal's long and arduous political transition. The new Constitution mandated the restructuring of the state into three levels with the aim of devolving state power to newly created local and provincial units under a federal system. The new Constitution created seven provinces and mandated the formation of the Local Level Restructuring Commission (LLRC), which created 753 local units across the country. Governments have now been formed in all 753 local units, seven provinces, and at the federal level.

Having observed all phases of the three elections, Democracy Resource Center Nepal (DRCN) started observing the functioning of local and provincial governments since January, 2018. In the last week of December, 2017, five teams comprising two researchers each were deployed to five different geographical regions. The teams were based in Biratnagar, Janakpur, Pokhara, Dang and Dhangadhi, and travelled to districts within their specific geographical regions. During this observation, DRCN teams visited a total of 145 local units comprising 67 municipalities and 78 rural municipalities in 54 districts across the country, and interviewed over 2,000 respondents.

The most positive aspect of the elected local governments under new structures was the improved access to basic services like registration of vital events and distribution of social security benefits at the local level. Citizens felt that they could reach the elected officials easily and did not have to go to the District Headquarters (DHQ) for simple tasks. The functioning of the local governments in the first year was fraught with major challenges, of which legislating laws was the most prominent. Despite a lack of technical expertise and the absence of familiarity with new structures, local governments spent most of their time and energy in legislating new laws. Lack of constitutional clarity and an absence of requisite provincial and federal laws made the entire process confusing and cumbersome. Most local governments relied on the 'model laws' sent by the federal government to formulate necessary laws.

Another major challenge faced by local governments was the lack of adequate staff to carry out basic functions. DRCN study found that the problem of staffing was especially severe in remoter and less accessible areas. The problem of integrating existing civil service employees into the local units and provinces was an important national issue. On the one hand, government employees were reluctant to work in remoter areas, and on the other hand, the elected representatives preferred employees who were personally and politically favorable to them. Other challenges faced by local governments included lack of physical infrastructure like office

buildings, regular electricity supply, computer and stationery, and banking services, among others.

Different conflicts surfaced in the first year, even while interlocutors raised concerns about other potential conflicts. The most notable conflicts were – political and professional differences between the elected representatives and Nepal government's permanent employees, conflicts among elected representatives from different political parties, conflicts among mayors/chairpersons and deputy-mayors/vice-chairpersons regarding responsibilities and benefits, conflicts between mayors/deputy-mayors and chairpersons/vice-chairpersons on one side, and ward chairs and other ward members on the other side. Ward chairs and other ward members alleged that they were not adequately consulted and represented at the decision-making level. Potential conflicts could emerge between local, provincial and federal governments in matters of concurrent jurisdiction like authority over taxation and revenues. There was also evidence that the conflicts over resources like rivers, highways, national parks, and tourism sites could emerge in the future.

There was widespread confusion and lack of clarity over the roles and jurisdiction of Judicial Committees (JC) across the country. Deputy Mayors and Vice Chairs – who head these Committees and over 93% of who were women – said they lacked the legal and technical capacity to lead effectively. Increased and regular training and orientation, and provisions for legal assistance were seen as necessary interventions for these committees to work effectively. The Deputy Mayors/Vice Chairpersons also complained that the focus on JC works prevented them from carrying out other major responsibilities. Dalit and women members saw their increased participation in the local units due to mandatory provisions as a significant progress but most of them raised concerns that they still did not have adequate say at the decision-making level. Many of them complained that they were not given important tasks and their roles were limited to attending routine meetings.

In lack of legal and jurisdictional clarity, the majority of the first year's budget was allocated towards infrastructure development in general and road construction in particular. This came at the cost of important social sectors not receiving adequate funding – a trend that multiple stakeholders saw as worrying. In terms of general citizen perception, the local governments had not made any significant impacts on their daily lives, with many an interlocutor complaining that the only noteworthy change had been an increase in taxes. A majority of the elected officials acknowledged that they had not been able to deliver on most of the promises made during elections, but were hopeful that with more legal clarity and familiarity under the new structures they would be able to function effectively.

Provincial governments were working under a cloud of uncertainty and lack of legal and jurisdictional clarity. They were not able to function effectively in the first six months, most of

which went into trying to legislate vital operational laws. These governments complained about not having requisite laws at the center, and there were some notable cases of some members of provincial governments publicly complaining about the federal government not providing them with adequate physical and technical resources. The ineffectiveness of provincial governments resulted in concerns among some stakeholders that the federal system might not be the best system for Nepal. Members of provincial assemblies and governments, however, remained adamant that, with time, they would work effectively.

DRCN observation showed that the local and the provincial governments faced major challenges to ensure proper and effective delivery of services to the citizens. However, within the duration of DRCN observation between January and July, 2018, some changes were noticeable in the functioning of local governments. With increased trainings and familiarity, elected representatives became more comfortable and confident with their new roles and responsibilities. The role of the federal government, therefore, appeared to be crucial in creating timely legislation of laws required to ensure legal and jurisdictional clarity and avoid potential conflicts within and among different levels of the government. DRCN urges the federal government to promptly draft necessary laws, finalize the process of integration of civil service employees into local and provincial levels, and ensure that local and provincial governments are adequately consulted while making major decisions and policies. The federal government must resist its centralizing tendencies and work sincerely towards facilitating the devolution of powers to local and provincial governments to ensure a more inclusive and participatory governance.



## 1. Introduction

The adoption of the new Constitution in September, 2015, paved way for the implementation of three levels of government under a new federal system in Nepal. One major feature of the new Constitution was the restructuring of the state, including the devolution of power to newly created provinces and local units. While seven provinces were determined by the Constitution, the Local Level Restructuring Commission (LLRC) was formed on March 15, 2016, and was tasked with proposing new local units within a year.

The local level restructuring process was rushed in order to facilitate the local elections, and happened amidst protests, particularly by Madhesh-based parties who were demanding the revision of provincial boundaries before the creation of local units.<sup>1</sup> On January 6, 2017, the LLRC proposed 719 local units when it submitted its report to the Government of Nepal (GoN).<sup>2</sup> Following widespread protests by Madhesh-based parties, the GoN added 25 local units on March 15, 2017.<sup>3</sup> The government proposed 22 additional units in certain Tarai districts between the first and second phases of local elections in an attempt to bring Madhesh-based parties on-board for the second-phase election. The Supreme Court initially issued an interim order that prohibited the implementation of the decision. However, on August 10, 2017, the final decision of the Supreme Court dismissed the petition against the decision, leading to an additional nine units in Province 2, thus creating 753 local units nationally.<sup>4</sup>

The new Constitution also mandated that the elections to all three newly restructured levels of governments be concluded by January 21, 2018. The first set of elections to the local units was concluded in three phases: the first phase on May 14, the second on June 28, and the third on September 18, 2017. Elections for members of House of Representatives (HoR) and members of seven provincial assemblies were conducted together in two phases: the first phase on November 26, and the second on December 7, 2017. With the conclusion of the elections to the 59-member National Assembly on February 7, 2018, Nepal now has constitutionally mandated elected governments in all three levels of the government.

Democracy Resource Center Nepal (DRCN) observed all of these elections and considered their conclusion a significant step forward in Nepal's long and arduous political transition.<sup>5</sup> Considering the implementation of these newly formed governments to be critical in

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<sup>1</sup> For details on contestations around the local body restructuring, see: 'DRCN Preliminary Findings on Local Body Restructuring' < [http://democracyresource.org/wp-content/uploads/2017/04/Preliminary-Findings-on-Local-Body-Restructuring-in-Nepal\\_September-2016.pdf](http://democracyresource.org/wp-content/uploads/2017/04/Preliminary-Findings-on-Local-Body-Restructuring-in-Nepal_September-2016.pdf) >

<sup>2</sup> See: 'Country to have 719 village and municipal councils' < <http://kathmandupost.ekantipur.com/news/2017-01-07/country-to-have-719-village-and-municipal-councils.html> >

<sup>3</sup> See: 'Number of local units reaches 744' < <http://kathmandupost.ekantipur.com/news/2017-03-06/number-of-local-units-reaches-744.html> >

<sup>4</sup> See: 'Supreme court stays decision to add local units' < <https://thehimalayantimes.com/nepal/supreme-court-stays-decision-add-local-units/> >

<sup>5</sup> DRCN observed and reported on every phase of these elections. All of DRCN's preliminary findings and final observation reports with recommendations can be accessed at: < <http://democracyresource.org/election-observation/> >

institutionalizing the new federal system, DRCN has been observing the functioning of local and provincial governments since January, 2018. A preliminary report outlining key findings on the functioning of local governments was published on July 2, 2018.<sup>6</sup> This final report includes findings on major issues and trends around the functioning of local and provincial governments between January and June, 2018, and makes some key recommendations to both national and sub-national policy actors.

## **2. DRCN Methodology and Observation**

### *2.1 DRCN Research Methodology*

DRCN research methodology was primarily qualitative. The DRCN core team developed its research tools based on Nepal's new legal framework on sub-national governance. DRCN core team analysts regularly travelled to the regions to train field researchers and met local and provincial government officials, elected representatives, political party leaders, civil society representatives, and representatives of marginalized groups. Field researchers came back to Kathmandu every two months for two-day debriefing sessions. Between January and July of 2018, three such debriefing sessions with field researchers were conducted. The DRCN core team also held regular consultations with experts of sub-national governance to ensure that the methodology was up to date. DRCN field researchers visited at least two local units in each district, and two wards in each local unit visited. Researchers completed a comprehensive observation form for each district visited based on key-informant interviews, focused group discussions, and citizen interviews.

In each local unit, DRCN teams met with an average of 25 respondents, including elected representatives, journalists, civil society leaders, and representatives of different government and non-government organizations. Researchers also regularly monitored local and regional media to better inform their analyses. With an aim of disseminating the research findings and gathering recommendations, DRCN field teams organized province-level stakeholder sessions in each of the seven provinces between May 28 and June 5, 2018. In each of these sessions, DRCN researchers presented key findings on the opportunities and challenges of the local and provincial governments. The presentations were followed by an open discussion and question and answer sessions moderated by DRCN researchers. A total of 214 stakeholders participated across the seven provinces. The participants included elected members of provincial assemblies; mayors and deputy mayors, chairpersons and vice chairpersons of rural municipalities, ward chairs, ward members, elected dalit and women representatives, former members of the parliament, and national, provincial, and district level journalists, and civil society leaders, representatives of community-based organizations working for the welfare of marginalized groups, representatives of human rights and civil society organizations, legal professionals; and representatives of youth groups, among others.

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<sup>6</sup> See: 'Functioning of Local Governments in Nepal: Preliminary Findings' < [http://democracyresource.org/wp-content/uploads/2018/07/DRCN\\_OPPG\\_Preliminary-Findings-Report\\_ENG\\_02072018.pdf](http://democracyresource.org/wp-content/uploads/2018/07/DRCN_OPPG_Preliminary-Findings-Report_ENG_02072018.pdf) >

## 2.2 DRCN Observation

In the last week of December, 2017, five teams comprising two researchers each were deployed to five different regions. The teams were based in Biratnagar, Janakpur, Pokhara, Dang and Dhangadhi, and travelled to districts within their specific regions. For this phase of observation, DRCN teams visited a total of 145 local units comprising 67 municipalities and 78 rural municipalities in 54 districts across the country, and interviewed over 2,000 respondents.

## 3. Political Context and Overview

When the dates for the local elections were first announced in February, 2017, the issue of constitutional amendment was at the forefront of national politics. Some important sections of the society, most notably the Madheshis and Tharus in the southern plains, were actively protesting some key provisions in the Constitution, including the demarcations of provincial boundaries. Successive governments attempted to address the demands of the protesting parties through an amendment by the Constituent Assembly-turned-legislature. An important political development prior to the first phase election was the unification of several Madhesh-based parties. On April 26, 2017, six parties unified to form the new Rashtriya Janata Party Nepal (RJPN), which decided on June 11, 2017, to boycott the second phase of local elections. However, one of the leading Madhesh-based parties, the Upendra Yadav-led Federalist Socialist Forum Nepal (FSFN) announced on May 26, 2017, that it would participate in the second phase of local elections. The elections in Province 2 were postponed to a third phase of local elections, which were held on September 18, 2017.

On August 11, after several rounds of dialogue, the ruling parties and the RJPN agreed to put the constitutional amendment bill to a vote in the Parliament. The bill was registered with an understanding that RJPN would take part in elections regardless of the result of the vote. The bill foreseeably failed to secure passage, and, on August 23, RJPN formally announced that it would participate in the third phase of local elections, as well as in the provincial and parliamentary elections. Subsequently, all three phases of the local elections were concluded on September 18, when the final phase was held in Province 2 consisting of eight Madhesh districts.

The government's decision to hold local elections before the provincial and parliamentary elections provided some major challenges in the early functioning of local governments. Major laws at the federal and provincial level – including the all-important Local Government Operations Act (LGA) – were not legislated until months after local governments assumed office. The absence of key federal and provincial laws led to widespread confusion and lack of legal and jurisdictional clarity for the local governments and majorly impacted their functioning.

Provincial and parliamentary elections were held jointly in two phases on November 26 and December 7, 2017. Formed for the first time under a new federal structure, the early functioning of all the seven provincial governments have been fraught with a lack of legal and jurisdictional clarity. DRCN observation showed that the provincial governments were not able to operate fully within the first six months of their assuming office. Delayed enactment of requisite laws at the federal level made it difficult for the provincial governments to legislate vital operational laws in the early stage. The federal government's inability to finalize the integration of civil service employees into local and provincial governments on time led to severe shortages of provincial and municipal staff across all provinces and impacted their functioning in major ways. Members of provincial governments, including ministers and chief ministers, publicly complained and expressed serious concerns about the federal government's lack of cooperation and inadequate consultation in major decisions like the federal budget.

After the local elections, and before the provincial and parliamentary elections, the erstwhile Communist Party of Nepal – Unified Marxist-Leninist (CPN-UML) and the Communist Party of Nepal (Maoist Center) [CPN (MC)], two of the three major political parties, announced a broad electoral alliance on October 3, 2017, with plans to unify into a single party after the elections. The alliance won a clear majority in the federal parliament and came victorious in six of the seven provincial assemblies. Except in Province 2, where the alliance of two regional parties won the majority, the recently unified Nepal Communist Party (NCP) has formed majority governments at the federal level, and in six of the seven provinces. The formation of strong majority governments dominated by one party in all levels was a rare development in Nepal's unstable and complex transitional politics since 1990. On the one hand, this was seen as a welcome development and was expected to provide much needed stability for better governance and prosperity. But on the other hand, there were some concerns that an absence of a strong opposition could lead to lack of transparency, and a potential shrinking of the political space.

## **4. Legal Framework for Subnational Governance**

### *4.1 Formation and structure of local and provincial governments*

After the elections to local units, provincial assemblies, and the federal parliament concluded in December of 2017, governments were formed at all three levels as mandated by the Constitution of Nepal 2015. Under the new federal structure, Nepal now has a federal government at the center, seven provincial governments, and 753 local governments.<sup>7</sup> At the provincial level, the executive branch consists of a Council of Ministers and is headed by a Chief Minister.<sup>8</sup> At the local level, the municipal executive is headed by the Mayor, and the rural municipal executive is headed by the Chairperson.<sup>9</sup> The legislative body in each of the seven provinces comprises members elected from among the municipal and rural municipal

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<sup>7</sup> Article 56 of the Constitution; Local units are classified among municipality (metropolitan city, sub-metropolitan city, and municipality) and rural municipality. 753 local units comprise of 6 metropolitan cities, 11 sub-metropolitan cities, 276 municipalities, and 460 rural municipalities in total.

<sup>8</sup> Articles 162 and 168 of the Constitution

<sup>9</sup> Articles 214, 215 and 216 of the Constitution

assemblies.<sup>10</sup> At the local level, the municipal assembly or the rural municipal assembly exercises legislative power.<sup>11</sup>

The Constitution made only minor changes in the Judiciary and retained the centralized judicial system. Sixteen Appellate Courts that existed prior to the promulgation of the Constitution were replaced by 7 High Courts, with one in each Province. Additionally, 9 Benches of the High Courts and 2 ad hoc Benches of the High Courts were set up to ensure smooth transition. The Constitution has broadened the jurisdiction of High Courts, including their Benches and ad hoc Benches, by providing the High Courts with the power to issue various writs. Although its predecessor the Appellate Court also exercised similar jurisdiction it was not constitutionally recognized and the basis of the jurisdiction was not the fundamental rights enshrined in the Constitution. Since the Constitution has adopted a unitary judicial system, all judicial structures and bodies fall under the Supreme Court of Nepal.<sup>12</sup> A notable change has been the jurisdiction given to local governments to settle local disputes through Judicial Committees.<sup>13</sup>

#### *4.2 Powers of local and provincial governments*

The Constitution gives both the local and provincial governments the authority to make laws required for their functioning. Local and provincial governments can legislate laws either independently or concurrently as provisioned under Schedules 6 through 9 of the Constitution. Under Schedule 6, provinces can independently exercise their authority over 21 issues related to governance. Similarly, local governments have independent jurisdiction over 22 issues under Schedule 8.<sup>14</sup> Provincial and local governments can make laws, policies, and programs on issues falling within their independent jurisdiction.

Schedule 7 of the Constitution lists 25 areas of jurisdiction concurrent between the federal and the provincial governments, while Schedule 9 lists 15 areas of concurrent jurisdictions of the federal, the provincial and the local governments.<sup>15</sup> The federal government has independent jurisdiction over 35 enumerated powers.<sup>16</sup> The details of local governments' authorities and procedures of exercising them are provided in the Act Relating to Operation of Local Government 2017.

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<sup>10</sup> Articles 83 and 175 of the Constitution

<sup>11</sup> Article 221 of the Constitution

<sup>12</sup> Article 128 of the Constitution

<sup>13</sup> Article 217 of the Constitution

<sup>14</sup> Schedule 6 and 8, and Articles 197 and 221 of the Constitution

<sup>15</sup> Schedule 7 and 9, and Articles 109, 197 and 221 of the Constitution

<sup>16</sup> Schedule 5 and Article 109

*Jurisdiction of provincial and local governments:*<sup>17</sup>

<b>S.N.</b>	<b>Exclusive powers of local government</b>	<b>Exclusive powers of provincial government</b>	<b>Concurrent powers of federal, provincial and local government</b>
<b>1.</b>	Town police	Province police administration and peace and order	
<b>2.</b>	Cooperative institutions	Operation of banks and financial institutions in accordance with the policies of Nepal Rastra Bank, cooperative institutions, foreign grants and assistance with the consent of the Centre	Cooperatives
<b>3.</b>	Operation of F.M. stations	Operation of Radio, F.M., Television	
<b>4.</b>	Local taxes (wealth, house rent, land and building registration fee, motor vehicle tax), service charge fee, tourism fee, advertisement tax, business tax, land tax (land revenue), penalty, entertainment tax, land revenue collection	House and land registration fee, motor vehicle tax, entertainment tax, advertisement tax, tourism, agro-income tax, service charge, fee, penalty	Service fee, charge, penalty and royalty from natural resources, tourism fee
<b>5.</b>	Distribution of house and land ownership certificates	Management of trusts (Guthi)	Royalty from natural resources
<b>6.</b>	Management of local services	Province civil service and other government services	Motor vehicle permits
<b>7.</b>	Collection of local statistics and records	Province statistics	
<b>8.</b>	Local level development plans and policies	Province level electricity, irrigation and water supply services, navigation	Forests, wildlife, birds, water uses, environment, ecology and bio-diversity
<b>9.</b>	Basic and secondary education	Province universities, higher education, libraries, museums	Education, health and newspapers
<b>10</b>	Basic health and sanitation	Health services	Health
<b>11</b>	Local market management, environment protection and bio-diversity	Intra-province trade	
<b>12</b>	Local roads, rural roads, agro-roads, irrigation	Province highways	Vital events, births, deaths, marriages and

<sup>17</sup> See: Schedules 5 through 9 of the Constitution. This excludes the enumerated powers of federal government and concurrent powers shared between federal and provincial government.

			statistics
<b>13</b>	Management of rural municipal assembly, municipal assembly, district assembly, local courts, mediation and arbitration	Matters relating to the province assembly, province council of ministers	Archaeology, ancient monuments and museums
<b>14</b>	Local records management	Province bureau of investigation	
<b>15</b>	Collection of statistics of the unemployed	Province public service commission	
<b>16</b>	Agriculture and animal husbandry, agro-products management, animal health, cooperatives	Agriculture and livestock developments, factories, industrialization, trade, business, transportation	Agriculture
<b>17</b>	Management, operation and control of agricultural extension	Management of lands, land records	Landless squatters management
<b>18</b>	Water supply, small hydropower projects, alternative energy	Use of forest and waters and management of environment within the province	Services such as electricity, water supply, irrigation
<b>19</b>	Management of senior citizens, persons with disabilities and the incapacitated	Physical management and other necessary matters of province government offices	Social security and poverty alleviation
<b>20</b>	Protection of watersheds, wildlife, mines and minerals	Exploration and management of mines	Mines and minerals
<b>21</b>	Protection and development of languages, cultures and fine arts	Protection and use of languages, scripts, cultures, fine arts and religions	
<b>22</b>	Disaster management		Disaster management

Ambiguity exists in the Constitution vis-à-vis authorities listed under exclusive and concurrent jurisdictions of local, provincial and federal governments. Authorities listed as the exclusive jurisdiction of one level of government are sometimes also listed under concurrent jurisdictions. Consider the issue of disaster management, for example. The Constitution lists it under the exclusive jurisdiction of local governments, as well as under the concurrent jurisdictions of all three levels of government. Similar lack of clarity exists in the jurisdiction over issues like operation of FM radio stations, for example – the Constitution lists this authority as the exclusive jurisdiction of both the local and provincial governments. Such ambiguous provisions within the Constitution create confusion and may lead to conflicts among different levels of government over jurisdiction.

A committee was formed under the coordination of the Chief Secretary of the federal government to declassify and elaborate exclusive and concurrent powers of local, provincial and federal governments as listed under Schedules 5 through 9 of the Constitution. The

‘Unbundling Report’, which was approved by the federal Council of Ministers, aimed to address the ambiguities in the exercise of exclusive and concurrent powers of the local, provincial and federal governments.<sup>18</sup> The Act Relating to Operation of Local Government 2017, which has detailed the exclusive powers of the local government, is also based on the same Unbundling Report. However, the report still remains unclear about some authorities like jurisdiction over disaster management, healthcare, and irrigation, among others. The report is not a law by itself, and DRCN observation has noted that key stakeholders at local and provincial level are largely unaware about the Report.

#### *4.3 Relations between federal, provincial, and local governments*

Article 232 of the Constitution provides that in matters of legislation and governance the relations between the federal, provincial, and local governments “shall be based on the principles of cooperation, coexistence and coordination.”<sup>19</sup> The Constitution authorizes the federal government to issue orders and directives to provincial and local governments pursuant to the Constitution and federal laws. The Ministry of Federal Affairs and General Administration (MoFAGA) and other federal ministries have frequently issued circulars, directives, and orders to local and provincial governments regarding jurisdictional and governance matters. Multiple stakeholders that DRCN met during the course of this observation expressed concerns about the federal government sending frequent directives and instructions, and argued that such a practice was in violation of the Constitution’s spirit of federalization. Some elected officials at the local level made public statements arguing that the federal government breached the principles of cooperation, coexistence and coordination through binding decisions that affected the independent functioning of local governments.

In the future this could be further complicated by the fact that Article 133 (1) of the Constitution provides extraordinary jurisdiction to the Supreme Court to declare any provincial law that violates federal law or local law that violates federal or provincial law as void *ab initio*. This provision of the Constitution that, in effect, defines a strict hierarchy for the validity of laws can potentially render the provision of overlapping competence of the three levels of government meaningless.

#### *4.4 Federal laws*

Along with the constitutional provisions, existing federal laws are also applicable to the functioning of the provincial and local governments. Article 304 of the Constitution provides that laws in effect at the time of the commencement of the Constitution shall continue to be so unless they are repealed or amended. Existing federal laws relating to taxation of land, house rent, local revenue, health, education, and forestry among others are still in effect.

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<sup>18</sup> The report was commissioned by the High Level Federalism Implementation and Administration Restructuring Steering Committee led by the Prime Minister. The report is available on the official website of Nepal Government Office of the Prime Minister and the Council of Ministers:

<<https://www.opmcm.gov.np/federalism-admin/>>

<sup>19</sup> Article 232 of the Constitution



While Article 226 of the Constitution allows local government to create laws on similar matters of their jurisdiction, the Constitution obligates them to be in concordance with relevant federal laws. DRCN observation shows that local governments lacked understanding of these legal provisions and sometimes promulgated laws that were either inconsistent or in conflict with existing federal laws. In some cases, they led to the termination of such laws or even court cases.

#### *4.5 Act Relating to Operation of Local Government 2017*

The Act Relating to the Operation of the Local Government 2017 (LGA) was passed by the previous parliament and came into effect on October 15, 2017. This is the most important law guiding local governments. The Act outlines the procedures for the functioning of local governments at municipalities and rural municipalities, and empowers local governments with executive, legislative and judicial powers. However, the powers provided under the Act are not absolute and are subject to federal and provincial laws and regulations.

The LGA also details the number of local units, their demarcations, names, centers, and number of wards in each unit. However, the constitutionally mandated restructuring of the local level was concluded before the enactment of the LGA by the LLRC which finalized the demarcation, names, and centers of the 753 newly created local units. The LGA provides the criteria for classifying local units into municipalities – metropolitan city, sub-metropolitan city, and municipality – and rural municipalities. The LGA also specifies criteria for boundaries, names, centers, and numbers of wards for local units. Section 4 of the LGA empowers local governments to change the names and centers of their local units through direct voting in their legislative assemblies. However, such decisions are required to be approved by the federal government.

##### *4.5.1 Late enactment of the LGA*

By July, 2017, elected representatives had formed governments and assumed office in 617 of the 753 local units after the conclusion of the first two phases of the local level elections.<sup>20</sup> Major laws guiding the functioning of local governments, including the LGA, were yet to be enacted. In the absence of such laws, early functioning of the majority of local governments was largely affected for more than three months. After much delay, the LGA was finally approved by the previous parliament in September, 2017, and came into effect the following month after approval by the President of Nepal.

##### *4.5.2 Powers, functions and duties of local governments*

Section 11 of the LGA elaborates on the powers, functions, and duties of local governments relating to 22 matters falling within their exclusive jurisdiction, and other matters under concurrent jurisdictions of federal, provincial, and local governments. While the Constitution

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<sup>20</sup> First phase of local level elections was held on May 14, 2017, in 283 local units and second phase of local level elections was held on June 28, 2017, in 334 local units.

only lists the powers of local governments, Section 11 of the LGA delineates and details those powers. This provides a clear direction for local governments in matters of their jurisdiction in relation to legislation, operation, management and regulation, among others. These provisions also require local government to consider federal and provincial laws while exercising their powers, functions, and duties.

#### 4.5.3 Powers, functions and duties of ward committees

Section 12 of the LGA recognizes powers of the ward committees. Compared to the municipal and rural municipal executives, the wards have very limited executive authorities. The ward committees participate in drafting and implementing projects within their wards. They are also responsible for maintaining and updating vital statistics at the ward level, monitoring development projects, local markets, and industries in the ward, providing recommendations for citizenship and land ownership certificate and healthcare service, and registration of vital events like birth, death, marriage, etc. The LGA also authorizes the local government to designate ward committees with additional authority and responsibilities when necessary.

#### 4.5.4 Powers of local unit chief, deputy, and ward chair

Local unit chiefs, deputies, and ward chairs are the key actors in local governments. As the executive heads, mayors/chairpersons lead the assembly meetings, prepare and present the annual programs and budget to the assemblies, implement the decisions made by the executives and the assemblies, and, monitor and oversee the activities of the committees formed under the local executives and the assemblies. The deputy mayor/vice chairperson perform the roles of the mayor/chairperson in the latter's absence, coordinate the local JCs, coordinate the activities of non-government organizations, coordinate tasks relating to consumer protection, and monitor and prepare reports relating to projects and programs of local governments. Ward chairs lead the ward committees, regulate the ward committee functioning, and coordinate with the local unit chiefs and deputies.

#### 4.5.5 Operation of local executive and assembly

One of the key functions of the LGA is to allow local governments to perform their executive and legislative functions. It mandates the minimum number of meetings, procedures for conducting meetings and making decisions, formation of committees and sub-committees, and subsequent delegation of powers. Local executives can introduce draft bills to the assemblies, which then have to be deliberated upon and passed by the assemblies. The approved bill becomes law upon approval by the local unit chief. According to Section 20 of the LGA, relevant laws passed by the respective provincial governments can determine the details of legislative procedures for local units.

#### 4.5.6 Judicial Committees

Article 217 of the Constitution mandates the formation of a three-member Judicial Committee (JC) in every local unit. The deputy mayor or the vice-chairperson heads the Committee as the coordinator, and the assembly elects the remaining two members of the Committee from among the members of the assembly. A JC is a quasi-judicial body, and exists independently from the judicial system of Nepal for two reasons: (1) the Constitution recognizes JC under the local executives, and, (2) under the new Constitution, Nepal follows a centralized judicial system unlike other two branches of government.

Section 46 through 53 of the LGA provides details on the functioning of JC. JCs can settle disputes locally either through mediation or through the regular judicial process. The Act lists 13 types of disputes that are to be settled through the regular judicial process, and another 11 types of disputes to be settled through mediation.<sup>21</sup> Section 49 deals with the procedures that the JC should follow while settling disputes. It encourages JCs to settle all disputes through mediation to the extent possible, to mediate disputes through community mediators, to withhold property of parties if needed, and to ask parties to present themselves. JCs can also establish ward-level mediation centers for settlement of local disputes.

Local mediation centers at local levels were established in many parts of the country under the Mediation Act 2011, a federal law that is still prevailing. This Act was enforced with the aim of settling minor local disputes through mediation under the previous system of governance. Unlike the LGA, the Mediation Act details comprehensive procedures for local level mediation. The LGA does not clarify whether JCs can use the existing mechanisms under the Mediation Act. The LGA also fails to recognize, and does not include, provisions for addressing many informal and traditional mediation practices that are still commonly practised by many communities across Nepal.<sup>22</sup>

The local unit executive is authorized to enforce decisions made by the JC, and appeals against the decisions can be made at the District Courts. Local governments can make additional laws to establish procedures for the functioning of the Judicial Committees. Most of the local governments made laws necessary for the functioning of JCs on the basis of model legislations provided by the MoFAGA.

#### 4.5.7 Authority to collect taxes

Section 54 through 62 of the LGA details the authority of local governments to collect taxes and service charges. Section 54 strictly prohibits local governments from imposing taxes, except pursuant to existing federal laws. Local governments can collect taxes like unified housing and land tax, land revenue, house rental tax, business tax, and parking fees, among others. They also have the authority to impose service charges for facilities provided by local

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<sup>21</sup> Section 47 (1) and (2) of the Act Relating to the Operation of the Local Government 2017

<sup>22</sup> See: 'Confusing LG Judicial Committee' < <http://therisingnepal.org.np/news/19257>>

governments. Section 64 of the LGA details procedures about determining, collecting, and distributing taxes that fall within concurrent jurisdiction of both the province and local governments.

#### 4.5.8 Local government administration

Section 84 of the LGA requires each local government to appoint one chief administrative officer (CAO) to look after administrative issues. The main roles of the CAOs include acting as the secretary to the local governments, enforcing decisions made by the local governments, preparing program reports and presenting them at local executive meetings, and managing the administration of local governments. Local governments are authorized to determine the Terms of Reference (TOR) for the CAOs. The LGA provides that the formation, operation, management, and appointment of civil employees for the local governments shall be done as per the federal laws. However, such laws are yet to be legislated at the federal level.

#### 4.6 Enactment of ‘model laws’, federal directives and circulars

The MoFAGA provided various ‘model legislations’ to provinces and local units to assist them in the law making process.<sup>23</sup> Most local governments drafted and passed laws for their governance and functioning based on such model laws. Other ministries under the federal government also issued multiple directives and circulars to the sectorial offices at the provincial, district, and local levels on technical and jurisdictional matters. The reason given for issuing such circulars and directives was to ensure uniformity during the transitional phase in subnational governance and to avoid potential conflicts with prevailing federal laws. Given that many new laws were yet to be made, and many existing laws yet to be amended or repealed by the federal parliament, these directives and circulars seemed to provide some clarity over legal confusions faced by local and provincial governments. There were, however, concerns among many lawmakers at the provincial and local levels that by issuing such model legislations and numerous directives the federal government was imposing its authority and undermining the constitutionally guaranteed independence of the local and provincial governments.

## 5. Findings on Local Governments

### 5.1 Restructuring Issues

The restructuring of local units was conducted in a rush. The district technical committees, as mandated by their ToR, conducted public consultations in all districts except in central Tarai. However, the consultations were mostly limited to district headquarters, with inadequate participation of stakeholders. Allegations of gerrymandering and political influence during restructuring were widespread. DRCN researchers were told that local units were redrawn without much consideration given to population, geography and accessibility.

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<sup>23</sup> See: ‘30 model laws for operation of local levels’ <<http://therisingnepal.org.np/news/21638>>

DRCN research on restructuring process in 2016 pointed to the lack of public information available on local body restructuring. The lack of a greater effort to involve a wider range of stakeholders in the restructuring process created confusion, concern, and misperception about the process.<sup>24</sup> In central Tarai districts, district technical committees for restructuring could not function due to protests by Madhesh-based parties against the promulgation and subsequent implementation of the Constitution. As a result, public consultations were not held. Interlocutors in central Tarai districts labelled restructuring of local units unscientific and impractical.

Contestations around boundaries, names, and centers of newly restructured local units were widespread across the country before the local elections. These contestations subsided during the elections as candidates promised to resolve these issues through elected bodies. DRCN observation noted that many of the outstanding grievances related to the issues of local level restructuring resurfaced, and in many cases were affecting the functioning of local governments. Identity-based groups expressed their dissatisfaction with the restructuring process, claiming it was not inclusive and scientific because it was not done on the basis of population. Alternately, stakeholders from hill districts complained that geography was not given due priority, leading to formation of fewer units, because of which some wards are very far from the local unit centers.

Contesting claims over the name and the center of local units affected the functioning of the local units – for months in some cases. In Gorkha’s Bhimsen Rural Municipality, the decision to change the center from Baguwa to Ghyampesal led to prolonged protests, including transportation strikes. Finally it was resolved by changing the center to a location in between Baguwa and Ghyampesal. In Thori Rural Municipality of Parsa, a decision to change the center from Suvarnapur to Ghyang Dada led to a month-long protest and transportation strikes in March. Although the decision was taken by the first assembly of the local unit following due process, dissatisfied residents claimed that the Chairperson relocated the center to his own village despite it lacking infrastructure. In Achham, residents filed a writ petition at Dipayal High Court against the local assembly’s decision to shift Ramaroshan Rural Municipality center from Melrukha to Gairikhet.

Allegations of politically influenced restructuring were common in districts like Surkhet, Jhapa, Mahottari, Jajarkot, Jumla, and Achham, among others. In Mechinagar Municipality in Jhapa, influential leaders from major political parties actively lobbied to incorporate wards containing their strongholds into other local units. The ToR provided to the technical committees clearly stated that ethnic clusters should be kept intact where possible. However, Rajbanshis – the indigenous community in Jhapa – expressed major dissatisfaction over the fact that their community had been split into many wards and local units, leaving them with

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<sup>24</sup> See: ‘DRCN Preliminary Findings on Local Body Restructuring at the Local Level’  
<[http://democracyresource.org/wp-content/uploads/2017/04/Preliminary-Findings-on-Local-Body-Restructuring-in-Nepal\\_September-2016.pdf](http://democracyresource.org/wp-content/uploads/2017/04/Preliminary-Findings-on-Local-Body-Restructuring-in-Nepal_September-2016.pdf)>

little or no effective representation. Multiple former local units and wards were merged to form new local units, and were thus much larger in size. Many elected representatives said it was more difficult to govern these larger units, with people from remoter wards facing difficulties in accessing services from the center.

In Suryodaya Municipality of Ilam, which was formed by merging six erstwhile Village Development Committees (VDC), some wards were as far away as a whole day's walk from the municipality center in Fikkal. Similarly, one Ward Chair of Sanfebagar Municipality in Achham said that some wards were very remote and relatively underdeveloped compared to others.

Some restructuring-related issues were resolved locally. In Bardiya, following a series of protests and negotiations, the Tharu demand for a separate Tharu-majority local unit was addressed by forming the Barbardiya Municipality, comprising four former VDCs where the Tharus formed a majority. Similarly, in Solukhumbu, people of the erstwhile VDC of Tingla protested for almost a year, with the entire village boycotting all three elections in the process, until their demand to be included in Solu-Dudhkunda Municipality was finally met.

### **Case Study 1: Tingla after Gerrymandering**

Tingla received national attention when the entire village comprising over 2,000 voters completely boycotted the local elections in June, 2017. The village would go on to boycott both the provincial and parliamentary elections the following November. People of Tingla believed that since Tingla has been a Nepali Congress (NC) stronghold, an influential NC leader, who is from nearby Salyan, exerted pressure to incorporate Tingla into Necha Salyan in order to prepare the basis for an electoral victory for the NC. However, Necha Bedghari was designated the center because of a lack of physical infrastructure in Salyan. Tingla residents were prepared to accept Salyan as the center since it was closer to them than Necha Bedghari. They were also willing to be incorporated into Solu-Dudhkunda Municipality if Salyan could not be made the center. Solu-Dudhkunda Municipality, the district headquarters, is close to Tingla. However, influential NC leaders from Necha Salyan were not willing to concede Tingla to Solu-Dudhkunda Municipality, which was apparently dominated by their rival faction within the NC. The potential revenue from the three hydropower schemes currently being constructed in Tingla also led to competition between Necha Salyan and Solu-Dudhkunda over Tingla.

Ultimately, Tingla was incorporated into Solu-Dudhkunda Municipality as its 11th ward. The people of Tingla appear satisfied with this decision and even organized a victory rally. A local resident stated, "Perhaps it would have been more convenient to remain a rural municipality since we may have to pay more in taxes to the municipality. But, perhaps there will be more rapid development now." Because of the absence of elected officials, the daily functioning in the ward has been majorly impacted. People have been demanding elections recently. "We won one major battle, now we need an election in the ward to make the service delivery and governance better for the citizens in Tingla," a local leader said.

Disputes over the name of the local units were also prominent in many local units. In some cases, the elected bodies in these units changed the names, but not always without contentions. Identity-based groups were dissatisfied in units where the names did not reflect their identity despite them constituting the majority in the unit. Some such attempts to change the names of the local units were also politically motivated. In Rolpa, where the erstwhile CPN (MC) had won in a number of local units with significant majority, the names of units were changed to include the names of the Party's martyrs. For instance, the erstwhile Sukidaha was renamed Ganga Dev Rural Municipality, after the elected mayor's wife and brother, martyrs Ganga and Dev respectively.

## **Case Study 2: Restructuring Conflicts in Achham, Dolpa and Saptari**

Ramaroshan Rural Municipal assembly decided to move the local unit centre from Melrukha to Gairikhet on January 8, 2018, by a simple majority vote. Section 4 of the Local Government Operations Act 2017 gives local assemblies authority to change the name and center of a local unit by a simple majority vote if the decision is taken within six months of the election, or by a two-third majority if after six months of the local election. Since the local level election in Ramaroshan Rural Municipality was held on June 28, 2017, the decision was taken after the six-month window provided by the Act. On January 29, 2018, two residents from Ramaroshan filed a writ petition at the Dipayal High Court challenging the decision of the local government. The petitioners contended that the assembly's decision was politically motivated and violated the law. The Dipayal High Court subsequently overruled the decision, citing that the simple majority cannot alter the local level restructuring decisions after six months of elections.

On February 26, 2018, Thulibheri Municipality's decision to change its center from Dunai to Juphal was published in a gazette. The gazette notified the public that the Thulibheri municipal assembly had made the decision on July 15, 2017. The locals of Juphal welcomed the decision, while the Deputy Mayor of Thulibheri Municipality, local leaders, and public of Dunai opposed it. They claimed that the municipal assembly had not made such decision and alleged that the Mayor and CAO of creating forged minutes from a fake meeting.

A struggle committee was formed to protest the decision. The committee demonstrated in Dunai for seven days and even padlocked the municipal office. A local leader from Juphal said, "Being the district headquarters, Dunai already has better infrastructures. Therefore, it makes sense to have Juphal as a local unit center as this would ensure a more balanced development." At the time of publication of this report, the dispute had been significantly affecting the functioning of the local government as the Mayor and the Deputy Mayor were sharply divided over the issue of the center. There were parallel municipal assemblies led by the Mayor and the Deputy Mayor. In June, 2018, a municipal assembly led by the Mayor and another one led by the Deputy Mayor passed two separate budgets. The feud between the Mayor and the Deputy Mayor was ongoing at the time of this report.

In Tilathi Koiladi Rural Municipality of Saptari, the decision to change the centre from Tilathi to Koiladi through majority voting in the assembly was met with strong opposition from the locals of Tilathi. Respondents told DRCN that the problem arose from unscientific restructuring.



## 5.2 Legislation

Though the basic legislations required to run the local units were promulgated as a priority, the process became challenging for the elected officials. Code of conducts for members of executive councils, acts relating to financial procedure regulation and management, municipal/rural municipal assembly procedures and document authentication rules were some of the laws passed by the local units so far. Some local units like Pokhara Metropolitan City published their laws in the local gazette.

The legislative process, in principle, consists of multiple steps such as preparation, drafting, consultation, discussion, revision, publication, and dissemination. Many local units did not go through proper procedures for drafting, deliberating on the bill, providing opportunities for amendments, and expert and public consultation, among others. Local units mostly passed legislations based on the model laws prepared by MoFAGA without any discussion even among the assembly members.

The process of drafting laws without discussion was publicly criticized by the civil society, including the media. Later, members of the assembly also demanded time to read the drafts, due to which assembly meetings had to be postponed in some local units such as Raghuganga Rural Municipality of Myagdi and Pokhara Metropolitan City of Kaski. Some laws promulgated by local units were prevented from being implemented by the federal government and the Supreme Court. In Baglung, Dhorpatan Municipality appointed a new headmaster based on its newly promulgated education regulation, which was challenged in the Supreme Court. The court ordered that local governments have no authority to appoint headmasters even after developing their own regulations.<sup>25</sup>

### Case Study 3: Local Law on Education Challenged in Court

Mahakali Municipality of Darchula district passed Education Regulation 2018 through its assembly on April 24, 2018, exercising its authority as granted by Article 226 of the Constitution. On the basis of this law, Mahakali Municipality dissolved the school management committee of Mahendra Model Secondary School. The school management committee was duly formed on the basis of prevailing federal laws - Education Act 1971, and Education Regulation 2002. One member of the school management committee moved the Supreme Court, contending that the new municipality law violated Article 304 of the Constitution, and federal laws (Education Act and Education Regulation). The Supreme Court issued a show cause notice against the decision of the municipality, and the case was still pending in the court at the time of this report.

According to the Constitution of Nepal, laws created at the local units should not be in conflict with laws prevailing at the federal and province levels. However, the upper two levels of the government were yet to draft requisite laws. There was also concern that certain

<sup>25</sup> See: 'Local bodies have no right to appoint teachers: SC' <<https://myrepublica.nagariknetwork.com/news/local-bodies-have-no-right-to-appoint-teachers-sc/>>



provisions in the laws promulgated by local units might contradict provincial or federal laws in future on various issues of concurrent jurisdictions. As a result, DRCN observation noted that there was little enthusiasm among local units for making new laws. “Initially, we were very excited to make laws. Later we realized that our laws could be overruled by the court or even by the federal or provincial governments. Now we are confused, as we have to be very careful,” an elected representative from Hetauda Sub-Metropolitan City in Makwanpur said. At the time of this report, most local units were waiting for the provincial and federal laws to be passed.

Elected officials across the country said that the model laws provided by the MoFAGA were useful in the initial phases of drafting laws. However, there were concerns from multiple officials that the model laws reflected the federal government’s attempt to interfere, and to maintain uniformity across all local units. They opined that the federal government should support them with capacity development training, and provide them technical and legal experts.

### *5.3 Service Delivery*

DRCN researchers heard widespread complaints from general citizens and other stakeholders that there was no significant change in terms of service delivery after the elected officials assumed office. Even the elected officials acknowledged that they had not been able to deliver effectively to meet the expectations of the citizens. This was primarily due to a new structure of governance, shortages of staff and physical infrastructure, and among others, a lack of legal clarity, with many vital laws remaining to be drafted. Despite high expectations from citizens, the effectiveness in service delivery at the local level had not significantly improved under the newly formed governments. DRCN observation, however, did note some positive changes in governance and service delivery in multiple local units.

#### **Case Study 4: Local Government, Bank Collaborate to Distribute Allowances**

Resunga Municipality of Gulmi district took the initiative to distribute social security allowance in coordination with a commercial bank to the beneficiaries of all 14 wards directly at their doorsteps. The bank and the municipality reached an agreement in early October 2017. It was one of the election campaign agendas of the Mayor and he expressed his satisfaction for being able to fulfil this promise. The elderly and people with physical disabilities benefitted the most from this initiative. Before this, people had to go to the district headquarters in Tamghas to receive their social security allowances. The bank supported the initiative by creating accounts for the beneficiaries while the municipality arranged for the transportation and management of security. Other local units were also trying to replicate similar models in the district.

Across the country, citizens said that the elected officials and secretaries were more accessible and available at the ward and local unit level – something that was seen as a significant improvement from the previous system, under which the VDC secretaries mostly lived and operated from district headquarters. Citizens could now easily go to the ward or the municipality office to seek basic services. They could also raise their concerns and

complaints without any hesitation to their local representatives who they saw as ‘their own’. In many cases, where people spoke languages other than Nepali, citizens were able to communicate with the officials in their own languages. DRCN research also found that in many local units, the elected representatives were excited and enthusiastic to work, and often spent extra hours in their offices, including on holidays. Basic services like official recommendations, registration of vital events and disbursement of social security allowances had become much easier under the new local governments.

With local governments beginning to formulate their own budgets and laws, there was a general sense of devolution of services from the districts to the local unit. As per the federal government’s policy of establishing at least one commercial bank in each local unit, new branches of banks are being set up in many local units who otherwise had to go to the district headquarters and urban centers for basic banking and financial services. With establishment of service centers and offices in the new local unit centers, business activities and mobility of people had markedly increased in these centers. Hotel owners and shopkeepers in the headquarters of many districts told DRCN that the volume of their financial transaction had declined with the local governments carrying out their activities locally.

Under the previous system when the local governance was led by unelected bureaucrats, planning was done only for one fiscal year. But, with the ownership of local level and governance in their hand, the new governments were considering a longer-term approach in planning. Some local governments had introduced innovative efforts to encourage people for vital registration. Sonama Rural Municipality in Mahottari, for example, gave soaps for newly born babies if the parents came for birth registration within 35 days of birth. They also provided hair oil and body perfume to the bride and the groom if marriage registration was done within 35 days. Similarly, Udayapurgadi Rural Municipality of Udayapur district sent its staff to people’s homes periodically for vital registration.

As district level sectorial offices were in the process of transitioning their service centers from districts to the local units, local governments were facing many legal and logistical challenges in their implementation. Despite such challenges, some positive initiatives had been taken. Realizing that the poor quality of schools was leading to higher outmigration of students, Chame Rural Municipality of Manang and Malarani Rural Municipality of Arghakhanchi invested in local schools to improve their quality.

## Case Study 5: Local Governments in Initiatives to Improve School Education

In Manang, student enrolment was decreasing every year in government schools due to the poor quality, poor management, and geographical difficulties. Students were migrating elsewhere in high numbers. To solve this problem, Chame Rural Municipality decided to merge four government schools and establish a residential English medium school with improved facilities. Four schools were merged with the Shree Lokpriya Higher Secondary School. The student enrolment increased from 100 to 206 within first two months. The move was largely appreciated by the citizens of the rural municipality.

Similarly, Malarani Rural Municipality in Arghakhanchi district started English medium education at pre-primary level in all the government schools within the local unit. Elected representatives and school authorities planned to reduce students' enrolment into private schools and urban centers by improving the quality of education and facilities in the government schools. The elected representatives explored options to merge schools with low enrolment and improve facilities to retain students.

Elected officials, who as candidates made promises to increase the social security allowance to different target-groups and distribute them more effectively, faced challenges in implementing them. Pokhara Metropolitan City decided to increase such allowances, but the federal government stopped them from implementing the decision saying that it was not the local government's jurisdiction to determine social security allowances. In some places, local governments tried to make the process of distributing social security allowances easier by directly handing over cash to the beneficiaries. However, due to possible irregularities, the federal government discouraged direct distribution of cash. Resunga Municipality in Gulmi district initiated collaboration with a local commercial bank for ward-level distribution of such allowances.

Improved access to health services also remained a major priority for many local governments. In Palpa, Tansen Municipality covered the cost of health insurance for 1,000 dalit households for a year, with a plan to extend it in the following year. Udayapurgadi Rural Municipality in Udayapur opened five birthing centers and provided Rs. 1,000 on top of the government's scheme to pregnant women after delivery at the birthing center. They offered four pre and post-natal check-ups and follow-ups to pregnant women, of which 3 were offered at their homes.

Some local governments distributed seeds and provided other assistance to promote local agriculture. At Gharapjhong Rural Municipality in Mustang district, there was an increase in the volume of potato and apple seeds distributed in 2018, after an increase in the budget by the new local government. Many local units also introduced disincentives like increased tax rates for leaving the farmlands barren.

Geruwa Rural Municipality in Bardiya district initiated conditional cash scheme of Rs. 2,000 to a new-born girl child through a bank account. The objective of this scheme was to reduce

gender discrimination. The same Rural Municipality also initiated a Tharu helpdesk by recruiting two employees with the knowledge of English and Tharu languages and dialects in each of the six wards, and at the rural municipality office, to assist predominantly ethnic Tharu service-seekers.

### **Case Study 6: Local Initiatives and Cash Incentives**

Geruwa Rural Municipality of Bardiya district has a majority Tharu population. Many Tharu citizens faced language barriers while seeking services at the wards and Rural Municipality office. They lack understanding of notices, decisions and policies, which are generally only available in the Nepali language. In order to remove such barriers, the Rural Municipality has established a Tharu helpdesk in each ward and at the Rural Municipality office. A total of 14 staff with proficiency in the Tharu language and local dialects, have been recruited, with monthly salaries of NRs. 15,000 for facilitators and NRs. 10,500 for volunteers.

The Rural Municipality also initiated a conditional cash scheme of NRs. 2,000 to each new-born girl child to be paid through a bank account. The objective of this scheme is to discourage gender preference and discrimination against women. Similar cash schemes were also introduced in multiple local units, most notably in Province 2.

There were, however, widespread complaints and concerns regarding the inability of local governments to make significant impacts in local service delivery and governance. The primary focus of local governments across the country seemed to lie in infrastructure development in general and road construction in particular. In ward 6 of Janaki Rural Municipality of Bajura for example, of the 21 ongoing projects, 16 projects were related to roads and drainages, 4 projects were for school repair and grants, and only one project was related to health service. DRCN observation found that such disproportionate focus and budget allocation on roads and infrastructure came at the cost of important social sectors not receiving adequate importance. Representatives of disadvantaged communities like dalits, women and children frequently complained that they did not even receive the budget which was supposed to be allocated for their welfare and social development. For example, communities like Chepang, Botey and Bankariya in Makwanpur district – classified as ‘highly marginalized’ by the government – said they did not receive projects targeted for their welfare. They had been receiving projects targeting their social development in the past.

### ***5.4 Staffing and Infrastructure***

Officials across the country complained that inadequate staffing was a major obstacle for local governments in exercising their constitutional powers, and functioning effectively. The issue of integration of civil service employees at the local levels had been a major national issue, with the federal government failing to ensure required deployment of employees on time.

With many ward-level offices set up to exercise increased powers of the local governments, there was a need for more employees. Many field offices were being established to bring government services closer to the people. This demanded higher numbers of staff members, but a lack of new recruitment created a shortage of staff in local units across the country. A survey carried out by the MoFAGA estimated that at least 7,000 additional officials were required immediately at the local level. The federal government was yet to finalize the reallocation of employees. According to estimates, 75 % of employees, under the federal government at the time of this report, had to be integrated into provincial and local governments.<sup>26</sup>

Many ward offices visited were operating without ward secretaries. In Achham, 42 of the total 84 ward secretary positions were vacant. Similarly, Kushe Rural Municipality in Jajarkot had only one secretary for its 9 wards while the geographically expansive local unit Putha-Uttarganga Rural Municipality in Rukum (East) had only one secretary for its 14 wards. The absence of such vital personnel led to under-qualified and junior officials being deputised to carry out important responsibilities. There were no secretaries in any of the 6 wards of Laxmipur Patari Rural Municipality in Siraha district where employees from other sectorial offices were operating the basic administrative tasks. The problem in the remote Lomanthang Rural Municipality in Mustang was even more severe, with two junior agriculture and veterinary technicians assuming the role of ward secretaries for all 5 wards. According to respondents, secretaries who had been assigned there transferred to more accessible areas using their political connections at the provincial and federal levels.

In most of the local units, former VDC secretaries were working as ward secretaries in the new structure. In their roles as erstwhile VDC secretaries, they were performing major executive roles which were now largely limited to ward-level functions like vital registrations and office administration. There were also common reports of secretaries being dissatisfied with their new roles and seeking transfers elsewhere. Another commonly reported issue was the frequent transfers of CAOs, with some local units reportedly making as many as three transfers within a year. This, according to multiple elected officials, had significantly impacted their functioning.

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<sup>26</sup> See: 'Minister Plans revised VRS for civil servants' <<http://kathmandupost.ekantipur.com/news/2018-03-20/minister-plans-revised-vrs-for-civil-servants.html>>

### **Case Study 7: Primary Health Center Facing Shortage of Resources**

The Primary Health Center (PHC) of Kedarsiyu Rural Municipality in Bajhang district is facing various problems after it was handed over to the Rural Municipality. It is facing a budget crunch, inadequacy of essential medicines including free medicines, and reduced cash and kind incentives for the safe motherhood program under the new structure.

The PHC have been receiving higher flow of medical patients from neighboring local units and districts for being equipped with better facilities and services than elsewhere, but their service delivery has been affected as the local government has failed to provide adequate funds and resources to the PHC. Earlier the center used to receive 20 to 25 pregnant women for delivery every month but the number has now reduced to 8 to 10 as the center is unable to provide cash and kind incentive for delivery. Health officials of the PHC hoped that they would receive adequate budget, medical supplies and other resources from the local government to ensure effective services.

Along with shortages of staff, local units were also struggling to function properly with poor infrastructure facilities. Many local units did not have their own office spaces and worked from rented houses. In rural parts of the country, the issue of inadequate infrastructure was even more severe. Saipal Rural Municipality in Bajhang was not connected by road and was three days walk from the DHQ. At the time of this research, the office was being operated from the DHQ. Same was true of Narpabhumu Rural Municipality of Manang, Kushe and Shivalaya rural municipalities of Jajarkot, and Api Himal and Byas rural municipalities of Darchula.

### **Case Study 8: Major Shortage of Staff and Infrastructure in Remote Local Unit**

Saipal Rural Municipality is one of the remotest local units in Bajhang district. Geographically, it covers nearly half of northern Bajhang. This local unit does not have basic infrastructures like road, electricity, communication, and bank, among others. This has forced the Rural Municipality to provide services from the DHQ through a contact office.

“Federal ministries constantly post directives and circulars on the Internet, but we are unable to access them from the rural municipality. Thus, we are compelled to provide services from the district headquarter,” the Chairperson of the Rural Municipality said. In lack of basic physical infrastructure and chronic shortage of essential staff, other local units from very remote areas are similarly forced to provide services from the DHQ. Masta, Surma, Durgathali and Khaptad Chhanna Rural Municipalities in Bajhang district are such local units operating from the district headquarter. Similar cases were also reported in some local units in districts like Darchula and Manang.

DRCN Researchers noted that there would not be adequate working space in the current set up if the units received all staff as planned. In places where a ward was created after splitting an erstwhile VDC, one of the two wards didn't have an office building. Electricity and

communication facilities were lacking in some rural municipalities, because of which banks were reluctant to open branches in rural municipalities.

### *5.5 Trainings and Capacity Building*

Elected and government officials did not receive any training for a substantial time after being elected. This made their early functioning confusing and cumbersome. After few months of being elected, the Mayors, Deputy Mayors, Chairpersons and Vice Chairpersons, and CAOs started receiving basic trainings and orientation on their rights and responsibilities through MoFAGA. These trainings were conducted immediately after the election in some provinces and within few months in other parts. The District Coordination Committees (DCC) also conducted trainings to the elected officials with support from Local Governance and Community Development Programme (LGCDP). The Commission for the Investigation of Abuse of Authority (CIAA) also provided day-long trainings in many districts to the elected officials on their roles in controlling corruption. Trainings were organized for deputy chief and other members of JCs on the functioning and jurisdiction of the JC. Some Non-Government Organizations (NGO) also provided limited trainings on specific themes like JCs, community mediation, and capacity building of women and dalit women ward members.

Many elected officials considered the trainings provided inadequate and often ineffective across the country. Most of the trainings were mostly focused on key elected officials and CAOs, and ward level representatives had received the least number of trainings. Majority of the elected officials interviewed through the course of this observation said they required more effective trainings to build their capacities and perform their responsibilities effectively. “We have a hard time working with the elected officials since they are not familiar with their rights and responsibilities. They will require regular training on legal provisions,” the CAO of Aamchok Rural Municipality in Bhojpur said. Deputy Mayor of Amargadhi Municipality of Dadeldhura district said that if they had received trainings on time it would have been easier for them to allocate budgets and formulate laws and regulations effectively and in timely manner.

One of the common issues raised against the official trainings provided by MoFAGA was that it was general in scope and did not address the specific needs of the local units. “The capacity of an illiterate elected official in remote local unit in Rukum (East) is very different from that of a highly educated and experienced official in Kathmandu,” a civil society leader in Butwal said, adding, “Same level of training will not be effective for both.” According to an elected representative of Prasauni Rural Municipality in Bara, trainings were less effective because the format was much more complicated than their capacity for comprehension. The need for trainings to be made available in local languages was also commonly raised in places where people do not speak Nepali as their mother tongue. Other commonly raised issue was the timing and lengths of the trainings. “We had to miss an important training because it overlapped with the busiest week of our annual planning,” a Rural Municipality Vice Chairperson said. Similarly, in Palpa, some elected representatives complained that a

three-day long training organized by the DCC spent the entire first day on inaugurations and formalities rather than focusing on capacity building.

DRCN observation noted that political parties also provided some training and orientation programs for the elected representatives of their own parties in some districts. Long-term capacity development did not seem to be a top priority for the local units with very few local units allocating separate funds and resources for training elected representatives. Many local units also organized experiential learning tours and educational visits to other local units.

### *5.6 Planning and Implementation*

The local governments undertook the task of budget allocation, planning and implementation for the first fiscal year (2017-18) after the elections amidst confusion and uncertainties. The elected representatives were confronted with a new system and were not even familiar with new terminologies, and had to start the planning process with limited guidelines. This led to inconsistency and flaws. Almost all elected representatives acknowledged that there was a severe lack of timely directives, and legal clarity and familiarity with the functioning of local governments. Lack of immediate training after the elections majorly impacted key early functions like budgeting, prioritization of projects and implementation. According to representatives, one of the positive aspects was that the local governments autonomously carried out important functions like budgeting, planning and implementation without much interference from the center or the province despite major obstacles.

Most representatives acknowledged that they had to carry out planning in a rushed manner without wider consultations with the public as well as among the assembly members. DRCN observation noted multiple cases where the first year's budget was divided equally among the wards without taking into consideration important factors like population, geography, and remoteness among others. There were multiple allegations, especially from the wards where opposition parties had won, that their wards received disproportionately less amount of budget in the first year. For the task of prioritizing ward-level projects, some local governments fixed the budget ceiling while many others did not.

People had high expectations from the elected representatives and the demand for ward-level projects was also high. The elected representatives also wanted to 'distribute' as many projects as they could to keep the promises they made during election campaigns. This led to the scattering of the budget into numerous smaller projects without much impact. The large number of projects also impacted effective monitoring. This practice of allocating small-budget projects was widespread across the country, but some local governments were also allocating budgets for bigger projects, especially for infrastructure development.

Most of the elected representatives also reported a lack of clarity regarding budget allocation to the sectorial offices, such as education, health, agriculture, veterinary, and women and children, among others. At the time of the budget allocation and planning, many of these line agencies were yet to be relocated to the local units from the districts. Many local



governments did not allocate budgets for such offices thinking that they would receive direct federal funding. When these offices were relocated to the local units, they did not have any budget. This forced local governments to pull additional budgets from other headings and contingency amounts. Gharpjhong Rural Municipality of Mustang, for example, diverted the budget previously allocated for the construction of an office building for agriculture and livestock offices. Similarly, Lomanthang Rural Municipality in the same district re-allocated budget to agriculture and livestock from the staff salary. The local government had initially allocated salary for 35 employees, but only 5 to 7 employees were currently working.

The development of infrastructure, especially road construction, received the greatest priority across the country. Lack of clarity on budget allocation, and the absence of specific guidelines mandating allocation of budget under different headings, led to overemphasis on road construction at the cost of important social sectors. Many target groups like women, children, dalits, and other highly marginalized groups therefore received limited budgets.

Some local governments took initiatives to allocate budgets to suit their local requirements. Such initiatives included setting up funds to help earthquake victims, targeting the elderly and single women, in Arughat Rural Municipality in Gorkha, cash and kind incentives to the mother of new-born girl children in Geruwa Rural Municipality of Bardiya, constituting Neighbourhood Development Committees to formulate plans in Machhapuchchhre Rural Municipality of Kaski and Raghuganga Rural Municipality of Myagdi, among others.

Implementation of development activities were carried out either through users committees, or through public tenders. The standard practice was to implement smaller projects through user committees and the larger ones through formal tendering process. Irregularities over the implementation of projects were commonly noted in multiple local units. There were instances where some user committees sub-contracted the work to other contractors for a smaller amount. Similarly, for their convenience and political interests, few local governments were also found to have violated legal provisions and fragmented bigger projects into smaller ones.

The implementation of many projects had therefore been affected by the interests of the elected representatives, and political tussles between parties with clear majorities and opposition. The effectiveness of implementing projects through users committees or through contractors had its strengths and shortcomings depending on the local levels, leadership quality, skills, and effective monitoring mechanisms in place. The issue of delays in implementing the projects and trying to spend money towards the end of the fiscal year continued with the new local governments. The issue of duplication of projects was also reported in some local units. In Taplejung, a complaint was submitted to the district authorities after it was found that one local government allocated budget in a project that had already received federal funding.

## Case Study 9: User Committee - A Failed Development Model?

A Ward in Mechi Nagar Municipality received 1 million rupees for the construction of a culvert. Legal provisions stipulated that the User Committee had to raise 300,000 of the 1 million. Work began with a loan of 300,000 from a Savings Cooperative. However, the work was completed – to the quality specifications fixed by the project – for only 685,000. From the remaining amount, the 300,000 loan from the Cooperative was repaid. A new committee was created to deposit the remaining 15 thousand into a bank account. A former member of the Ward Citizens Forum, who created and deployed one of the user committees, was asked if similar user committees could operate effectively now. He said, “It wasn’t effective even then. Since politics and corruption are at their most extreme, such successful work through User Committees is very rare. It was possible because I worked on it myself and mobilized the youth.”

A general belief among citizens was that political parties form user committees by filling them up with their own cadres only in order to recoup the funds spent during the elections and to fulfil promises made while mobilizing cadres during the elections. An editor with a local newspaper in Bhojpur said, “Cadres are included in user committees depending upon their political access and capacity.” Not only do cadres of political parties benefit through it financially, the elected representatives also allegedly recoup the funds spent during the elections.

For the planning cycle for the second fiscal year 2018-19, many local governments were busy preparing for local assembly meetings, reviewing and monitoring development projects, providing budget ceilings to wards, prioritizing ward-level projects and ranking them according to priority. As per the LGA, local governments were required to submit their annual budget plans by June 24, 2018, but almost half of them (387 out of 753) did not meet the given deadline.<sup>27</sup>

### *5.7 Transparency and Accountability*

Elected representatives at almost all local levels said that the local level monitoring committees were functioning under the coordination of Deputy Mayor / Vice Chairperson. Similarly, monitoring committees had also been formed and working under the coordination of ward chairs and ward members. Representatives of political parties told DRCN that they keep a keen eye on the implementation of local projects and act as unofficial watchdogs. DRCN observation also noted the formation of informal ‘shadow governments’ by political parties with the objective of ensuring accountability at the local level. Some local governments were also continuing the previous practices of social audits and public hearings. Despite the presence of such formal and informal mechanisms, complaints about irregularities and lack of accountability were common.

Despite major shortcomings, there were some signs of improved monitoring through regular field visits by elected representatives who were overseeing project progress and authorizing project completion reports only after undergoing direct observation. DRCN met many Deputy Mayors and Vice Chairpersons who said they had asked user committees and

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<sup>27</sup> See: ‘Local level: Breach of Rules Everywhere’ <<http://cijnepal.org.np/201830/>>

contractors to improve the quality of the projects, warning them that they would not receive full payments until the required standards were met. Some local governments decided that project contractors would not be provided advance payment, a clear departure from earlier practices where a certain percentage of money would be released before the project started.

As a measure to improve transparency, Pathibhara Yangorak Rural Municipality of Taplejung hired an independent consultant to conduct an exit poll to review the status of project implementation and service delivery. Kochila Gabur Front, a local organization, was conducting public hearing programs across Jhapa district to ensure transparency and accountability of all the projects implemented by the local governments. Similarly, in some local units in Surkhet district, an organization named *Tanneri Chaso* – Youth Concern – had been regularly asking for budget details, projects and other activities of the Municipality and making them public.

Concerns were raised by many stakeholders regarding local governments undertaking the dual tasks of both implementing and monitoring the projects. Multiple civil society leaders and local journalists highlighted the need for an external monitoring mechanism, perhaps the DCC, to ensure greater accountability. The DCC was also carrying out monitoring of development projects initiated in the district before the elections.

#### *5.8 Communications and Citizen Involvement*

Some local governments took initiatives to communicate and disseminate information regarding their activities to the people through various mass media such as newspapers, television, FM Radio and websites. Multiple local governments had installed digital screens and flex banners displaying various information at office buildings. Some elected representatives regularly appeared on local radio and TV programs to discuss and interact on various issues of the local governments. Such initiatives were reported in Sanfebagar Municipality in Achham, Khandbari Municipality in Sankhuwasabha, Sisne Rural Municipality in Rukum (East) and Tansen Municipality in Palpa, among others. Some local governments had also started publishing and circulating official newsletters and mouthpieces. Ward chairs and ward members regularly communicated the major decisions of the local governments to citizens. Many local governments also arranged for information officers to provide official information to the people. Some local governments like Mechinagar in Jhapa had even started providing important information through mobile applications.

#### *5.9 Inclusion and Empowerment*

The greater representation of women and dalit women members in the local levels and in various committees as a result of mandatory provisions was viewed positively by women and dalit members. However, the higher numeric representation had not translated into meaningful participation at decision-making in ward committees, executive committees and local assemblies. Barring some exceptions, many women representatives said that women and dalit members were picked by the political parties to fulfil the mandatory positions and

many of them lacked prior political and leadership experiences. As a result, many women and dalit women members were not able to participate in major discussions and decisions. “We just listen and sign papers when we are asked to,” a dalit women member in Butwal said. In Dasarath Chand Municipality of Baitadi, a dalit ward member said that she did not attend meetings and that the secretary brought the register to her home if her signature was required. Deputy-mayors in multiple local units in Province 2 told DRCN that they were not even informed about important meetings by the mayors.

Many women members also complained that the male members would undermine their roles by saying “You are not capable of doing important tasks”. Many women and dalit members also said that they lacked basic capacity and understanding of their own roles and responsibilities and hoped that with adequate trainings and experience, they would be able to perform their responsibilities better in the future. “Dalit women ward members, especially in remote places, still do not know what their roles and responsibilities are. Their families and society still do not accept them as their representatives,” a dalit ward member in Surkhet said.

Many deputy mayors and vice chairpersons – more than 93% of whom were women – said their roles have been undermined by mayors and chairpersons who were mostly men. Women and dalit women members continued to face discriminations due to deeply-rooted patriarchy and caste hierarchy. Literacy among women was comparatively lower, and it was worse among dalit women. It was a common trend, especially among men, to doubt the capacity of women members to engage in local level functioning and their ability to work independently. In multiple local units of Dhanusa and Parsa districts there were multiple incidents where husbands were actively interfering in the daily activities of their wives who are elected to various positions. There were also multiple reports where wives received nominations only when husbands did not receive an opportunity to contest the elections. Similarly, dalit women members reported instances of discrimination of various kinds, not only in private settings but also in public forum such as municipalities and rural municipalities. There were also some reports of elected dalit women member being subject to domestic violence.

Despite major challenges and obstacles, most of the women and dalit representatives met during this observation expressed their determination and confidence to make positive impacts in their communities. “Men say women don’t know how to perform major tasks, but we are just getting some opportunities. If we get adequate training and support, we can make a lot of positive contributions,” a dalit ward member from Dailekh said.

#### *5.10 Judicial Committees*

Judicial Committees (JC) had been formed and had started settling disputes in most of the local levels visited by DRCN. Over 93% of the deputy mayors and vice chairpersons who headed these committees were women, and most of them reported that they lacked the legal and technical expertise to effectively lead the JCs. They highlighted the need for effective training and orientation, and legal assistance to work smoothly. While constituting JCs, the other two members were either selected through consensus or elected through voting in the

local assembly. As of June, 2018, there were still some local units like Thulibheri Municipality in Dolpa and Gharapjhong Rural Municipality in Mustang where JCs had not been formed. The reasons for delays in formation of JCs included lack of technical capacity, confusion over its jurisdiction, and political disagreements among elected representatives.

In some local units where other informal systems of justice were practised for dispute resolution, JCs were less active. For example, in Gharapjhong Rural Municipality in Mustang, JC had not yet formed at the time of this report because disputes were settled by a group of village leaders – or *Mukhiyas*. Officials there told DRCN that the village elders had also started consulting with the elected local representatives while settling disputes. Similarly, in Chame Rural Municipality and Manang Ngisyang Rural Municipality in Manang, JCs were formed but no cases had been filed as of June, 2018.

The functioning of JCs was affected by a number of challenges. In almost all local units, the JC members highlighted the lack of infrastructures like separate space for discussing cases, shortage of essential staff, lack of clear legal guidelines, and inadequate capacity to settle disputes and carry out proper documentation. Lack of adequate training and capacity building was also seen as a major challenge by coordinators of JCs across the country. Many local governments had started hiring legal experts to advise them on the legality of the cases and the procedures for settling the disputes. There were some reports from Province 2 where husbands of the deputy-mayors were actively interfering in dispute settlements and mediations.

DRCN observation noted that the major confusions around the functioning and jurisdiction of JCs in the earlier months had subsided and deputy-mayors and vice-chairpersons expressed greater confidence about their responsibilities. Multiple trainings had been organized by the federal government and various NGOs, targeting capacity building of JC members, and proper procedures for community mediation and dispute resolution. More recently, ward-level mediation committees had been formed and trainings initiated for community mediators in some local units. DRCN heard of such initiatives in places including Amargadhi Municipality in Dadeldhura and Gaidakot Municipality in Nawalparasi (East), among others.

The number of cases received by the JCs ranged from none in local units including Chame Rural Municipality and Manang Ngisyang Rural Municipality in Manang, and Dasarath Chand Municipality of Baitadi, to over 400 in Birgunj Sub-Metropolitan City in Parsa. DRCN observation noted that the number of cases filed in the JCs in the hill districts were relatively fewer than in the Tarai districts. The reason behind JCs receiving fewer cases depended on a variety of factors including a lack of awareness among citizens, people still preferring to go to the police and courts, and because of the ongoing practices of traditional systems of mediation and dispute resolution. There were cases where the police referred cases back to the JCs.

There were concerns among civil society members, local leaders and activists that giving judicial authorities to politically elected body could lead to politicization of dispute resolution

process. However, in the local units visited by DRCN during this observation, there were no such cases of politicization. Deputy Mayors and Vice Chairpersons remained confident that, with regular trainings and experience, they could be effective in resolving disputes locally. “Now that we have become familiar with our roles and responsibilities, additional trainings on procedural aspects, registering and documenting cases, issuing notices, filing replies, and writing decisions would really enhance our ability to settle disputes properly,” the Deputy Mayor of Amargadhi Municipality in Dadeldhura expressed.

### *5.11 Taxation and Revenue*

Schedule 8 of the Constitution and the LGA authorize local governments to generate revenue through certain taxes including local tax (property tax, house rent tax, fee on registration of houses and land, vehicle tax), service fee, tourism fee, advertisement tax, business tax, land tax (land revenue), fines, and entertainment tax. The limited authority to impose tax and generate internal revenue is an important aspect of fiscal decentralization. Many local units did not have robust sources of internal revenue and had to either depend on the support from federal government, or generate revenue through taxation.

Local governments across the country revised and expanded the tax bases, and imposed new taxes to meet their revenue targets. In lack of consistent tax policies and jurisdictional clarity, many local governments fixed tax rates without due processes and deliberations. As a result, there was widespread concern, especially from citizens and private sector, that such improper taxation added extra burden on citizens. Throughout DRCN observation, citizens and representatives of business committees questioned the local governments’ “haphazard imposition of taxes.” Elected representatives, however, argued that internal revenue generation was one of their key responsibilities, and necessary to ensure local development and better service delivery. “Once citizens realize that the tax they pay improves services and contributes to development, the negative perceptions will disappear,” a Ward Chair from Butwal Sub-Metropolitan City said.

There was significant variation among the local units in the fees for basic services that local governments provided. DRCN observation noted that the fees for the registration of vital events – registration of birth, death, marriage, migration – which was free if registration was done within 35 days of the event, ranged from Rs. 50 to 500 if the registration took place after 35 days of the event. Major hikes were also reported in property taxes under the Integrated Property Tax (IPT). Similarly, tax rates had been increased in most of the local units under several headings, including for street vendors, small shops, hotels and restaurants, agricultural produce, livestock, every level of factories and industries, and the registration and renewal of organizations, among others.

The most important consequence of this was the development of fear and negative perception among the citizens towards the local and provincial governments. There were multiple protests by citizens and representatives of business communities against these tax increases. Members of federal government and leaders of major political parties also publicly expressed

concern that increased tax burden was eroding public trust in the new federal structure. The Finance Committee of the federal parliament asked the federal government to stop arbitrary taxation, keeping in mind the risks of dual and additional tax burden.<sup>28</sup>

Citizens expressed concern that the local and provincial governments were primarily concerned with generating revenue and increasing taxes rather than ensuring effective service delivery. Civil society leaders across the country also raised concerns that citizens feared that they would have to pay dual taxes because of concurrent jurisdiction of the local and provincial governments. In almost all the local levels where taxes had been increased, key stakeholders, including members of the business community, alleged that these increases were unscientific, lacked economic rationale, and provided disincentives to productive sectors and for job creation.

### *5.12 Conflicts*

Several conflicts surfaced within the first year, and interlocutors raised concerns about other potential conflicts in the future. Conflicts, primarily arising from a lack of legal and jurisdictional clarity, emerged within and between different layers of governments.

#### *5.12.1 Elected Representatives versus Government Employees*

Political and professional differences between elected representatives and the Government of Nepal's permanent employees were commonly reported, and affected the basic functioning of the local governments in multiple local units. Elected officials accused the bureaucrats, who were in executive positions of local units under previous structure, of being reluctant to accept the authority of the elected bodies and trying to undermine their responsibilities. A journalist in Rukum (East) stated that there was a real tussle between those civil servants who assumed that they were more experienced in governance, whereas the elected representatives considered themselves as legitimate since the people elected them. Some elected representatives expressed concern that the CAOs were given too much authority. The Mayor of Bardibas Municipality in Mahottari complained that their "hands were tied" because financial matters, including allocation of funds, had to be authorized by the CAO. This, he argued, would make it difficult for the elected governments to deliver on the promises made to the voters.

Bureaucrats, however, argued that elected officials who lacked experience and knowledge in governance were making populist decisions that favored their electoral constituencies. A CAO in Jumla said that the elected officials were often complacent about the rules and regulations and were only focused on allocating funds benefitting their constituencies. This, he said, led to important social sectors not getting adequate budget in the first year. The program officer of Besisahar Municipality, Lamjung, stated that elected officials needed to

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<sup>28</sup> See: 'Finance Committee directs government to resolve the issue of dual and arbitrary taxation' <<https://www.kantipurdaily.com/news/2018/08/14/153423825048689880.html>>

go through trainings on governance process so that they could understand the complexities of planning and governance. DRCN observation noted a politicization of the relationship between the elected representatives and civil servants in multiple local units. In some cases, like in Beni Municipality in Myagdi, the CAO had been transferred three times within one year. A Ward Secretary in Syangja asked for a transfer from the federal ministry without the knowledge of the local government.

### 5.12.2 Conflicts between Different Levels of Government

Interlocutors pointed to various actual and potential conflicts between different levels of government, primarily over competing jurisdiction. A writ petition filed at the Supreme Court by the Mayor of Dhulikhel Municipality, Kavre, argued that the central government acted against the spirit of the Constitution by sending ‘model laws’, during integration of civil service employees, and while allocating budgets. The writ asserted that the principles of cooperation, coexistence, and coordination between the three layers of government, as mandated by the Constitution, had been compromised.

#### **Case Study 10: Mayor Moves to the Court against the Federal Government**

The Mayor of Dulikhel Municipality of Kavre district, also the Chairperson of Municipal Association of Nepal (MuAN), filed a writ petition at the Supreme Court against the federal government in March, 2018. The petition contended that while making federal laws, circulars, and directives, and forcing them upon local governments, the federal government did not consult with the local governments. It also argued that the local governments were not able to legislate in matters falling within their jurisdiction and that the federal government had failed in assisting them, and that violated the Constitution regarding the relationship between three levels of the government. The petition sought an order from the Supreme Court, requiring the federal government to legislate federal laws only after consultations with, and considering recommendations from, the local governments.

The writ also questioned the civil service employee integration process. It argued that delayed integration of civil service employees into the local units had majorly affected their functioning. It also challenged the legality of the process, arguing that it was in violation of the Act on Employee Integration 2017. The law required the formation of a study committee and the government was supposed to finalize local governments’ organization structure and employee positions on the basis of the recommendation made by the committee. The case was still pending at the Supreme Court at the time of this report.

Key interlocutors, including elected officials and journalists, also raised concern over conflicts between local, provincial and federal governments emerging on matters of concurrent jurisdictions like authority over tax revenues, and jurisdiction over rivers, highways, national parks, and tourism sites. Some conflicts also emerged between the local units and district-level sectorial offices over their respective jurisdictions.



### Case Study 11: Local Governments in Conflict over Revenue Collection

In Darchula district, Api Nampa Conservation Area Council and the District Forest Office (DFO) are in conflict with the local governments over revenue collection. Api Nampa Conservation area is spread over five Rural Municipalities (Byas, Api Himal, Naugad, Marma, Duhu) and some wards of Mahakali Municipality. Before the local governments assumed offices, the conservation area office and the district forest office issued licenses for collection of herbal plants, especially the high-value *yarsagumba*, in the area under their jurisdiction. A onetime fee of NRs. 500 to residents of the conservation area, NRs. 2,000 to other residents of Darchula district, and NRs. 3,000 to other Nepali citizens were charged for collecting *yarsagumba*. The traders who buy *yarsagumba* from the collectors are levied NRs. 25,000 per kilogram by the Conservation Area Council and the DFO.

The conflict emerged when the local governments claimed their rights to collect revenue in the area under their territorial jurisdiction. The Conservation Area Council and DFO, however, claimed that it was their authority to collect revenue under the National Parks and Wildlife Conservation Act, and the Forest Act. When the Conservation Area Council deployed its employees to issue licenses and collect fees, the local governments stopped them from doing so. Instead, the local governments collected the fees on their own. Even the amount charged by two different local governments varied. For example, Api Himal Rural Municipality charged NRs. 500 while Byas Rural Municipality charged NRs. 400.

Several rounds of meetings were held among the stakeholders, including representatives of local governments, Conservation Area Council, DFO, the district administration and the police. But the issue could not be resolved. Currently, both the local governments and the Conservation Area Council and the DFO have levied dual fees on the collectors. While the collectors have paid entry fees to the local governments, the traders have paid entry fees on behalf of the collectors to the Conservation Area Council and the DFO. The traders had to pay on behalf of collectors in order to receive permission to export collected *yarsagumba*. Conflicts over revenue collection of similar nature were also reported in other local units, like Bungal Municipality and Surma Rural Municipality of Bajhang district.

#### 5.12.3 Local Unit Chiefs versus Deputies

About 93 % of the local unit chiefs were male, while more than 93% of the deputies were female. DRCN observation noted widespread conflicts between the chiefs and deputies, with many deputies complaining about not being adequately consulted in decision-making, being asked to do 'less important tasks', not being given adequate benefits, and being reduced to 'assistants to the chiefs. Such conflicts were more common in local units where the two were from different parties. In Tilathi-Koiladi Rural Municipality in Saptari, the Vice Chairperson filed a court case against the Chairperson, accusing the latter of forming the Judicial Committee without her involvement – a key constitutional responsibility of the deputies. DRCN observation found some cases where the husbands of the deputies assumed the authorities of their wives. In some local units in Mahottari and Dhanusa, DRCN met with deputies who said their husbands made all the decisions on their behalf and their roles were

limited to signing the documents as instructed by their husbands. In some cases, the deputies themselves hired the husbands as ‘advisers’, while in other cases the women did not have a say over such decisions.

#### 5.12.4 Ward versus the Municipality or Rural Municipality

Ward chairs contested in the local elections expecting that their powers would be comparable to that of former VDC Chairs. They complained that they were given many responsibilities but not adequate executive authority. “We are supposed to collect taxes and hand them over to the Municipality Office,” a Ward Chair in Dharan Sub-Metropolitan City said, adding, “We do not have the authority to allocate budget even for buying stationery.” Many Ward Chairs also complained that the local unit chiefs did not adequately consult them while making important decisions like allocating budgets. This conflict was more pronounced in local units where the chiefs and ward chairs came from different political parties. Some Ward Chairs in Banke and Siraha complained that their wards received less amount of budget because the mayors and chairpersons in their local units were from different parties.

#### **Case Study 12: Ward Chairs Accuse Mayor of Political Favouritism**

Nepali Congress Ward Chairs from Musikot Municipality in Rukum (West) accused that since they were in a minority, the Mayor – who was from the erstwhile CPN (MC), and whose party had a clear majority in the assembly – didn’t take their voice into consideration during assembly meetings. They complained that the municipality assembly was convened without duly informing some of the ward chairs. According to a local journalist, one ward in the municipality didn’t receive relief distribution after a flood because the ward chair was from the NC. Some locals alleged that the areas with NC stronghold were discriminated against while distributing electricity lines. Some ward chairs said the municipality provided their wards less amount of budget than requested. “They gave 2.5 crore to a ward where their party won, but only gave our ward 32 lakhs,” a Nepali Congress ward chair said.

#### 5.12.5 Political Party Leaders versus Elected Representatives

Political parties, through an All Party Mechanism (APM), played a major role during the previous governance structure. Political parties had prominent roles both in making major decisions, as well as in acting as accountability mechanisms. With new elected bodies in place, interlocutors said that the roles of political parties had diminished sharply. This, according to many respondents, was concerning because there was no way to check the abuse of powers by elected bodies, especially in those local units dominated by a single party.

## **6. Findings on Provincial Governments**

Governments in all 7 provinces were formed after the conclusion of the first ever elections for provincial assemblies in two phases on November 26 and December 7, 2017. Provincial

councils of ministers were formed in all 7 provinces on the basis of Article 168 of the Constitution. A provincial council of ministers comprises of no more than 7 ministries, as recommended by the Federal Administrative Restructuring Committee (FARC). As a completely new structure under a federal system of governance, provincial governments faced multiple legal and jurisdictional challenges in the early stage of their implementation. Key stakeholders, including members of the provincial governments, acknowledged that they had not been able to make a major impact and pointed to a lack of institutions and resources, and inadequate cooperation from the federal government, for their inability to function effectively. Despite such challenges, both the executive and the legislative branches of all provincial governments had been meeting regularly. In the initial phases, teams of experts from the secretariat of the federal parliament went to all the provinces to provide orientation and assistance on parliamentary procedures.

### *6.1 Legislation of Provincial Laws*

All 7 provincial governments enacted basic operational laws and formed different parliamentary committees. These laws and regulations regulated parliamentary meetings, and the procedures for introducing and passing bills, among others.<sup>29</sup> The process of legislating laws was often long and cumbersome, and fraught with legal and technical complications. The main challenges came from a lack of knowledge and expertise on the law-making process, lack of clarity on constitutional provisions and provincial rules, and a lack of requisite federal laws. Multiple elected officials acknowledged that they did not have adequate knowledge of parliamentary processes and legislations. Many provincial assembly members said they had received limited trainings. According to a member of Province 3 Assembly, “Even the Speaker of the House had confusion regarding the procedures” in the initial months. It took provincial governments many months to start drafting important laws required for their effective implementation. One provincial assembly member in Gandaki Province remarked that the first year was going to be the “Year of making laws.”

### *6.2 Infrastructure and Resources*

As newly established units, all the provinces faced serious challenges of inadequate infrastructures and resources in their early stages and were still in the transitional phase. It took them months to determine spaces to set up ministries and offices. The fact that provincial governments were operating from temporary capitals also made it difficult for them to establish permanent institutions and offices.<sup>30</sup> In many provinces, governments had to use older government office spaces as the residence for the ministers.

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<sup>29</sup> Laws passed by provincial governments include: Provincial Assembly Regulation, Provincial FM, Television and Radio Act, Provincial Police Act, Act Relating to the Provisions on Facilities of Offices Bearers of Local Units, Financial Procedural Act, and Documentation Authentication Act, among others.

<sup>30</sup> So far, only two of the seven provinces have finalized their names and permanent capitals. Province 6 voted to be named ‘Karnali Province’ with Birendranagar as its capital on February 24, 2018. Similarly Province 4 voted for ‘Gandaki Province’ with Pokhara as its capital on July 6, 2018.

The federal government provided one-time cash assistance to each provincial government for their setup. The Ministry of Finance (MoF) released 100 million rupees to each province in the first week of February. The cash assistance was provided for recurrent expenditures of provincial assembly secretariats, provincial ministries, and the offices of provincial governors.<sup>31</sup>

The shortage of essential staff was widely reported as one of the biggest challenges for all the provincial governments. The federal government had not finalized the integration of civil service employees into the local and provincial governments. Key stakeholders in provincial governments and assemblies publicly expressed concerns and pointed to the federal government's lack of cooperation in deploying essential employees to the provinces.

Throughout the DRCN observation, the issue of the federal government 'interfering' by making decisions on deployment and transfer of key government officials without consultation with the provincial governments surfaced in different provinces. Province 1, for example, already had 3 chief secretaries transferred, and according to the Chief Minister, the provincial government was not consulted while making these transfers. Secretary-level employees had been transferred at least once already in all the seven provinces. The Karnali Province Spokesperson said that a secretary who had a lot of administrative and governance experience in the Karnali region had been transferred without any consultation or prior knowledge.<sup>32</sup>

Some key institutions like the public service commission and the provincial police were yet to be set up in the provinces at the time of this report. This, according to multiple province-level stakeholders, hampered major functions of the provincial governments and made them dependent on the federal government.

### *6.3 Competing Claims over Names, Capitals and Official Languages*

Only Karnali and Gandaki provinces had decided on their names and permanent capitals. There was no major opposition in naming the Karnali Province, and choosing Birendranagar of Surkhet as its capital. The erstwhile Province 4 decided upon 'Gandaki' as its name and Pokhara as its permanent capital. Some identity-based groups, primarily representing the Gurung and Magar communities, protested the decision, saying that the chosen name did not reflect their ethnic identities. Tamuwan-Magarat Struggle Committee held a province-level transportation strike following the decision.

In other provinces, where there were competing claims and demands over the names, capitals and official languages, the provincial governments were delaying deliberations upon these issues. Provinces 1, 3, 5 and 7 saw major protests and contestation when the temporary

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<sup>31</sup> See: 'Budget issued for province assembly secretariats, ministries, governor offices'  
<<https://myrepublica.nagariknetwork.com/news/35550/?categoryId=81>>

<sup>32</sup> See: 'Transfers without consultations, provincial governments dissatisfied'  
<<https://www.bbc.com/nepali/news-45054020>>

capitals were announced in January, 2018. The protests eventually subsided with an expectation that there would be larger consultation before finalizing the permanent names and capitals. The demand for the permanent names to reflect identities of major ethnic groups was more prominent in Province 1, with groups like the Rais and the Limbus making strong claims. The debates around provincial capitals were more prominent in Provinces 3, 5 and 7.<sup>33</sup>

### **Case Study 13: Decision on Provincial Capital Delayed Further**

The Province 3 Assembly formed a feasibility study committee to recommend the capital of the province as early as May of 2018. The committee, however, came under scrutiny after a writ was filed against it at Makwanpur High Court on July 13, 2018. An advocate who filed the writ alleged that the committee conducted the study only in 5 of the 13 districts in the province. A member of the committee told DRCN that they chose 5 districts because the assembly members from those districts had made formal requests for the study. The committee decided against carrying out the study in Kathmandu, and the remaining 7 districts were not contending to become the province capital. The committee was scheduled to present its report to the assembly in mid-July, but since the case was pending at the court, the findings from the study could not be discussed. This further delayed the process of finalizing the capital of the province.

Article 7 of the Constitution provides the provinces the authority to determine languages for official operations and communication. There were very limited deliberations on official languages. Few members of the provincial assembly in Province 3 raised the need to recognize various mother tongues like Newari and Tamang as official languages. The debate around languages was more common in Province 2, which has two major language groups: with Maithili spoken across eastern and central parts of the province, and Bhojpuri spoken in the western parts. Hindi is also commonly used across the province as a lingua franca. Major contention arose with division over whether or not Hindi should be given official status. Multiple elected representatives from the ruling parties – RJPN and SSFN – told DRCN that they were in favor of recognizing Hindi as one of the official languages of communication because it was spoken and understood across the province. Elected representatives of opposition parties including the NC and the NCP argued that only Maithili and/or Bhojpuri were native languages of the province and opposed Hindi as an official language.

### *6.4 General Perception on Provincial Setup*

Multiple respondents said that the federal and provincial elections should have been concluded before the local elections. This, they argued, would have made the transition into the new structure easier as required laws would have been legislated and institutions set up at the federal and provincial levels before the local governments were formed. With laws and

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<sup>33</sup> The debates over capitals led to multiple protests upon the announcement of temporary capitals in January, 2018. There were strong voices to shift the capitals from Hetauda to either Kathmandu Valley or Kavre; Biratnagar to Dhankuta; Janakpur to Birgunj; Butwal to Dang; and Dhangadhi to Dipayal.

institutions yet to be set up when the local governments assumed office, the functioning of both the local and provincial governments was majorly impacted.

Provincial governments faced significant early challenges and were not able to perform their constitutional responsibilities. In lack of legal and constitutional clarity over their jurisdictions, absence of major institutions, and shortages of vital staff, they failed to perform any major functions. This led to an increased skepticism and lack of confidence among a significant section of citizens and civil society regarding the relevance of provincial governments. “At the current state, the provincial governments seem irrelevant,” a professor at Mid-Western University in Birendranagar said, adding, “It feels like this is a poorly thought out and inadequately planned federalism.” Some stakeholders believed that with local governments given increased authority, the provinces may not be necessary at all. “[Provinces] are only set up to help the major political parties manage their leaders by giving them different positions and privileges. This is not really required,” a small business owner in Dadeldhura said.

Many thought provinces were expensive setups and would negatively impact the economy of the country. In some provinces, especially in Province 2, the perception of federalism was different from the rest of the country. Citizens here believed that federalism was necessary to ensure inclusive and participatory governance but expressed skepticism that the federal government was reluctant to make the provinces effective. “The federal government does not want the provinces to succeed as they have always been against the spirit of federalism,” one member of the ruling party in Province 2 said. “They will give additional powers to the local level to undermine the provinces.”

## **7. Conclusion and Recommendations**

### *7.1 Conclusion*

The formation of the local and provincial governments under a new federal structure marked a significant departure from a long practice of unitary system of governance in Nepal. These governments are expected to bring services closer to the people, thus ensuring increased public participation with inclusion and responsive governance.

DRCN research indicates that the local and provincial governments have faced significant challenges in the early stages of their implementation. Despite such challenges, the elected representatives at the local level have gained more confidence in their new roles and responsibilities over time with increased familiarity and trainings. Citizens across the country have experienced some positive changes in basic service delivery at the local level, and local governments in many places have taken new positive initiatives. However, elected representatives widely acknowledge that major concerns remain about the effectiveness of these governments to meet people’s expectations.

Local governments across the country spent significant part of their first year in planning and drafting necessary laws, training representatives and officials, and implementing small but mostly populist projects. However, in most local units, grievances related to local level restructuring, and the lack of staff and their training and capacity have severely impacted their functioning. Local government officials often complain about lack of clear policies and laws from the federal government, but have also expressed reservations over the federal government's attempts to interfere them by sending template legislations for the local assemblies. Officials have said they lack capacity and training on planning, budgeting and dispensing justice through JCs. While participation of women and minority groups has been ensured through mandatory provisions, their roles in the assemblies and executive committees remain largely nominal. Unplanned and haphazard construction of roads is prioritized over just, planned and environment-friendly development of infrastructure. Excessive focus on infrastructure development has also come at the cost of important social sectors not receiving adequate budget allocation.

Similarly, provincial governments are working under uncertainties arising from lack of legal clarity, absence of important institutions, and shortages of staff and infrastructure. They have not been able to function effectively, most of which has gone in trying to legislate vital operational laws. Provincial governments have complained about not having requisite laws at the federal level, and there have also been some notable cases of members of provincial governments publicly complaining about the federal government not providing them with adequate physical and technical resources. The ineffectiveness of provincial governments has been a concern among some stakeholders that the federal structure might not be the best system for Nepal.

The federal system of governance is a new experiment in Nepal and has faced substantial legal and technical challenges in its early stage of implementation. The devolution of the state authority to the local and provincial governments, leading to citizen's increased access to service delivery and governance, is yet to materialize meaningfully. The federal government with a strong political majority will have a key role to play in ensuring the effective implementation of federalism in coming days.

## *7.2 Recommendations:*

Based on findings from a six-month long research and observation, DRCN makes the following recommendations to ensure effective functioning of local and provincial governments, and proper implementation of the federal system of governance.

To the federal government:

- Legislate all the required laws, amend inconsistent laws, and ensure clarity in functioning of provincial and local governments.
- Address constitutional ambiguities on concurrent and exclusive jurisdictions of three levels of government and communicate it effectively to all levels.

- Resolve outstanding problems related to restructuring of local units.
- Complete integration of the civil service employees at all levels without delay and make necessary arrangements and address problems related to shortage of municipal and provincial staff.
- Facilitate prompt formation of public service commission in all provinces.
- Ensure timely and adequate trainings for elected representatives and officials at provincial and local level.
- Provide trainings to local representatives on jurisdictions and processes of law-making and functions of judicial committees.
- Issue and provide federal laws, directives and decisions in local languages.
- Follow and implement constitutionally mandated provisions of inclusion and representation of minority groups in enactment of federal laws and decision-making process.
- Facilitate provincial and local governments on revenue generation and taxation.
- Expedite the transfer of district level offices and their resources to local units.

To the provincial governments:

- Legislate laws required for the functioning of provinces and local governments.
- Establish requisite provincial level institutions.
- Address grievances of local governments.
- Maintain consistency in tax policies and be judicious while fixing the tax rates and consult with federal and local governments and avoid the issue of dual and arbitrary taxation.
- Ensure inclusion and representation of minority groups in provincial laws and decision-making process.

To the local governments:

- Ensure consistency of laws with the Constitution, and existing federal and provincial laws.
- Pormulgate budget within stipulated time and provide effective service delivery.
- Maintain balance and allocate proportionate budget between development of physical infrastructure and development of social sectors.
- Address inconsistencies in tax policies and be judicious while fixing tax rates.
- Ensure inclusion and representation of minority groups in local laws and decision-making process.
- Resolve outstanding conflicts and grievances between elected representatives and officials.



To the civil society organizations:

- Implement projects on the basis of need assessment of local and provincial governments.
- Avoid duplication of trainings, and provide trainings to all elected representatives.
- Strengthen transparent and participatory mechanisms at local levels.

## **Appendix A: DRCN Field Researchers**

Team Biratnagar: Chiran Manandhar

Ashmita Khanal

Team Janakpur: Pallavi Payal

Sapana Sanjeevani

Team Pokhara: Shekhar Parajulee

Punam Limbu

Team Dang: Indu Chaudhary

Ankalal Chalaune

Team Dhangadhi: Ishwari Bhattarai

John Karki

## Appendix B: Districts and Local Units Covered

Team	Districts	Local Units
Biratnagar	Jhapa	Mechinagar M, Baradashi RM
	Morang	Biratnagar M, Budhiganga RM
	Sunsari	Dharan M, Barju RM, Duhabi M, Inaruwa M, Itahari M
	Taplejung	Pathibhara-Yangorak RM, Fungling M, Tribeni Aathrai RM, Faktalung RM
	Panchthar	Phidim M, Falgunanda RM
	Ilam	Ilam M, Sandakpur RM, Suryodaya M, Rong RM
	Sankhuwasabha	Khandbari M, Chichila RM, Shavapokhari RM
	Bhojpur	Bhojpur M, Pauwadungma RM, Salpachillichho RM, Aamchok RM
	Dhankuta	Dhankuta M, Pakhribas M, Chaubise RM, Chhathar Jorpati RM
	Solukhumbu	Solu-Dudhkunda M, Thulung Dudhkoshi RM
Janakpur	Dhanusha	Janakpur M, Laxminiya RM, Chhireswarnath M, Nagrain M, Bateshwar RM
	Mahottari	Bardibas M, Aurahi M, Sonama RM, Samshi RM, Jaleswar M
	Siraha	Lahan M, Lakshmipur-Patari RM
	Saptari	Rajbiraj M, Tilathi-Koiladi RM
	Sarlahi	Kabilashi M
	Rautahat	Gaur M, Durgabhawani RM
	Bara	Pachrauta M, Simroungarh M, Prasaunni RM
	Parsa	Birjung M, Pokhariya M
	Udaypur	Triyuga M, Udaypurgarhi RM
	Makwanpur	Hetauda M, Manahari RM, Bhimphehi RM, Makwanpurgarhi RM
Pokhara	Nawalparasi (East)	Gaindakot M, Hupsekot RM
	Kaski	Pokhara M, Machhapuchre RM
	Parbat	Kusma M, Jaljala RM
	Baglung	Baglung M, Kathekhola RM
	Gorkha	Gorkha M, Arughat RM, Bhimsen Thapa RM
	Syangja	Putalibazar M, Harinas RM, Waling M, Phedikholi RM
	Lamjung	Beshishahar M, Dordi RM
	Mustang	Lomanthang RM, Gharapjhong RM
	Tanahun	Byas M, Bandipur RM
	Myagdi	Beni M, Raghuganga RM
	Manang	Chame RM, Manang-Nyishayang RM
	Arghakhanchi	Sandhikharka M, Malarani RM
	Gulmi	Resunga M, Isma RM

	Palpa	Tansen M, Ribdikot RM, Bagnaskali RM
Dang	Surkhet	Birendranagar M, Barahatal RM
	Salyan	Sharada M, Kapurkot RM
	Jajarkot	Bheri M, Shiwalaya RM
	Rukum (East)	Sisne RM, Bhume RM
	Rukum (West)	Musikot M, Chaurjahari M, Sanobheri RM
	Rolpa	Rolpa M, Thawang RM
	Kapilvastu	Kapilvastu M, Krishnanagar M, Buddhabhumi M
	Rupandehi	Butwal M, Omsatiya RM, Morchawari RM, Kotahimai RM, Mayadevi RM, Rohini RM, Siyari RM
	Nawalparasi (West)	Bardaghat M, Susta RM, Pratappur RM
	Dang	Ghorahi M, Babai RM, Gadhawa RM
Dhangadhi	Kailali	Dhangadhi M, Tikapur M, Janaki RM
	Bardiya	Gulariya M, Geruwa RM
	Banke	Nepalgunj M, Raptisonari RM, Narainapur RM
	Dadeldhura	Amargadhi M, Ganyapdhura RM, Ajaymeru RM
	Doti	Dipayal-Silgadhi M, Parashuram M, Bhageswor RM
	Bajura	Badimalika M, Gaumul RM
	Achham	Sanfebagar M, Ramaroshan RM
	Bajhang	Jayprithvi M, Kedarsiu RM
	Baitadi	Dasarath Chand M, Dogdakedar RM, Surnaya RM
	Darchula	Mahakali M

*Note: M = Municipality, RM = Rural Municipality*

Total Number of Districts Covered: 54  
Total Number of Local Units Covered: 145 (67 Municipalities and 78 Rural Municipalities)