

Functioning of Local and Provincial Governments in Nepal

**Periodic Report - 3
January, 2019**

**DEMOCRACY
RESOURCE CENTER**

Democracy Resource Center Nepal (DRCN)

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List of Acronyms and Abbreviations

CAO	Chief Administrative Officer
CDO	Chief District Officer
CIAA	Commission for the Investigation of the Abuse of Authority
DCC	District Coordination Committee
DCO	District Coordination Officer
DPR	Detailed Project Report
DRCN	Democracy Resource Center Nepal
IPT	Integrated Property Tax
JTA	Junior Technical Assistant
LGA	Act Relating to Operation of Local Government
MoF	Ministry of Finance
MoFAGA	Ministry of Federal Affairs and General Administration
MuAN	Municipal Association of Nepal
NARMIN	National Association of Rural Municipalities in Nepal
NCP	Nepal Communist Party
NNRFC	National Natural Resource and Fiscal Commission
OPPG	Observation of Nepal's Post-Constitution Politics and Governance
PSC	Public Service Commission
RJPN	Rashtriya Janata Party Nepal
SP	Superintendent of Police
SSFN	Sanghiya Samajwadi Forum Nepal

Executive Summary

Following Nepal's adoption of federalism, Democracy Resource Center Nepal (DRCN) started observing the functioning of local and provincial governments from January, 2018. DRCN's research is qualitative and structured around a team of analysts in Kathmandu and field researchers in the provinces. During the reporting period between August and November, 2018, four research teams visited 45 local units in 19 districts across all seven provinces and interviewed 652 respondents. This is the third periodic report under DRCN's Observation of Post-Constitution Politics and Governance in Nepal (OPPG). This report outlines key findings on the general functioning of local and provincial governments and assesses the dynamics of relationship between federal, provincial and local governments. A separate section enumerates the progresses and challenges in local and provincial law-making. The report also provides recommendations to all three governments to address outstanding challenges and policy gaps.

Key Findings

Legislations

In absence of key federal framework legislation, most of the laws enacted by local and provincial governments in the first year were procedural and operational in nature. Both local and provincial governments were reluctant to legislate important jurisdictional laws, as they were not sure if their laws would conflict with the federal laws. However, the Act Relating to Operation of Local Government 2017 (LGA) had established clarity for the local governments. In absence of jurisdictional laws, provinces could not establish key institutions like their provincial polices and their public service commissions, which negatively affected their basic functioning. In one exceptional case, Province 2 passed the law relating to provincial police despite concerns from the federal government. Lack of legal clarity on matters of shared jurisdictions remains the biggest challenge for the effective implementation of both the local and provincial governments. It resulted in jurisdictional conflicts between the governments in multiple cases, especially in matters relating to taxation and revenue from natural resources.

Local Governments

Local governments undertook their basic functioning in service delivery, planning, budget allocation and implementation of local projects. They took various initiatives that included education scholarships, incentives to promote maternal and child healthcare, and insurance schemes for women, the elderly and the marginalized. Their ability to make substantial impacts in service delivery was affected by delay in the transition of federal district offices to the local level and inadequate staff and infrastructure. There were widespread concerns that local level planning lacked adequate public participation at the ward and settlement levels despite the claims

made by elected representatives that they followed due process. Citizens and civil society representatives expressed concerns regarding the lack of transparency in budget allocation and implementation of local projects. Complaints that implementation of projects through user committees, monitoring of development projects, and practices of social audits and public hearing lacked accountability were common.

Local governments' functioning was also affected by various disputes. These included personal and political differences between elected representatives and permanent government employees, and disagreements about responsibilities and facilities between mayors or chairpersons and deputy mayors or vice-chairpersons. Women and dalit women member, elected through mandatory quotas, were still largely excluded – in some cases even undermined – from decision-making processes. There were, however, cases where they had set up an informal network to share knowledge and experiences regarding their roles and responsibilities. Both elected representatives and government employees pointed to the need for regular trainings to enhance their capacities. Ward-level representatives complained that existing trainings focused only on key municipal representatives, and asserted that the trainings needed to be based on local needs.

Provincial Governments

Provincial governments' functioning was limited to legislation of procedural and operational laws and initiating the establishment of some institutions. Such institutions included sectoral directorates and knowledge centers, and provincial planning commissions. Provincial governments' functioning continued to be affected by the absence of framework legislations at the federal level, widespread shortage of essential employees, and lack of province-level institutions for effective implementation of plans and budget. The provincial governments' failure to function properly and impact citizens' everyday life led to widespread concerns, and even scepticism, on the relevance of the provincial setup under the federal structure.

Relationships

There were significant gaps in coordination between federal, provincial and local governments and their relationships still lacked mutual trust. Provincial governments complained publicly that the federal government did not show required urgency in introducing important legislation and facilitating the establishment of key provincial institutions. Beyond the issue of delayed legislation of important laws, local and provincial governments were particularly dissatisfied with the federal government's lack of cooperation in addressing the shortage of employees in provincial institutions. The relation between local and federal governments was better than that between local and provincial governments, mainly because LGA dictated their respective responsibilities and the lines of communication were also relatively clearer.

Provinces established co-ordination councils between them and the local units and conducted, at the least, their first meetings. These meetings outlined a common understanding on developing procedure for future meetings and identifying areas of cooperation. However, elected representatives in the local units were concerned that provinces were not coordinating with local governments while drafting budgets or establishing new institutional mechanism for budget implementation.

Based on its observation findings, DRCN recommends the federal government to promptly enact framework legislation and finalize the integration process of civil service employees ensuring proper consultation with local and provincial governments. The federal government must withstand the tendency to centralize authority and be sincere in facilitating the devolution of political – and not just administrative – powers to local and provincial governments. All three governments must ensure proper communication and coordination in matters of policy planning and shared jurisdiction.

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1. Introduction

Democracy Resource Center Nepal (DRCN) started observing and reporting on the functioning of local and provincial governments in Nepal from January 2018. The first round of observation concluded in July 2018, while the second round will continue until March 2019. This is the third report as part of DRCN's Observation of Nepal's Post-Constitution Politics and Governance (OPPG).¹ DRCN's current research has two major components: a) systematic observation of the progresses and challenges faced by local and provincial governments in the new federal structure, and, b) identifying key trends and issues emerging in the implementation of federalism.

DRCN's previous reports identified major challenges in the early functioning of local and provincial governments. Inadequate staffing and infrastructure, lack of technical capacity of the elected representatives, and unclear constitutional jurisdictions affected local governments' early functioning. Provincial governments faced bigger challenges with the absence of vital institutions, absence of framework legislations at the federal level required for provincial legislations on shared constitutional rights, and staffing shortages and lack of infrastructure. Jurisdictional uncertainties were further worsened by lack of coordination and communication within and among the three governments, leading to a lack of confidence and trust, and emergence of conflicts. The local governments, while largely functional, were yet to make significant impacts on the daily lives of their citizens. Provinces were yet to execute their major responsibilities. Provincial governments expressed serious grievances against the federal government for the latter's inadequate support and commitment towards facilitating an effective implementation of federalism. With provinces struggling to make significant impacts, a negative perception towards them was noticeable.

This report includes findings from DRCN's observation between August and November of 2018. Through this period, DRCN continued to observe the larger functioning of local and provincial governments, as well as to identify key trends and policy gaps. Besides an overview on the general functioning, the report includes some thematic issues including the relationship between the three governments. The report also includes relevant case studies, which provide anecdotal insights into existing opportunities and challenges in subnational governance. Finally, the report enumerates a set of recommendations to policymakers and lawmakers at all three governments, and other stakeholders working in priority governance issues.

¹ DRCN produced a preliminary report on the functioning of local governments in July 2018, and a comprehensive report on the functioning of local and provincial governments in August 2018. Both reports are available in English and Nepali on DRCN website at: <http://democracyresource.org/observation-of-local-and-provincial-governments/>

2. DRCN Methodology and Observation

This research was primarily qualitative and structured around a team of analysts in Kathmandu and field researchers in the provinces. DRCN developed qualitative research tools based on Nepal's constitutional and legal framework on subnational governance. Field researchers used two separate forms respectively to observe the functioning of local and provincial governments. Researchers completed these forms based on in-depth interviews, focus-group discussions, case studies, direct observation and local media monitoring. All field researchers were equipped with regular orientation training on research methods, Nepal's legal framework, and political contexts. DRCN team of analysts regularly travelled to the regions to train field researchers and to meet with local and provincial government officials, elected representatives, political party leaders, journalists, citizens, civil society representatives and other stakeholders.

Four teams comprising two researchers each were based in Biratnagar (Province 1), Janakpur (Province 2), Pokhara (Gandaki Province) and Dhangadhi (Sudurpaschim Province). The Pokhara team visited Province 5, the Dhangadhi team also covered Karnali Province and the Janakpur team also observed in Province 3. Each team travelled to districts and local units within the given province. In each district visited, DRCN team covered two local units and visited at least two wards in each unit. Respondents met for this research included elected representatives, citizens, journalists, civil society leaders and representatives of different social organizations. Between August and November of 2018, DRCN teams visited 45 local units in 19 districts across all seven provinces, meeting and interacting with 194 respondents to understand provincial functioning and 458 stakeholders to assess local level functioning.

Considering privacy and sensitivity issues, DRCN in some specific cases has redacted details like names of respondents and local units in this report.

3. Political Context

The Constitution of Nepal 2015 mandated a new federal structure of governance and authorized local, provincial and federal government with exclusive and shared rights on matters of legislation and implementation of plans and policies. Under Nepal's transition to federalism, all 753 local governments, 7 provincial governments, and the federal government were formed and began exercising their executive and legislative functions following elections between May and December, 2017. The first year of implementation of federalism faced numerous challenges on both legal and political fronts, the most important of which was the failure to establish jurisdictional clarity on the roles and responsibilities of the three respective governments. Delay in key framework legislation, ineffective management of staff under new structures and a poor coordination between three governments majorly impacted the functioning of both provincial and local governments.

The relationship between the provinces and the federal government was particularly difficult throughout the first year. Provincial governments expressed major grievances against the federal government for the latter's lack of coordination in facilitating the implementation of federalism. Consequently, the important Inter-Province Council meeting was held after much delay on December 10. The meeting finally made a breakthrough and the federal government and the provinces agreed on a time-bound action plan to conduct all the tasks to implement federalism.

Case Study 1: First Inter-Province Council held after a long delay

The first Inter-Province Council meeting was held in Kathmandu on December 10, at least three months after the scheduled date and after multiple complaints by provincial governments. The meeting was initially scheduled for September 10, but was cancelled by the Prime Minister after six of the seven chief ministers held a meeting of their own on September 8 to come up with a 9-point pledge to present common challenges before the Prime Minister. The chief ministers were vocal in expressing serious dissatisfaction on what they alleged to be the federal government's lack of cooperation and unwillingness to facilitate the effective implementation of the newly created provincial structure. The Prime Minister was reportedly unhappy with the chief ministers and delayed the meeting. The relationship of the federal government with the provinces remained cold since then.

The meeting was watched very keenly by observers and seen as an important step in making a breakthrough in the implementation of federalism. In the meeting, all the chief ministers made strong cases that the main reason for their inability to function effectively was the federal government's failure to adequately facilitate the process. The Prime Minister tried to appease the concerns of the chief ministers by expressing an "acute awareness" of the challenges and assuring "sincere commitment" for the effective implementation of federalism. He tried to underplay the challenges, saying it was a completely new structure for everyone and that everyone had to "learn by doing." The meeting concluded with the formation of a 5-member taskforce to prepare a report proposing plans of action. The team submitted its report to the Prime Minister, outlining 29-point recommendations to complete outstanding works related to the formulation of laws, staff adjustment, and formation of the full-fledged National Natural Resource and Fiscal Commission (NNRFC). While the final impact of the first Inter-Province Council meeting was yet to be seen, it was an important event, especially given the lack of trust between the provinces and the center.

The winter session of the federal parliament is expected to enact required laws, without which the provinces were unable to set up important institutions and implement their regular plans and policies. While the commitment to enact important laws promptly is a positive breakthrough, a lot will depend on the process of deliberation and coordination with provincial and local governments.² There have already been notable concerns with some of the federal legislations enacted without adequate consultation with stakeholders. The recently promulgated 'Ordinance Relating to the Integration of Civil Employees 2018' was an important step in addressing the issues of staffing in both local governments and provinces. The Ordinance, however, faced

² Article 232 of the Constitution

oppositions from various stakeholders including representatives of local and provincial governments.³

Another important factor driving the current political process is one political party's domination at the federal level, six of the seven provinces, and majority of local units. This is important from the viewpoint of political stability, but there is also a risk of opposition and minority concerns being left out from the very crucial stages of federalization. Federalism's success depends largely on the urgency and political willingness of the federal government, including the permanent bureaucracy, and how sincerely it facilitates the devolution of both political and administrative power to the local governments and provinces.

4. Legislation in Provinces and Local Levels

4.1. Legislation in Provinces

Article 197 of the Constitution grants provincial governments authorities to make laws. As mandated in the Constitution, provinces can make laws independently – in matters of their exclusive jurisdiction, and in pursuant to federal laws – in matters of shared jurisdiction.⁴

4.1.1. Nature of Laws Enacted in Provinces

Delay in legislation of essential laws at the federal level was one of the major challenges faced by provincial governments. In absence of federal framework legislation, provinces were not able to make laws relating to areas of shared jurisdiction. Most laws passed by the provincial assemblies were mostly limited to basic operational and procedural aspects of their functioning.⁵

Provinces also enacted laws exercising their exclusive jurisdiction. These included 'Provincial FM and Television Operation Act', 'Disaster Management Act', 'Act Relating to Domestic Violence', 'Irrigation Act' and 'Act Relating to the Management of Provincial Police Service'. By the end of November, 2018, the number of laws passed by each province was: 21 in Province

³ See Case Study 15, 'Issues around ordinance on employee integration'

⁴ The exclusive and shared jurisdictions of three governments are outlined in Schedules 5 – 9 of the Constitution.

⁵ Operational laws passed by the provinces included: Provincial Assembly Regulation, Act on Fixation of Remuneration and Facilities of the Chief Minister and the Council of Ministers and Act on Operation of Rural Municipal Assembly, Municipal Assembly, and District Assembly. Similarly, procedural laws passed included Financial Procedure Act, Appropriation Act, Act on Power, Function, and Facilities of the Chief Attorney, Act on Fixation of Remuneration and Facilities of Members and Employees of Provincial Assembly, Act on Fixation of Remuneration and Facilities of Elected Representatives of Local Units and Emergency Fund Operation Act among others.

1, 16 each in Province 2, Karnali, and Sudurpaschim Province, 22 in Province 3, and Gandaki Province, and 15 in Province 5.⁶

DRCN research showed that provinces passed only limited number of secondary legislations like regulations, rules, by-laws, and directives necessary for the implementation of major laws in all seven provinces which affected their regular functioning.

Case Study 2: Province 2 passes Police Act disregarding concerns from federal government

The draft of the ‘Bill Relating to the Management of Provincial Police Service 2018’ was submitted before Province 2 Assembly on June 30, but the deliberations on it were delayed in expectation that the federal government would swiftly enact the act relating to police. The Province 2 Assembly on October 13, 2018, passed the law and paved way for recruitment and management of the provincial police after the federal government did not draft the framework law. The Province 2 government argued that it did not receive any support and cooperation from the federal government in facilitating the establishment of province-level institutions despite multiple requests, so they moved ahead with the legislation.

The decision sharply divided opinions in Kathmandu and across the country, with representatives of the federal government arguing that it was “a mistake” to legislate provincial law on policing before the enactment of the federal act relating to police. Some even questioned the constitutionality of the law. Article 268 of the Constitution allows the provinces to legislate their own laws and set up provincial police, but requires its functioning and operations to be pursuant to the federal law. By legislating this important law, Province 2 forced the federal government to attempt an informal agreement with all the provinces by issuing an executive order that would guarantee limited policing authority like management and transfer of police officers up to sub-inspector level. The provinces however said that they wanted to have their own police and implement their constitutional authority in general administration and security.

4.1.2 Formation and Functioning of Thematic Committees

Provincial assemblies in all provinces formed thematic parliamentary committees like the Legislative Committee, Provincial Affairs Committee, Good Governance Committee, Industry, Tourism and Environment Committee, Finance and Public Audit Committee, Natural Resource and Infrastructure Development Committee and Women, Children and Social Welfare Committee.⁷ 6 of the 7 provinces formed special committees to recommend the name of the province, the location of the permanent capital, and official languages of which Province 2,

⁶ These numbers include Acts and parliamentary regulations, but do not include other secondary regulations, procedures and directives.

⁷ In Province 5, Legislative Committee was dissolved and a separate Law Drafting Commission was formed to assist the government in drafting laws.

Province 3 and Province 5 were yet to reach a decision. Province 1 had not even formed such a committee.

While these committees were important for discussion and deliberation on thematic issues, their functioning was affected by, among others, delayed appointment of chairpersons and members. In Province 1 and Karnali Province, chairpersons were yet to be appointed to some of the committees. Of these thematic committees, the Legislative Committee was the most active committee since their responsibility was related to law-making. Committees were largely inactive as they were yet to finalise the procedures of operation. Members of thematic committees told DRCN that there was a lack of clarity regarding specific roles and responsibilities of the members. They also did not have enough issues to discuss as provincial governments' roles were still largely limited to legislating laws as major projects were yet to be implemented.

4.1.3. Deliberation and Contestation in Law-making

With one party commanding outright majority in six of the seven provinces, opposition and small parties were concerned that the majority governments did not adequately consult and engage with them during law-making. “Assembly procedures are irregular and arbitrary, they (the ministers) do not engage in discussions with us because they know they have the numbers in the house (to pass the bills),” an opposition lawmaker from Province 3 told DRCN. Similar complaints of inadequate consultation were raised by members of opposition parties in Province 2 where the ruling coalition included Sanghiya Samajwadi Forum Nepal (SSFN) and Rashtriya Janata Party Nepal (RJPN). However, representatives of all provincial governments stressed that they sought to pass laws through a broad consensus. “Except in one or two cases when the opposition voted against the draft because of the ruling of their parties, all the laws have been passed unanimously,” Minister for Internal Affairs and Law in Province 2 told DRCN.

While most laws were passed unanimously, in some instance they were opposed. Sudurpaschim Province was forced to amend the ‘Bill Relating to Remuneration and Facilities of Elected Representatives of Province and Local Units 2018’ following a major protest by ward chairpersons and ward members across the Province because the Bill would not provide them allowances and remunerations. The ‘Bill on Fixation of Remuneration and Facilities of Members and Employees of Provincial Assembly 2018’ and the ‘Dairy Development Board Bill 2018’ was contested and faced opposition in Gandaki Province. In Province 2, the ‘Bill Relating to the Establishment of Madrasa Education Board 2018’ faced major opposition both inside and outside the parliament. Respondents, including assembly members, told DRCN that the provision in the Bill which would allow the board to receive international donations was problematic. However, one representative of the provincial government said that it was an education bill and people were deliberately creating controversy because the Chief Minister of the province was a Muslim.

4.2. Legislation at Local level

Article 221 and 226 of the Constitution grants law-making authorities to the local governments. The ‘Act Relating to Operations of Local Government, 2017’ (LGA) elaborates and details the matters of exclusive and shared jurisdictions of the local governments as mandated by the Constitution.⁸

4.2.1. Local Assemblies and Thematic Committees

Assembly meetings in local units visited were carried out at least twice a year as mandated by the LGA. Some units like Omsatiya Rural Municipality in Rupandehi also held additional special meetings to amend laws, in particular the ones relating to taxation and education. Local assemblies also formed thematic committees as provided by the LGA. Similarly, the local executives formed additional committees like Environment Protection Committee, Education and Sports Committee, and Agriculture and Health Committee.⁹ DRCN research showed that thematic committees like Budget and Program Drafting Committee were active in annual planning and budget process, but the thematic committees under the assemblies were not active. For example, despite numerous reports of financial irregularities, ‘Good Governance Committee’ did not yet consider and deliberate any such complaints or cases.

4.2.2. Law-Making

Local governments enacted laws falling under their exclusive jurisdictions as mandated by the Constitution. Additionally, they enacted regulations, procedures, and directives to implement their acts, plans and policies. Number of laws enacted by different local units varied significantly. Suryodaya Municipality in Ilam passed 48 laws including acts, regulations, procedures, and directives, while Omsatiya Rural Municipality in Rupandehi only passed 10. Respondents met by DRCN cited different factors like nature of relations among elected representatives, varying technical and legal expertise and capacity, and regularity of assembly meetings for the variance in numbers of legislations enacted among local governments.

⁸ Schedule 8 of the Constitution lists the matters falling under local government’s exclusive jurisdiction while the matters of shared jurisdiction with the federal and the provincial governments are listed in Schedule 9.

⁹ Section 22 of the LGA authorizes local governments to form Audit Committee, Legislative Committee, Good Governance Committee and other committees as required. These are committees within legislative organ of the local governments. The LGA requires local executives to form special committees such as Local Revenue Recommendation Committee and Revenue Estimation and Budget Fixation Committee. Executives can also form additional committees as required under Section 14.

4.2.3. Nature of Laws Enacted

Local governments mostly enacted operational laws like ‘Appropriation Act’, ‘Finance Act’, ‘Administrative Procedure Act’, ‘Financial Procedure Regulation’, ‘Local Assembly Regulation’, ‘Work Division and Operation Procedure’, ‘Regulation Relating to Hiring of Employees on Contractual Basis’, ‘Mobilization and Management of User Committee’ and ‘Procedures on Operation of Judicial Committees’. Some of these laws helped to address gaps in the functioning of local governments. ‘Regulation Relating to Hiring of Employees on Contractual Basis’ allowed local governments to hire technical staff on contracts and overcome the challenge posed by inadequate staffing. Similarly, ‘Procedures on Operation of Judicial Committee’ was important in establishing clarity and standardising the operation of Judicial Committees.

Local governments also enacted some important laws exercising their exclusive jurisdictions. These laws related to education, cooperatives, disaster management, local taxes, building codes, and local market management. Local governments, however, continued to face challenges in enacting laws under their exclusive jurisdictions. DRCN study found that laws relating to education were frequently contested and even questioned before courts. For example, the decisions by Tilottama Municipality and Marchawari Rural Municipality in Rupandehi to dissolve old school management committees based on their new acts on education were challenged in court by members of the old committees. People who filed these cases argued that the old committees were formed based on existing federal laws and could not be dissolved.

4.2.4. Assistance in Law-Making

Laws were enacted on the basis of model laws issued by the Ministry of Federal Affairs and General Administration (MoFAGA). While model laws were helpful to the newly elected representatives, there were also concerns that over-reliance on these laws was making local governments dependent on the federal government. DRCN also noted that the Chief Administrative Officers (CAO) were instrumental in the legislation process, particularly in areas where the elected representatives did not have a command of and any experience in law-making. “Elected representatives do not know anything. I have had to instruct them about every little procedure,” a CAO of a local unit in Province 5 told DRCN.

Local units like Ratnanagar Municipality in Chitwan, Hanspur Municipality in Dhanusa, Suryodaya Municipality in Ilam, Bheriganga and Birendranagar municipalities in Surkhet, and Dhangadhi Sub-Metropolitan City in Kailali appointed legal advisors for assistance. Local units including Phaktanglung Rural Municipality in Taplejung allocated budgets to seek assistance in law-making. Similarly, Solududhkunda Municipality in Solukhumbu sought help from the District Court.

Local government representatives complained that they did not receive adequate assistance in law-making from the provincial and the federal government. In lack of adequate capacity and resources, law-making process was not deliberative inside and outside the local assembly. “Whatever bill or agenda is brought to the Assembly, it gets approved by the majority,” said a Ward Chairperson in Parbat. DRCN study showed that the general public participation and engagement in law-making was limited and important laws were drafted without wider consultations with citizens and civil society members.

4.3. Issues around Concurrent Jurisdiction

Legislating laws in areas of concurrent jurisdiction was one of the biggest challenges for both provincial and local governments. The Constitution lists 40 areas of concurrent jurisdiction between three governments.¹⁰ The Constitution also requires that laws made by the local and provincial governments be pursuant to federal laws.¹¹ Absence of many important federal laws prevented the local and provincial governments from drafting laws on matters of concurrent jurisdiction. “There’s no point in making laws because we do not know if they will be conflicting [with federal laws], and our laws could be nullified,” a rural municipality chairperson in Taplejung told DRCN.

Provincial governments’ functioning was also severely affected in absence of laws and institutions enabling them to exercise their rights. Representatives of provincial governments across all seven provinces were unanimous in pointing to the federal government’s failure to make laws on time, thus affecting the functioning of provincial governments. With the exception of Province 2, which passed a few important jurisdictional laws despite concerns raised by the federal government, other provinces were yet to pass any major law on important issues like education, health, revenue from natural resources, and religious and tourism sites. An assembly member in Sudurpaschim Province expressed his confusion regarding monitoring of education-related activities by the provincial government. “The Constitution states that all three (federal, province and local governments) have authorities over education, but we are not clear about what and to what extent we (the provincial government) can exercise our authorities,” he said.

Local governments also faced challenges in legislating and implementing some laws because they conflicted with the provisions in existing federal laws. The constitution states that laws in effect at the time of the commencement of the Constitution shall continue to be effective unless repealed or amended by the federal government.¹² DRCN found that many local governments were facing difficulties in law-making, especially on issues of education and forestry. ‘Education

¹⁰ Schedules 5 – 9 of the Constitution. Of these 40 areas, 25 are shared between federal and provincial governments, and 15 come under shared jurisdictions of all three governments.

¹¹ Article 57 (7) of the Constitution.

¹² Article 304 of the Constitution.

Act 1971’, ‘Education Regulations 2002’, ‘Forest Act 1993’, and ‘Forest Regulations 1995’ were among the federal laws which constrained law-making and implementation at the local level.

Case Study 3: Federal procurement laws constrain budget spending

Provincial representatives claimed that they had to follow unnecessarily cumbersome federal procurement and tender procedures and argued that the process slowed down their budget spending abilities. ‘Public Procurement Act 2007’ and ‘Public Procurement Rules 2008’ are federal legislations binding to provincial and local governments and their institutions. Provincial governments needed to comply with these laws and pass procedures before initiating any budgetary projects. A provincial representative from Gandaki Province said that they had to come up with separate procedures to execute spending under each and every budget heading.

Such procedures could slow down the overall spending process, especially when provinces and local governments implemented physical infrastructure which required huge expenses under numerous budget headings. A representative of Province 1 said, “A lot of time is required just to pass the procedures for one project. There are over 100 procedures that need to be passed to implement the entire budget. Most of our time gets wasted in passing procedures which makes the whole process slower.” He added that implementation of projects would be faster if the process was less restrictive. A representative of federal government at MoFAGA however argued that these procurement laws, although cumbersome, were necessary in maintaining fiscal discipline.

5. Functioning of Local Governments

5.1. Service Delivery

After almost two decades without elected bodies, new local governments were expected to deliver services from local units, reducing the need for citizens to visit district centers for basic tasks. While local governments were yet to exercise their full authority, they were carrying out regular administrative tasks such as vital registration, providing recommendations, collecting local taxes, and distributing social security allowances. New initiatives to improve service-delivery were introduced in important sectors like health, education and agriculture.

DRCN research found that local governments were making gradual improvements and establishing clarity in different aspects of service-delivery processes. Citizens interviewed by DRCN spoke positively about the accessibility of elected representatives and appreciated initiatives like distribution of social security allowances at the settlement-level. With each local unit mandated to have at least one bank, commercial banks were expanding their branches, increasing citizens’ access to banking and financial services.¹³ Introduction of electronic systems

¹³ Bishnu Belbase. 2018. “Bank branches set up in 682 of 753 local units” (in Nepali). 26 December. Available at: <https://nagariknews.nagariknetwork.com/news/65200/>

in offices and digitization of processes like vital registration and maintenance of records were also noted. Such initiatives were more common in urban areas with better internet connectivity.

Case Study 4: Local government initiatives in service delivery

Local governments took various initiatives in service delivery in different sectors.

Health:

Sakhuwaprasauni Rural Municipality of Parsa distributed postnatal kits to newborn children and new mothers as part of a safe motherhood program. Ratnanagar Municipality, Chitwan initiated health awareness and medicine distribution programs to increase accessibility to health services. Bahudarmai Municipality, Parsa initiated Leprosy Eradication Program, distributed sanitary pads in schools under a menstrual hygiene program, and started 24-hour maternity service in the local unit. Swargadwari Municipality of Pyuthan provided cash assistance of NPR 10 thousand to people suffering from chronic illnesses such as cancer and kidney failure. Birendranagar Municipality, Surkhet started free ambulance service for pregnant women.

Education:

Mallarani Rural Municipality of Pyuthan initiated audio-visual materials for teaching in six different schools and conducted vocational trainings such as soap and jewellery making to encourage self-employment. Ratnanagar Municipality introduced a free lunch program in community schools. Bahudarmai Municipality provided scholarships for students of primary and secondary level. Rolpa Municipality in Rolpa also provided scholarships to students to create about 500 technical experts in various fields over the next five years. In the fiscal year 2018-2019, about 70 students received such support.

Services provided by sectoral offices were still transitioning from district and federal offices to local governments. While local government representatives seemed enthusiastic about service centers coming to the local level, there was still lack of clarity on how and where these services were to be delivered. Respondents said that most of the health centers, which were supposed to be led by qualified doctors at the local units, were still being run by junior health officials. Similarly, district-level agriculture experts were not available at local units and many important technical tasks were being carried out by junior technicians. Provinces also started establishing directorates and knowledge centers under different sectors but there was no proper coordination between the local governments and the provinces.

5.2. Planning, Budget Allocation and Implementation

5.2.1 Planning Process

The LGA provides local governments the authority to prepare annual and strategic plans and implement them.¹⁴ The Act mandates local governments to consider environmental, cultural and good governance aspects, and gender and social inclusion, while formulating and prioritizing projects.¹⁵ A common practice for planning and budget allocation involved organizing settlement and ward-level meetings, seeking project proposals and requests from citizens, collecting and prioritizing plans and projects at the ward-level, and then forwarding those to the municipal executive for finalization by the local assembly.

While elected representatives claimed that they were following due process to ensure sufficient public participation during the planning and prioritization process, citizens and other stakeholders complained that the settlement-level meetings were rushed and lacked wider participation and deliberations. DRCN research noted that some local governments used formal and informal channels of communication including local FM radio, official notices, and elected representatives and individuals from different community groups to inform citizens about settlement and ward-level planning meetings.

5.2.2 Budget Allocation

Consistent to DRCN's previous findings, local governments continued to allocate major portions of their budgets towards development of physical infrastructure. Local governments provided budget-ceilings and guidelines to the wards for ward-level planning and selection of projects. Elected representatives claimed that budget ceilings were determined by taking demographic and geographic factors into consideration. In Aathrai Triveni Rural Municipality of Taplejung, the municipal executive provided guidelines and limited the maximum number of projects for each ward. Wards with a NPR 8 million budget ceiling were not to exceed 20 projects and wards with a NPR 10 million budget ceiling were not to exceed 25 projects. Representatives of local governments said they were focusing on undertaking fewer numbers of bigger projects. In the previous fiscal year, DRCN reported that large sums were scattered over many small projects, which many respondents believed did not produce significant results. Mallarani Rural Municipality of Pyuthan reduced the number of projects from 700 in the previous fiscal year to 300 projects this year. Similarly, in one ward of Tilottama Municipality of Rupandehi, number of projects was reduced from 60 last year to 17 in the current fiscal year.

¹⁴ Section 24 of LGA

¹⁵ Section 24 of LGA

The federal and the provincial governments allocated budget to the local governments under various headings without proper consultations with the latter. This, in some cases, led to allocation of budget in areas not required by the local governments. An official in a rural municipality in Kaski said that almost NPR 2 million was unused because the federal government allocated the budget under the same headings to local units across the country. “There’s no use of the budget allocated for malaria prevention in a mountainous district like Manang,” he argued. Similar concerns were raised in districts like Rolpa, Taplejung and Pyuthan where provincial governments allocated budget for construction of multipurpose building and sports stadia. Local representatives said these did not match with their priorities. “Building ward offices is our priority, not a stadium,” one representative in Pyuthan said to DRCN.

5.2.3. Implementation

Local governments implemented projects either through the formation of user committees or through competitive bidding, depending upon the cost of the project. In Taplejung, local governments decided to implement projects above NPR 10 million by competitive bidding and projects under NPR 10 million through user committees. Although designed to increase public participation and ownership, there were widespread complaints against implementing projects through user committees. Such complaints included concerns over these committees being politically influenced, lacking adequate accountability measures, and in some cases, even subcontracting the projects. In some local units, these committees allegedly used fake bills and documents and did not undergo adequate monitoring and evaluation. Local user committees were required to make some contribution as a percentage of the total project cost. Such contribution ranged from 0-40% in local units visited by DRCN. Local representatives said that members of users committees were reluctant to contribute their share of the project cost. Respondents also said that these committees were more effective in smaller community-based projects like settlement-level drinking water, forestry, and awareness projects but not in development projects requiring construction and procurements.

Inadequate number of technical employees to oversee a large number of projects made project implementation difficult. For instance, two engineers were available to oversee a total of 192 projects in the entire Phungling Municipality, Taplejung. This was also true for other local units visited by DRCN and was likely to result in rushed project implementation in the latter months of the fiscal year, as the process for user committee formation, signing of contracts, orientation, and eventual implementation requiring technical experts would be delayed. As in previous reports, there were common concerns that social sector and target groups did not receive adequate budget. In one municipality in Chitwan, there was an allegation that the budget allocated for the welfare of a marginalized community was diverted towards constructing a drainage. The decision was later reversed following protests. Earlier DRCN reports highlighted that local governments spent most of their budgets toward the end of the fiscal year. Local

governments tried to change this practice by introducing an annual operational plan for the implementation and monitoring of projects.

5.3. Taxation and Revenue

Schedule 8 of the Constitution and the LGA authorize local governments to collect various taxes. Revenue generation through local taxation was one of the most important areas of interest for all local governments and they were exploring options to expand tax-base and rates. Vital registration fees, taxation on land, property and small businesses, and extraction and use of natural resources were some of the most common sources of taxation.¹⁶ In lack of consistent tax policies and jurisdictional clarity, many local governments fixed tax rates without due processes and deliberations. In DRCN's earlier reporting, the issue of tax increase sparked widespread concerns and controversies leading the federal government to send a circular to local units to review their tax policies.¹⁷ More recently, provincial governments also tried to address the issues of arbitrary and dual taxation through provisions in provincial financial acts. Sudurpaschim Province for example fixed the rates for taxation on extraction and use of river-based materials like sand and crushed stones.

DRCN found multiple cases where tax rates were reviewed following protests from opposition and civil societies. Such revisions were made for example in Ratnanagar Municipality, Chitwan, Sakhuwaparsauni Rural Municipality, Parsa, and Tilottama Municipality, Rupandehi. Representatives of local governments contended that many of the criticisms against the tax rates were unfair and they were raising taxes within their jurisdiction. "We were given authority to collect Integrated Property Tax (IPT), but a later amendment [in the federal Financial Act] prevented us from doing so, reducing our ability to generate adequate revenue," a government official in Tilottama Municipality told DRCN.

There was a general perception that local governments under the new federal structure increased taxes substantially, an assertion contested by the local governments. "People are unfairly blaming federalism for tax increase, but what we are doing is reviewing the rates which had not been revised for almost twenty years," said a representative in Sakhuwaparsauni Municipality in Parsa. Some local governments maintained previous tax structures while there were some exceptional cases where taxes were reduced. An official of Kachan Kawal Rural Municipality of Jhapa said that some service charges were reduced. "Our focus is on encouraging people to pay existing taxes rather than increasing the tax burden on them," the Chair of the Rural Municipality told DRCN. Friction between local governments and federal institutions regarding tax collection

¹⁶ Tax jurisdiction of local governments includes 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.

¹⁷ Krishna Acharya. 2018. "Finance Committee directs government to resolve issue of dual and arbitrary taxation" (in Nepali). 14 August. Available at: <https://www.kantipurdaily.com/news/2018/08/14/153423825048689880.html>

was reported, especially on matters of concurrent jurisdiction. A conflict between Madi Rural Municipality of Kaski and Annapurna Conservation Area regarding jurisdiction over revenue collection was yet to be resolved.

Case Study 5: Court prevents local unit from collecting IPT

Pokhara Metropolitan City passed the Finance Act 2018, allowing it to collect the IPT. When the Municipality started collecting IPT, it faced a lawsuit at the Pokhara High Court. Three local residents moved the court to challenge the Municipality's decision. The LGA previously allowed local governments to collect IPT, but its recent amendment prevented local governments from doing so. Petitioners alleged that the Municipality's law violated local residents' right to property, which is a guaranteed fundamental right under the Constitution, as they were made to pay dual-taxes, which created an undue financial burden. Petitioner also argued that the municipal law violated provisions of the LGA. The court issued an interim order against the Municipality preventing it from collecting IPT until the court reached a final verdict.

5.4. Staffing and Infrastructure

With the process of integration of civil service employees yet to be completed, all the local units visited by DRCN were facing shortage of staff to varying degrees.¹⁸ The problem of both staffing and infrastructure – lack of office spaces, poor internet connectivity, and shortages of computer and other resources – were common. The degree of shortage of staff and infrastructure varied between rural and urban local units, between local units in the plains and the hills, and between older municipalities and the newly created ones.¹⁹ The shortage of technical staff in sectoral offices was more acute than in administrative sections.

The problem of understaffing and inadequate infrastructure was particularly notable in rural local units located away from the district headquarters and urban centers. Majority of local units in hilly districts like Doti, Surkhet, Rolpa, Pyuthan, Solukhumbu and Taplejung reported a shortage while local units like Birendranagar in Surkhet and Dipayal Silgadhi in Doti had relatively better staffing and infrastructure as both were formerly major regional administrative centers. According to estimates by Swargadwari Municipality, Pyuthan only 40 of the 71 required employees were available while only three ward secretaries were available for nine wards. Similarly, in Mallarani Rural Municipality of the same district, one technical staff from the veterinary office was assigned the responsibility of ward secretary.

¹⁸ To address shortage of employees at the local and provincial level, the federal parliament introduced the 'Ordinance Relating to Employee Integration 2018'.

¹⁹ Until 2014 there were a total of 58 municipalities all of which had all the major offices and administrative infrastructure in place. 72 additional municipalities were added in May 2014. After the latest restructuring, there are now 293 municipalities and 460 rural municipalities in total. The newer municipalities are still short in infrastructure including administrative offices.

Case Study 6: Shortage of staff, infrastructure in local units

Service delivery and general functioning was impacted by the lack of infrastructure and required staff in both Suryodaya Municipality and Rong Rural Municipality of Ilam. In Suryodaya Municipality, as of October 2018, 91 positions were filled out of 131 positions – 24 technical and 107 non-technical positions. Two secretaries looked after four wards. Lower-level staff managed the agriculture and veterinary offices. The Sub-Engineer worked as the Computer Operator, and a staff member from the Women and Children Office also assumed the task of the Ward Secretary.

Similarly, in Rong Rural Municipality, about 25 approved positions were vacant. According to the Vice-Chairperson, one health official was delegated the task of the ward secretary. Multiple assignments therefore caused delay in the delivery of service. Although the Cooperatives Office was handed over to the Rural Municipality a few months back, no official was available to manage the office. Three ward offices operated from a rented building with limited space. One ward completely lacked internet and communication access. The other two wards, even though they had computers and internet connections, lacked computer operators. This caused delay in service delivery and impacted the overall functioning of the local governments.

In the Tarai, local units in the interior regions faced shortage of staff and infrastructure. DRCN noted cases where employees' choices of local units were influenced by cultural differences and language preference. For example, an official posted in a majority Awadhi-speaking local unit in Rupandehi expressed his desire to be posted in Nepali speaking area. Elected representatives from the same local unit expressed their frustration that none of the government employees posted there completed their tenure and sought early transfers away to locations of their convenience. In some other cases, local governments did not accept the appointments of government employees. Five employees who were initially not accepted by Birendranagar Municipality in Surkhet took their cases to the court. The court decided in their favour and they subsequently started working at the Municipality.

Case Study 7: Local government functioning affected by frequent transfer of CAOs²⁰

Frequent transfers of key officials, most notably the CAOs, majorly affected functioning of many local units across the country. The CAO met by DRCN in November 2018 in a municipality in Dhanusha was the fourth appointee to the position since September, 2017. When asked about laws passed by the municipality, the CAO said he was unaware of them as he had been in office only for a month. He was also unaware of the fact that the municipality did not publish those laws in its gazette as required.

The issue was more severe in remote areas of hilly districts. According to DRCN field research and media monitoring, Siwalaya Rural Municipality in Jajarkot had already had 5 different CAOs, Kushe Rural Municipality in the same district had 6, and Guranse Rural Municipality, Dailekh had 4, while Barahatal Rural Municipality, Surkhet had 6 appointments. Reluctance of federal employees to go to rural municipalities, conflict between the CAO and elected representatives, assigning of under-qualified employees to local units, and the CAO being assigned directly by the federal government without consultation with the local units were the main reasons for these frequent transfers of key administrative officials.

5.5. Training and Capacity Development

Elected representatives said that the trainings they received were generally helpful in better understanding their roles under the new structure. Women deputy mayors and vice-chairpersons, who received more trainings than other elected representatives, expressed that trainings helped them gain clarity about their roles. DRCN research noted that the frequency of trainings provided to the elected representatives decreased significantly after June, 2018. Even when trainings were more frequent, they mostly targeted the deputy mayors or vice-chairpersons, the mayors or chairpersons, the CAOs, and members of the judicial committees. Ward chairpersons and ward members complained that they were largely excluded from these trainings, and argued for regular trainings for the ward level representatives and officials. Some local governments like Sakhuwaparsauni Rural Municipality of Parsa allocated budget for trainings and capacity building.

The need for a robust and regular training program to enhance the capacity of elected representatives and permanent employees was highlighted across all the local units. Respondents specifically pointed to the need for increased capacity in executing administrative, legislative, and judicial functions. Training and orientation were also assessed as the immediate needs for government employees who were transferred to local units from different line-ministries and agencies. “I was working at the District Education Office before being deployed as a ward secretary. I was not given any training or orientation and therefore it took me time to learn about and adapt to the new office,” a new employee of Phungling Municipality of Taplejung told DRCN. In the previous reporting period, District Coordination Committees (DCC) had initiated

²⁰ Bhim Bahadur Singh and Jyoti Katuwal. 2018. “Official changed six times” (in Nepali). November 22. <https://www.kantipurdaily.com/news/2018/11/22/154285103669295205.html>

some training programs but such trainings were not regular. Members of DCC said to DRCN that their roles and responsibilities were still not clear.

5.6. Inclusion and Empowerment

Consistent with previous DRCN findings, dalit and women representatives in local governments continued to face various challenges and barriers in effectively participating in decision-making processes. A general sentiment expressed by dalit and women members was that they were not informed about key meetings and decisions, and that their roles were limited to signing documents and minutes brought to them. In multiple local units, women Vice-Chairpersons or Deputy Mayors also said that their authority was undermined by male members of the local executive bodies.

Case Study 8: Local language declared official

Ward 5 of Mangsebung Rural Municipality of Ilam declared Limbu language as its official language. 60 percent of the population in the ward comprised Limbus while their share in the entire Rural Municipality was 43 percent. Justifying the decision, the Ward Chairperson, who is from the identity-based Rastriya Janamukti Party, said, “We went through ten years of civil war and subsequent peoples’ revolutions to ensure that marginalised indigenous people would get ownership of their culture and identity. Our decision is a path towards that goal.”

In an official function to announce the decision, the Chairperson of the Rural Municipality said that they were using their constitutional rights. A Provincial Assembly member said that the ward took the decisions keeping in mind that a majority of its residents could not use the Nepali language properly because most people spoke in their own mother tongue. He said that the decision would facilitate administrative effectiveness. He added that the Provincial Assembly would make laws respecting such decisions by the local governments.

There were some positive outcomes of mandatory inclusion in local government. Female representatives expressed that they were learning through continued exposure and experience. Among elected female representatives, those with prior leadership experiences and higher education seemed to be more confident in their roles. They were often informally consulted by women lacking prior experience and with less education. In two districts, women deputy mayors and vice-chairpersons started informal networks to share their experiences and knowledge.²¹

5.7. Judicial Committees

All local units visited by DRCN, except one in Parsa, constituted their judicial committees. Ward-level mediation committees were formed in some local units, while others were in the

²¹ See Case Study 9, ‘Women deputy mayors, vice-chairs form network to share experience’

process of forming them.²² Multiple wards within the local units visited were yet to begin the process of forming mediation committees. A representative in Tilottama Municipality of Rupandehi said that they found it difficult to form mediation committees at the ward-level because they could not find members with the required qualifications. Some local units, including Birendranagar Municipality of Surkhet, Solududhkunda Municipality of Solukhumbu, and Bheemdatt Municipality of Kanchanpur also issued guidelines for the operation of judicial committee.

Of the local units visited, Birtamod Municipality of Jhapa received 200 cases while Purbichauki Rural Municipality of Doti received only four cases. The fact that police posts and existing courts were more accessible than local unit centers was cited as the major reason for the low number of cases in some local units. Of the cases received, the majority related to land disputes, cases of domestic violence, divorces, and disputes concerning money-lending. In local units where many cases were not yet adjudicated, respondents pointed out to the lack of capacity and resources of judicial committees. Members of judicial committees complained that they lacked adequate resources, including separate rooms and access to legal assistance to operate effectively. Some local units like Bhimphedi Rural Municipality of Makwanpur and Madi Rural Municipality of Kaski allocated separate budgets for infrastructure and capacity building of the judicial committees.

Vice-chairpersons and deputy mayors in multiple local units complained that male mayors and chairpersons influenced their functioning. A rural municipality official in Rolpa told DRCN that their chairperson tried to resolve some cases personally without registering them with the judicial committee.

Case Study 9: Women deputy mayors, vice-chairs form network to share experience

In Solukhumbu and Makwanpur, deputy mayors and vice-chairpersons, who coordinate the judicial committees at local units, formed loose networks to share and learn from each other's experiences. One deputy mayor in Solukhumbu said that they met informally whenever they got the opportunity and shared their experiences. "Sharing experiences and discussing confusions have helped us understand our roles and responsibilities," she said. Many judicial committee coordinators and members were still not fully confident about the procedures and their specific roles. Therefore, a loose network would be helpful, said the deputy mayor of a municipality in Makwanpur. Initiatives like this were important as the LGA and other prevailing laws did not provide any mechanisms through which the members of judicial committees could coordinate with each other and share ideas and experiences formally and informally.

²² Sections 46-53 of the LGA authorize judicial committees to settle minor disputes either through ward-level mediation committees or through regular judicial process.

Members of judicial committees reiterated the need for regular training to members, legal assistance, and adequate staffing and resources. Key respondents including journalists and civil society leaders continued to express concerns that judicial committees could not function within their jurisdiction because of lack of capacity and resources. To address these issues, multiple local governments hired legal advisors while others were planning to do the same. Respondents also pointed to the need for a wider public awareness so that citizens better understood the roles of the judicial committees and trusted them.

5.8. Transparency and Accountability

5.8.1. Transparency Measures in Local Governments:

All local governments had common practices to disseminate important information and decisions to the public. These included designation of information officers at the municipal offices, publication of major decisions in notice boards at ward and municipal offices, and using local media platforms like newspapers, radio and television. In some local units, representatives made periodic appearances on radio and television programs to communicate with the citizens. For example, Rolpa Municipality in Rolpa disseminated details about their activities and programs through three FM stations in the district. They also aired a program called *Nagarpalika Sanga Radio Karyakram* (Radio program with the Municipality). Civil society also took important measures to ensure transparency in the local governments.²³

Local governments had their own websites but majority of them were not updated, while some local governments also introduced mobile applications detailing their plans, activities and major decisions. Although there was a lot of interest among local governments in introducing internet-based technologies, the use and coverage of these were largely limited because of poor internet connectivity and low digital literacy among the citizens.²⁴ Information boards and citizen charters were also commonly used to list the available services and the timing of those services.

Ward-level representatives acted as important conduits of communication between citizens and municipal executives. However, DRCN met with multiple women and dalit women ward members who claimed even they were not made aware of some decisions made by municipal executives. Local governments also established *Tol Bikas Samitis* – or, settlement-level committees—as a mechanism for communication between local government and citizens. They played an important role during the ward and settlement-level planning, thereby ensuring that the planning process was participatory and inclusive. Respondents however expressed mixed

²³ Groups like Sundar Nepal Sanstha and Youth Radio Audience Club in Bheriganga Municipality, Gunaso Chautari radio program in Suryodaya Municipality, Tanneri Chaso Samuha in Surkhet were involved in increasing transparency locally.

²⁴ Local units in rural hilly areas and interior regions of the Tarai were unable even to access information and circulars shared online by the federal government.

reactions about the effectiveness of these committees. Some said that the meetings were mere formalities while all major decisions were made according to the wishes of influential individuals in the executive bodies.

Case Study 10: Ward representative suspended on corruption charges

A ward chairperson in one of the local units in Karnali Province, along with a local health post official, was suspended from duties following a corruption case filed by the Commission for the Investigation of the Abuse of Authority. The Ward Chair was accused of embezzling over NPR 50 thousand by selling medicines earmarked for free distribution and producing fake bills of sale with the help of a local health post official. The dalit woman member of the ward committee who was the Acting Ward Chairperson asserted that the accused Ward Chairperson did not commit embezzlement. “The Ward Chairperson just approved the bills, trusting the Health Post In-charge. But he was deceived. The same In-charge later tried to get approval for NPR 5 thousand worth in communication bills from me, which I declined,” she said.

5.8.2. Monitoring Measures in Local Governments

User committees were formed across the local units visited to implement small-scale projects which the local governments decided would not require a formal bidding process. Consistent with DRCN’s previous findings, there were concerns about the effectiveness of these committees, with respondents raising issues about politicization of such committees by influential elected representatives and political leaders. Monitoring of projects by monitoring committees under the coordination of deputy mayors or vice-chairpersons was in place across the local units visited. Such committees included engineers to monitor the technical aspects of the projects. Ward representatives also monitored ward-level projects.

DRCN noted questions from multiple respondents on the neutrality of such committees. Respondents argued that in many cases the implementing and monitoring parties had similar personal and political loyalties. Members of opposition parties and civil society leaders made allegations in some local units that the monitoring conducted by local governments was politically biased. “They will inform the user committees led by their party cadres beforehand, while they try to refuse approval for projects being implemented by people from other parties,” a civil society leader in Province 5 told DRCN.

Elsewhere, some local governments took new initiatives to ensure effective and timely implementation of projects by making it mandatory for the projects to be completed before payments were approved. For instance, in Runtigadhi Rural Municipality of Rolpa, payments were made only after the project and social audits were completed.

Representatives in most of the local units stated that they either conducted public hearings periodically or after the conclusion of each project. In one of the local units visited, the mayor

expressed that they were initially unaware that local governments had to conduct public hearings, but they would conduct such hearings in future. A member of the civil society in Ratnanagar Municipality of Chitwan was also concerned that public hearings were conducted as mere formalities rather than to make processes transparent.

Case Study 11: Dalit woman member unhappy with DCC roles

A dalit woman ward member from a local unit in Taplejung was elected to the local assembly. Later, she stood for the position of the Deputy Chief of the Taplejung DCC and was duly elected to the position. Article 220 of the Constitution allows a member of a local assembly to contest for the position of the Deputy Chief of the DCC, and, if elected, their membership of the local assembly terminates automatically. She decided to join the DCC instead of working as a ward representative, expecting that she would be able to make important decisions and serve the citizens of the entire district. She said, “I was excited to be elected the deputy chief of the DCC. Now, I regret deciding to join it because I have nothing to do here. Had I not joined the DCC, I would have been a ward member and be providing services to voters who elected me.” According to her, the DCC hardly did anything besides carrying out the monitoring of a few road construction projects done by local units. She had almost no role in the monitoring exercise.

The DCC was envisioned by the Constitution as a coordinating and monitoring mechanism of local governments but DRCN study found that they were yet to function effectively. In absence of clear terms of reference, lack of executive authority and resources, the monitoring done by DCCs was largely inconsequential. DCC’s limited influence in monitoring was widely acknowledged by members of DCC.

5.9. Conflicts

Local units experienced a range of conflicts involving elected representatives, bureaucrats, and the general public. Major disputes were seen between elected representatives and government employees, between Mayors and Deputy Mayors and Chairpersons and Vice-Chairpersons. There were also conflicts among the employees – between the existing local employees, and civil employees appointed through the federal public service commission.

Case Study 12: School becomes cause of conflict between local governments

The management and operation of Bhumeshwari Basic School in Ward no 1 of Pyuthan Municipality in Pyuthan was affected following disagreement between two municipalities over the issue of funding. Majority of the students in the school came from the adjoining Mallarani Rural Municipality. According to a ward representative, the school received only a small budget from Pyuthan Municipality last year, a sum that was insufficient to pay for the teachers managed under self-funding. “This affected the motivation of teachers as well as the school which is on the verge of shutting down,” said the ward representative. To resolve this issue, Mallarani Rural Municipality requested Pyuthan Municipality to initiate the relocation of the School to Ward 5 of Mallarani Rural Municipality. A written request had since been forwarded to the office of the Chief Minister of Province 5.

5.9.1. Conflict between Elected Representatives and Civil Service Employees

Personal and political differences between the elected representatives and government employees affected functioning in multiple local units. “Elected representatives look for quick implementation of projects while the employees are concerned with rules and proper processes,” one CAO in Parsa said to DRCN. Elected representatives on the other hand complained that civil service employees did not listen to them and “tried to undermine their authorities”. Representatives complained that they did not have control over the employees because the employees were loyal to the federal government. This according to local representatives led to frequent transfers of key officials without consultation and their knowledge. Respondents expected differences between elected representatives and employees to subside with time as both the elected representatives and the employees would be clear about their specific roles and responsibilities. “Initially there were misunderstandings because we did not fully understand each other’s roles, but it is much clearer now,” a Municipality Mayor in Chitwan claimed.

5.9.2. Conflicts between Mayor/Chairperson and Deputy Mayor/Vice-Chairperson

Differences on matters of responsibilities and benefits were the most common causes of conflicts between mayors/chairpersons and deputy mayors/vice-chairpersons. In many local units, female deputy mayors and vice-chairpersons expressed that their authority was not fully accepted by their male colleagues. Some deputy mayors and vice-chairpersons even alleged that they were not informed about major decisions. “Development plans were prepared and decided without my presence,” Vice-Chairperson of a local unit in Makwanpur said to DRCN. In response to the allegation, the Chairperson said, “Women have already been given enough rights and should stop asking for more. They should fulfil their duties instead.” Both the Chairperson and the Vice-Chairperson came from the same political party.

Case Study 13: Mayor and Deputy Mayor in conflict over municipality center

The Mayor and the Deputy Mayor of Hanspur Municipality, Dhanusha were engaged in a major conflict on the issue of moving the municipality center, impacting the regular functioning. While the Mayor wanted to shift the center from Baghchaura in Ward 2 to Hanspur Chowk in Ward 4, the Deputy Mayor opposed the move. Both of them were elected from the same political party. The Assembly decided to shift the center from Baghchaura to Hanspur Chowk after a majority vote. The Deputy Mayor sat on a hunger strike for two days and locked the municipality office opposing the decision. “The Mayor ignores me in every decision and does not provide me any support in my responsibilities,” the Deputy Mayor said. The Mayor, on the other hand, said that the Deputy Mayor did not express her reservations in the assembly and resorted to media campaigns and protests. Local citizens were divided in their support for the Mayor and the Deputy Mayor. “The residents of Baghchaura support the Deputy Mayor while the residents of Hanspur support the Mayor,” a local journalist told DRCN.

The conflict between the mayor or chairperson and deputy mayor or vice-chairperson was also related to the sharing of facilities. A common complaint from the deputy mayors and vice-chairpersons was that the mayors and chairpersons used the vehicle privately while they had to undertake numerous tasks in different parts of the local unit without the vehicle. Women representatives also raised concerns that the mayors and chairpersons assigned them less important tasks, which prevented them from focusing on their major responsibilities.

5.9.3. Elected Representatives of Opposing Political Parties

In local units where there was a clear majority of one political party, members of the minority party complained that their voices in key processes like planning and budget implementation were often undermined and that the mayor or chairperson took decisions unilaterally with the support of the majority. Representatives from minority parties often complained that the local governments were biased while assigning budgets to the wards, allocating more money to the wards led by the majority party. In units where local executive members were from multiple political parties, or where no political party enjoyed a clear majority, there seemed to be greater cooperation and fewer conflicts.

6. Functioning of Provincial Governments

Provincial governments continued to face major challenges in their regular functioning. As previously reported by DRCN, major issues like absence of framework legislation on matters of shared jurisdiction, lack of important institutions to implement plans and policies, and shortage of employees and staff meant that the activities of provincial governments were limited to drafting operational and procedural laws and setting up limited institutions and agencies. Provincial governments also initiated campaigns around important issues like literacy, community health, tourism promotion, and various insurance schemes, among others. Province 2

for example initiated the *Beti padhao beti bachao* –educate women, save women– campaign to enhance women literacy and empowerment. Provincial governments remained hopeful that they would be able to create important legislations and establish key institutions in the months following the inter-province council meeting in December, which concluded with a 29-point time-bound plan of action.

Case Study 14: Sudurpaschim Province decides name and capital despite opposition

Amidst protests and boycott by the opposition parties, the Province 7 Assembly finalized its permanent name and capital through a voting in its provincial legislature on 28 September, 2018. The assembly approved the name ‘Sudurpaschim Province’ and the permanent capital to be situated in Teghari of Godavari Municipality in Kailali. 36 of the 52 lawmakers – just over two-third members, and all of them from the ruling party – present at the meeting voted in favor of the name and the capital recommended by a study team led by a lawmaker from the ruling Nepal Communist Party (NCP). The 53-member assembly includes 39 members from the ruling NCP, 12 from the main opposition party Nepali Congress (NC) and two from Rashtriya Janata Party Nepal (RJPN). Lawmakers from both the opposition parties protested inside the assembly, and eventually boycotted and left during the voting process, alleging that the choice of the capital was “unfair and reflected personal and economic interests of powerful leaders”.

There were competing claims between the erstwhile capital Dhangadhi in Kailali and Dipayal in Doti when the temporary capitals were first announced. According to multiple stakeholders in Dhangadhi, Dipayal could have been a reasonable alternative as it would be more accessible to remoter hill regions of the province, but to shift capital from Dhangadhi (which is one of the major urban centers in the plains) to the nearby Godavari lacked logical criteria and standards. Some key respondents also smelled foul play as the new designated capital covered a lot of forest resources, which they say would be destroyed to build new infrastructure required for the capital. The decision, however, was challenged in the Supreme Court.

Four of the seven provinces were yet to finalize their name, location of permanent capitals and official languages. Special committees were formed in Province 2, Province 3 and Province 5 to make recommendations, while Province 1 was yet to make any deliberations. There were competing claims for permanent capitals in Province 3 and Province 5 while the issue of name was more prominent in Province 1 and Province 2.

Case Study 15: Provincial assembly gives platform to marginalized woman member

In the Karnali Provincial Assembly, a dalit woman member elected through proportional representation seat was hesitant to speak in the Assembly and give her opinions during parliamentary discussions. Growing up in a marginalized community in the mountainous region, she did not speak proper Nepali and did not have prior experience in public speaking. “I did not speak publicly [in the Assembly] because I did not have a proper command in Nepali,” she said to DRCN. However, the parliamentarian gradually grew in confidence and found the courage after being continuously encouraged by other Assembly members. She first addressed the Assembly during the 39th meeting. “I always knew I was as capable as other members, but the [linguistic] barrier and lack of confidence were difficult to overcome” she explained. Other women and representatives of marginalized communities in the Assembly also expressed that the devolution of power through federal structure was very important in empowering the historically marginalized communities through important leadership opportunities.

6.1. Planning and Budget Implementation

Provincial governments formulated their budgets and passed them through their assemblies prior to beginning the fiscal year in June, 2018. All provinces were supposed to mobilize internal revenue sources, although grants received from the federal government were the main source of these inaugural provincial budgets.²⁵ The federal Ministry of Finance (MoF) drafted the Provincial Fiscal Procedure Act to assist provincial governments plan their budgets. Provinces allocated more than half of their total budgets as capital expenditure, but none of the provinces spent any significant amount until the second quarter of the fiscal year. Provincial governments consistently argued that the federal government did not facilitate legislation on budget implementing mechanisms at the provincial level.

The provincial councils of ministers and assembly members played important roles in drafting the budgets. Provincial government representatives claimed that plans and projects were prioritized and selected based on the list of projects necessary for the constituencies as submitted by assembly members. Development of physical infrastructures; promoting agriculture, tourism and local business; and preparing masterplans for long-term economic development were stated as the key priorities of the provincial governments.

6.2. Provincial Institutions

The Constitution grants provincial governments the right to establish institutions to utilize resources, deliver services, and execute development projects under their exclusive and concurrent jurisdiction. The Provincial Police and the Provincial Public Service Commission are two of the key institutions the provincial governments require to function effectively. But the

²⁵ All provinces table budgets (2018, June 16), *The Kathmandu Post*. Available at: <http://kathmandupost.ekantipur.com/news/2018-06-16/all-provinces-table-budgets.html>

establishment of these two institutions at the province-level needed to be facilitated through federal framework legislation, which was delayed. Province 2 passed its Police Act despite the federal government's insistence that the federal law would have to be drafted first.²⁶

Following the first Inter-Province Council meeting, the federal government assured the provinces that it would swiftly legislate all required laws and cooperate fully in facilitating the establishment of key provincial institutions. Provinces also initiated formation of other institutions like knowledge centers and planning commissions. In order to facilitate the planning process and budget drafting, provinces set up planning commissions and appointed their vice-chairpersons and other members.²⁷

6.3. Staffing and Infrastructure

The problem of inadequate staffing was a major issue across all provinces. After multiple complaints and a long delay, the federal government finally passed the Ordinance Relating to Employee Integration 2018, which paved way for the integration of federal government employees into local and provincial governments. The content of the law was swiftly contested by civil service employees and related unions.

In many cases, representatives of provincial governments, including ministers, complained that the high-level government employees sent by the federal government were not loyal and answerable to the provincial governments. Complaints that the employees lacked proper skills and understanding of the job were also commonly raised. Another major issue was the frequent transfer of key employees without consultation with the provincial governments. "The federal government first sends under-qualified employees who do not understand their jobs, and then it sends away the ones who are qualified and takes ownership of their jobs," said a representative of Province 2 government. An under-secretary in Province 3 also complained, saying "Employees are being sent to provinces without following due procedures. (The federal government) doesn't take into consideration our (employee) preferences and requirements."

Provincial governments argued that they should be allowed to recruit their own employees and that the employees sent by the federal government would not solve their problems. An under-secretary at MoFAGA acknowledged the limitation of the employee-integration process and claimed that even if the current federal employees were successfully integrated into the provincial and local government, not all the required positions would be filled. He estimated that it would require at least three years to fully address the issue.

²⁶ See Case Study 2, 'Province 2 passes Police Act disregarding concerns from federal government'

²⁷ Tekendra Deuba. 2018. Province planning commission still not formed. November 28. Available at: <https://thehimalayantimes.com/nepal/province-planning-commission-still-not-formed/>

Along with under-staffing, the functioning of provincial governments was also majorly affected by inadequate infrastructure. Setting up permanent offices was a difficult issue in provinces, which were yet to finalize their permanent capitals. A representative in Province 3 stated that the Province was reluctant to invest in physical infrastructure in the current temporary capital Hetauda, as the permanent capital was yet to be decided. In Province 1 and Gandaki Province, parliamentary parties and thematic committees did not even have separate office rooms within their provincial assembly premises. Different ministerial offices and different departments were operating from makeshift offices while permanent office infrastructures were being built.

7. Relations between Three Governments

7.1. Relationship between Federal Government and Provinces

DRCN research since January 2018 showed that the basic functioning of all the provinces was majorly impacted by, among others, absence of framework legislations at the federal level, widespread shortage of essential employees, and lack of province-level institutions for effective implementation of plans and budget. The provincial governments' failure to function properly and impact citizens' everyday life led to widespread concerns, and even scepticisms, on the relevance of the provincial setup under the federal structure. Provincial governments complained publicly that the federal government did not show required urgency in introducing important legislations and facilitating the establishment of key provincial institutions.

Beyond the issue of delayed legislations of important laws, provincial governments were particularly dissatisfied about the federal government's lack of cooperation in addressing the shortage of employees in provincial institutions. High-level representatives of provincial governments also said that the federal government did not consult with the provincial governments regarding transfers and management of key government officials. DRCN research found numerous cases where high-level officials including the chief secretaries of the provinces were transferred without consultations with the provincial governments. Provincial government representatives also complained that the federal government sent "under-qualified and inexperienced" officials. "They sent an officer who could not even type properly to work at the office of the Chief Minister," a representative of Province 2 government told DRCN. Provincial governments also expressed discontentment because key federal and district officials operating in provinces did not come under their jurisdiction. "It is almost like a parallel system," a Province 2 minister expressed his dismay. "When the Chief District Officer (CDO) and the Superintendent of Police are not answerable to us, how can we carry out our basic duties of general administration and security?"

Although the Province 2 government was more vocal and public with its grievances against the federal government, DRCN research showed that all the provincial governments had common

expectations from the federal government and the steps ahead. Both publicly and behind the scenes, provincial governments made frequent and strong complaints to the federal government despite being from the same ruling political parties. High-level representatives of the provincial governments, including cabinet ministers, told DRCN that they were clear in terms of what their constitutional rights were, and that the federal government must promptly legislate all the required laws, facilitate the process of establishing provincial institutions, address issues surrounding the integration of civil employees, and conclude the process of transitioning the federal and district offices into the provincial and local setup. “Federal government has not paved the way for us, they have not made the laws and they have not sent adequate staff. Our ineffectiveness is because of federal government’s inaction,” one key official in Province 5 argued. Representatives of provincial governments in all the provinces held they did not want “major confrontations” with the federal government, but remained adamant that they would “claim all the rights given by the Constitution.”

Case Study 16: Issues around ordinance on employee integration

In December 2018, the federal parliament endorsed the Ordinance Relating to Employee Integration 2018. The Ordinance was expected to solve problems faced by provincial and local governments, especially those relating to shortage and management of key staff. The newly promulgated Ordinance replaced the erstwhile Employee Integration Act 2017 that could not be implemented as civil employee and trade unions opposed its content and said it did not provide them adequate incentives. The Ordinance authorized the federal government to carry out the employee integration process at federal, provincial, and local governments until the Provincial Public Service Commissions (PSC) were established. The Ordinance provided incentives for the employees, which was absent in the previous Act. For example, a first class non-gazetted officer (5th level) who had served for at least five years and had the required academic qualification would be promoted to a gazetted officer (6th level).

But importantly, the federal government would retain the authority over transfer and management of high-level employees including chief secretaries of provinces, secretaries at provincial ministries, District Coordination Officers (DCO), and CAOs of local governments. Provisions of the Ordinance looked to unduly favour federal level bureaucrats, while low-level bureaucrats would be mandated to go through employee integration process. Lower-level bureaucrats immediately protested the ordinance and expressed their concerns that it was discriminatory and designed to serve the interests of top-level bureaucrats. On December 12, Nepal Civil Employees’ Union issued a 12-point disagreement and demanded a revision of the ordinance. Lawmakers from both the ruling and the opposition parties at the federal parliament also criticized the Ordinance. Meanwhile, local and provincial governments criticized the Ordinance arguing that they should have the control over the transfer and management of key officials.

There were also concerns that provinces were not doing enough to make substantial impacts. “It is indeed true that the federal government is not too keen on making the provinces powerful and they would still prefer to have a greater control over them,” a legal and constitutional expert in

Province 3 told DRCN, adding, “but the constitution gives a lot of independent powers to the provinces, why haven’t they done anything on their own?” He argued that unless the provincial governments took some bold initiatives and asked the federal government for everything, the center would continue to exert its authority. Many other provincial stakeholders also echoed similar concerns saying that the provincial governments needed to do more to earn people’s trust and confidence. “People have elected them to deliver some major promises, you cannot just blame the federal government for all your failures and escape from your responsibilities,” a civil society leader in Province 4 said.

7.2. Relationship between Federal and Local Governments

The relationship between local and federal governments was better than that between local and provincial governments, mainly because LGA dictated their respective responsibilities and the line of communication was also relatively clearer. Unlike the provinces, local structures existed and were interacting with the federal government for much longer time. However, representatives of the local governments were also critical of the federal government. “The federal government should either adjust enough federal staff into local government, or give us the jurisdiction to hire permanent employees,” a representative of the National Association of Rural Municipalities in Nepal (NARMIN) argued, further adding, “Federal government assumes that local representatives do not have the capacity to make laws, hence they send the model laws. But how will the representatives increase their capacity without writing laws on their own?”. Although the recent ordinance on employee integration would pave the way for addressing the issue of employee shortage, there were early opposition to the provision in the ordinance, which would have given the authority of management and transfer of CAOs to the federal government.

Case Study 17: District federal office blocks municipality’s decision to recruit teachers

Swargadwari Municipality of Pyuthan recruited school teachers for Prithivi Nepal Rastriya Basic School and Vidyananda Secondary School. The Municipality made the decision on the basis of existing education laws. Swargadwari Municipality passed the Education Regulation, allowing it to transfer, promote and recruit teachers. But Pyuthan Education Coordination Unit, a district education structure newly-created from the former District Education Office, stopped the Municipality from recruiting teachers. The CAO of the Municipality said, “As school education has come under local unit’s jurisdiction, they should be empowered to transfer, promote and recruit school teachers.” But according to a representative of Pyuthan Education Coordination Unit, the Municipality should have consulted the Unit and received consent before recruiting school teachers as per prevailing federal education laws. “Initially, it was thought that there would be no district-level education office and that the local unit would have sole authority to recruit school teachers. But that was not consistent with existing federal laws,” he said.

7.3. Relationship between Provincial and Local Governments

Section 105 of the LGA mandates the establishment of Provincial Co-ordination Council under the leadership of the Chief Minister of the province. The council is envisioned to maintain coordination between local government and provincial government on matters of coherence in policies, strategic co-ordination in planning, concurrent-jurisdictions, and delineation on use of natural resources. Provinces established a coordination council and conducted at least their first meeting, outlining understandings on developing a procedure for future meetings and identifying areas of cooperation. However, elected representatives were concerned that provinces were not coordinating with local governments while drafting budgets or establishing new institutional mechanism for budget implementation.

Most local government representatives thought of the province government as a competing government which did not coordinate with them. One CAO in Solukhumbu criticized the provincial government's decision to establish new institutions like knowledge centers and research centers at the district-level. "What is the motive behind forming provincial-institutions at the district-level without any political representation? It seems like the province is trying to undermine the local governments by establishing district-level agencies," he argued. An official at the Municipalities Association of Nepal (MuAN) also argued, "Provincial governments seem to lack clarity about where their authorities lie. Instead of focusing on province-level development projects, they are trying to focus their energies in local development projects that fall under our jurisdiction."

8. Conclusion and Recommendations

8.1. Conclusion

Implementation of a federal structure of governance in Nepal has reached an important stage. As identified by DRCN studies since January 2018, the early stages of implementation were fraught with major challenges with limited progress. Establishing jurisdictional clarity over the authorities of three governments as mandated by the Constitution remains the most important task. Delay in promulgation of framework legislations at the federal level has significantly limited the regular functioning of both local and provincial governments, with the latter unable to implement even basic plans and annual budgets. Functioning of both local and provincial governments was also majorly impacted by inadequate staff and infrastructure. Coordination and communication among three governments was also seriously lacking.

The relationship between the provinces and the federal government throughout the first year was difficult and lacking in mutual trust. Provinces publicly criticized the federal government's lack of willingness and urgency in facilitating the implementation of federalism. After much delay

and major complaints by the provinces, the first meeting of Inter-Province Council between the Prime Minister and chief ministers of all seven provinces was finally held in December and concluded with a “common understanding,” with the federal government assuring the provinces that it would legislate important laws promptly and extend all necessary cooperation. While the meeting was a significant positive step towards establishing trust between the provinces and the federal government, a lot will depend on how seriously the assurances made will be acted upon in the coming months.

The pattern of local governments’ functioning was relatively clearer, with basic institutions and clarity of their responsibilities. There were some positive impacts, especially around delivery of basic services. However, they too faced major challenges around matters of shared jurisdiction, inadequate staff and infrastructure, and lack of capacity in planning and implementation of budgets. Lack of trust between the local and provincial governments was also visible and reflected in poor communication and coordination between the two governments, while concern was also common that federal government made important decisions for the local governments without adequate mutual consultation.

There are early indications that the coming months and years will present new challenges in the implementation of federalism in Nepal. Contestations around matters of shared jurisdiction are likely to emerge more strongly once all three governments make laws and begin implementing their shared constitutional rights. The federal government, including the bureaucracy, bears the biggest responsibility in ensuring that the relation between three governments is that of mutual trust and cooperation. It must be sincere and proactive in facilitating the devolution of state power to the local and provincial governments by legislating federal laws promptly and facilitating the establishment of new institutions.

8.2. Recommendations

Based on its observation of the functioning of local and provincial governments across seven provinces, DRCN makes the following recommendations to different stakeholders:

To the Federal Government:

1. Promptly legislate all the laws required by the Constitution, through wide consultation and deliberation, for the effective implementation of local and provincial governments, especially on matters of concurrent jurisdiction.
2. Ensure proper coordination with the provinces and the local governments through regular use of communication channels like Inter-Province Council and consulting with local and provincial governments before making important decisions.

3. Address the issue of employee shortage in local and provincial governments by completing the integration process of employees for the short term and facilitating the establishment of provincial public service commission for the long term.
4. Consult and engage with the local and provincial governments on issues of annual planning and budget allocation, including on revenue generation and sharing.
5. Expedite the process of integration of federal sectoral offices into the local and provincial governments.

To the Provincial Governments:

1. Regularly engage with local governments and address their grievances on matters of annual planning and budget-drafting, and implementation of provincial institutions.
2. Legislate laws, rules and regulations on matters of exclusive jurisdiction; follow due process of wider consultation and engagement with opposition parties and civil society in the legislation process.
3. Make provisions for regular capacity-building and trainings for elected representatives and employees; coordinate with civil society organizations to identify gaps and implement necessary trainings.
4. Ensure inclusionary and participatory practices in legislation, decision-making, planning and the implementation processes.

To the Local Governments:

1. Ensure timely planning and budget allocation and give adequate attention to the development of the social sectors.
2. Make effective use of mechanisms like public hearings, social audits, monitoring committees, and settlement-level planning to ensure adequate public participation and accountability.
3. Develop a robust calendar for all annual events, including for planning, project implementation, monitoring and evaluation.
4. Formulate a clear plan to decide what projects to implement through users committees versus competitive bidding, ensuring robust monitoring and evaluation.
5. Make provisions for regular capacity-building and trainings for elected representatives and employees including ward-level representatives; coordinate with civil society organizations to identify gaps and implement necessary trainings.
6. Ensure inclusionary and participatory practices in legislation, decision-making, planning and the implementation processes
7. Legislate laws by following due deliberation and in consultation with the wider public.

To Civil Society Organizations:

1. Coordinate with local and provincial governments to identify gaps in policies and capacity and design intervention programs with their consultation

2. Provide need-based assistance to local governments in developing and implementing monitoring and accountability measures
3. Coordinate among organizations working in subnational governance to avoid duplication of trainings and other projects.

Annex I: List of Local Units Covered

Team	Districts	Local units
Biratnagar	Ilam	Suryodaya Municipality, Rong Rural Municipality
	Jhapa	Birtamod Municipality, Mechinagar Municipality, Kachan Kawal Rural Municipality
	Solukhumbu	Solududhkunda Municipality, Necha Salyan Rural Municipality
	Taplejung	Phungling Municipality, Aathrai Triveni Rural Municipality
Dhangadhi	Banke	Kohalpur Municipality, Rapti Sonari Rural Municipality
	Doti	Dipayal Silgadhi Municipality, Purbichauki Rural Municipality
	Kailali	Dhangadhi Sub-Metropolitan City
	Kanchanpur	Bedkot Municipality, Bheemdatt Municipality
	Surkhet	Birendranagar Municipality, Barahatal Rural Municipality
Janakpur	Chitwan	Ratnanagar Municipality, Ichchhakamana Rural Municipality
	Dhanusa	Hanspur Municipality
	Makwanpur	Thaha Municipality, Bhimphedi Rural Municipality
	Parsa	Bahudarmai Municipality, Sakhuwa Parsauni Rural Municipality
	Sindhuli	Kamalamai Municipality, Tinpatan Rural Municipality
Pokhara	Kaski	Madi Rural Municipality
	Parbat	Phalebas Municipality, Modi Rural Municipality
	Pyuthan	Swargadwari Municipality, Mallarani Rural Municipality
	Rolpa	Rolpa Municipality, Runitgadhi Municipality
	Rupandehi	Tilottama Municipality, Marchawari Rural Municipality, Om Satiya Rural Municipality

Annex II: DRCN Field Researchers

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Team Janakpur: Pallavi Payal
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Founded in September 2014, Democracy Resource Center Nepal (DRCN) contributes to the understanding of Nepal's political process and society through objective and critical research and reporting. DRCN has previously researched on constitution making process, local governance restructuring, post-earthquake impact and recovery efforts, and election observation. DRCN is currently conducting a nationwide observation on the functioning of local and provincial governments under a federal structure.

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