Towards Ideal Local Governance
Strengthening Participatory Development in Nepal

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Abstract

Nepal has experienced a rapid transformation of the traditional role of local authorities from local administration into local government in recent years. The pace of decentralization is seen accelerated after the promulgation of Local Self-Governance Act – 1999 and subsequent Rules – 1999. This paper reviews the prevailing theories of local government and examines the status of decentralization, salient features of good governance and major initiatives taken by local authorities towards good governance. Opportunities and challenges to the good governance in Nepal have also been explored.

Background

Until the restoration of multi-party democracy in 1990 local government in Nepal was a political backwater. There was no open conflict between central and local government, and local authorities exercised a little or no power in mobilizing local resources and delivering of services. There is now widespread agreement that the position of local government with respect to the process of decentralization and strengthening of their planning and management capacities has changed significantly towards the better local governance since then.

Of late, Nepal has witnessed a rapid transformation of local authorities from their role of local administration into local government. The Local Self-Governance Act (LSGA) 1999 and subsequent Rules 1999 have accelerated the pace of decentralization in the form of devolution which is regarded as a prime pre-requisite of an effective local government. The ideal local government in context is meant the good government achieved through the 'decentralized local governance' as the good governance at local level is not possible without the transfer of authority, responsibilities, capacity and resources through decentralization (Awasthi and Adhikary 2002).

A number of donor-supported programmes have been launched to enhance the planning and management capacities of local authorities and strengthen the local governance system for about a decade in Nepal. This paper examines the present situation of decentralization in Nepal in line with achieving the ideal local governance along with the opportunities and challenges to the same.

Theories of local government [3]

There are three dominant schools of thought, which deal with the role and scope of local government. These theories represent three different phases in the evolution of the concepts of local government.

Phase-I. Theory of efficient service delivery

The advocates of this theory established three core arguments for local government. They are on the opinion that the local government:
1. Provides an opportunity for political participation.
2. Helps to ensure efficient service delivery.
3. Expresses a tradition of opposition to an overly centralized government.

To them, a local government is a relatively autonomous, multi-purpose institution providing a range of services, with a tax-raising capacity, and is controlled through the election of representatives to oversee the work of full-time officials (Mill, 1911 as quoted in Stocker 1996).

Phase-II. Theory of welfare state

Theorists of welfare state regard the efficiency value of local authorities as the strongest in favour of modern local government. Sharpe (1970) puts forward five roles a local government has to play, they include: coordinator, reconciler of community opinion, consumer pressure group, agent for responding to rising demand, and counterweight to incipient syndicalism.

 However, Hill (1974) warns that local government runs risk if it neglects the involvement of the public in a meaningful way:

"To be the effective provider of services local authorities must be more than efficient. They must still be judged by that justice, fairness, equality and openness by which democratic society as a whole is judge."

Phase – III. Theory of power diffusion

Leading proponents of this theory include G. Jones and Stewart. They opined that the local government ensures that resources can be better matched to the diversity of needs. It is local and therefore closer to the citizen. This visibility makes it open to public pressure. However, they emphasize the argument that local government is an expression of the diffusion of power:

[3] These are evolving orthodoxy primarily based on localists view. For further details of local government theories see: *The Politics of Local Government* by Gerry Stoker (1991) and *Rethinking local democracy* edited by Desmond King and Gerry Stoker (1996).

"Local government is no passing luxury. It should be a guardian of fundamental values. It presents, first and foremost, a spread of political power. Power is diffused among many different organizations…. Local authorities can represent the dispersion of legitimate political power in our society." They conclude: "concentration of power is a danger to a free

society. Local government is to be valued above all because it limits the concentration of power at the center" (Jones and Stewart 1983).

Hence, the modern local government should encompass the basic elements of all these theories.

Local Government

Local government is multi-functional authority responsible for a defined area and constituted by local election. Local government is the government of difference, responding to different needs, and realizing different aspirations. " There must be a definite power to do things in a different manner from that followed in other areas within the same of state area. If some local body has it in its power to govern in a different manner from other local bodies, there we have Local Government"
(Hesluck 1936 as quoted in Stewart 2000).

Governance
1. "The exercise of economic, political and administrative authority to manage a country's affairs at all levels. It comprises mechanisms, processes and institutions through which citizens and groups articulate their interests, exercise their legal rights, meet their obligations, and mediate their differences"
(UNDP 1997 as quoted by SHDR 1999).

2. "The World Bank identifies three distinct aspects of governance: the form of political regime, the process by which authority is exercised in the management of a country's economic and social resources for development and the capacity of government to design, formulate, and implement policies and discharge functions. OECD's definition falls along similar lines (SAHDR, Ibid)."

3. "It is a continuing process through which conflicting of diverse interests may be accommodated and cooperative action may be taken. It includes formed institutions and regimes empowered to enforce compliance, as well as informal arrangements that people and institutions either have agreed to or perceive to be in their interest." (Commission an Global Governance 1995, as quoted by SHDR 1999).

4. "Governance must enable the state, the civil society, and the private sector to further broad-based economic growth and social development." (SHDR 1999).

Good Governance

1. "Good governance is a process of executing a coherent governing plan for the nation based on the interests and priorities of the people. It purports to create a just society based on the principles of inclusiveness, liberty, equality and cooperation." (Dahal et. al 2002).

2. "Good governance ensures equitable access to resources without regard to gender, social, class, ethnic, or religious affiliation. It underlies the process of realizing real freedoms and capabilities, along with subsequent achievements in poverty reduction and human

development. The hallmark of democratic good governance is its ability to secure freedom from discrimination, want injustice, and fear. Freedom of participation, expression, and association and freedom for decent work and for the realization of one's human potential are also essential elements of a mature and ideal governance system and a just and equitable society. The four essential elements of human governance-ownership, equity, accountability, and efficiency provide an enabling environment for human development and eradication of human deprivation."
 (NHDR 2001,UNDP).

A number of elements have been identified as pre-conditions for local-self governance, they include:

1. Autonomy
2. Representativeness
3. Peoples' participation
4. Financial resources
5. Participatory local planning
6. Human resource development
7. Public resources
8. Civic space
9. NGOs, Civil society and Self-help organizations
10. Consumers' group
11. Adjudication and conflict resolution.
    (Dahal et al. 2002)

Devolution of Decentralization in Nepal

The history of the decentralization process in Nepal can be divided into three periods viz. early period (*Rana* period upto 1960), *Panchayat* period (1960 – 1990) and Multiparty period (1990 to date).

The formal initiation of the decentralization process in Nepal dates back to 1919 when the Kathmandu municipality was formed. Subsequently, the *Manyajan Kachaharies* were established in 1926 at village level throughout the country. In 1947, an act was promulgated to establish village, municipality and district *panchayat*s, and some legal authorities were also provided. However, systematic efforts for decentralized governance in Nepal began in 1960s with the establishment of separate district, municipality and village level *panchayat*s (ADDCN, 2001). The decentralization act -1982 and regulations 1984 are considered to be the significant steps of deconcentration of functional responsibilities to the local *panchayats* to carry out central programmes without any attention to building their institutional capacity (Awasthi and Adhikary 2002).

After the multi-party democracy in 1990, Nepali's current constitution came into force, which identified decentralization as a state policy saying that: "the state shall maintain conditions suitable to the enjoyment of the fruits of democracy through wider participation of the people in the governance of the country and by way of decentralization". In 1992, the government promulgated separate Local Government Acts for village, municipalities and district bodies which defined the organizational structure, election process, tasks and functions of LGs.The major land mark in the field of decentralization in Nepal was in 1999, when the LSGA was come into effect

(ADDCN 2001). In addition, in the eighth and ninth plans, the government established governance as a policy priority. The tenth plan also focused on good governance.

Donors' support to decentralization

A number of donor-supported programmes have contributed to gear up pace of decentralization process in Nepal. The key contributions of some of the major programmes are given in the Table 1.

Table 1. Key contributions of major donor supported programmes.

Programmes	Key contributions towards participator development and decentralization
UNDP DSP/LGP/PDDP/RUPP	• Influence on drafting ninth plan and LSGA • Capacity building of DDCs/VDCs (planning, monitoring, financial resource management, institutional development, information based decision-making) • Local data bases • Poverty reduction through social mobilization. • Increased external resource mobilization. • Financial and human resource management capacities.
DANIDA/DASU	• Institution building through financial support and capacity building • Strengthening capacity of DIMC and its working committee, LGFC, LDTA, ADDCN, DDCs, municipalities and VDCs • Improved the skills of DDCs, municipalities, VDCs and wards in participatory planning, leadership and management.
UNCEF-DACAW	• Awareness raising and infrastructure support on education, health and sanitation for the benefit of women and children. • Community action process • Good governance related activities.
SNV/MHDP	• Training in leadership, project and, financial management, gender, planning, and legal rights. • Improve participatory planning, social mobilization, and project management
GTZ/UDLE	• Building capacity of municipalities in planning, financial management, and community development • Contribution to Municipality Act, LSGA and regulations • Support to MLD to prepare and disseminate financial analysis of municipalities • Strengthening of MUAN
SDC/NLS-Kabhre	• VDC and DDC capacity building programmes • Facilitation of decentralization debate through workshops
CARE/Bajura	• Capacity building of DDCs, VDCs, NGOs and COs • Support income generation, awareness building • Training in participatory planning and technical skills
UNCDF/DFDP	• Development of rural infrastructure

	• Strengthening of participatory planning • Improving financial management capacity through pilot projects (Exercise of fiscal decentralization). • Capacity building of DDCs, VDCs and Cos

Key features of LSGA -1999

The promulgation of LSGA-1999 and the subsequent rules-2000 was the major breakthrough of the decentralization process in Nepal. The provisions in the LSGA-1999 provided the local authorities with more power to exercise at local level and hence contributed to the participatory development and local governance. The key features of LSGA-1999 in line with strengthening of participatory development and good governance in the country are briefly described below (Table 2).

Table 2. key features of LSGA-1999 and its contributions

S.N.	Main features of LSGA-1999	Contributions to Participatory Development and Local Governance.
1.	Defines the principles and policies of decentralization.	Policy framework/strategic vision.
2.	Wide sectoral authority to LGs.	Increased responsibility/accountability of LGs.
3.	Established the DIMC	Effective/efficient service delivery of LGs.
4.	Creation of LGFC	Resource generation capacities, financial resource base, sustainability
5.	Provisions of revenue sharing	Financial resource base/self sufficiency
6.	Provision of 20% representation of women in LGs and representation of deprived and disadvantaged groups.	Wide participation
7.	Provided more accountable/transparent LGs through councils, committees systems and audit committees.	Wide participation, systematic and planned working procedures, transparency.
8.	Expanded the taxation, service collection authority and recognized some rights of LGs over natural resources.	Financial resource base.
9.	Participatory bottom-up planning, periodic planning, resource maps, information system mandatory.	Wide participation, rational use of resources
10.	Made LG funding a compulsory function of HMG/Nepal.	Sustainability, fiscal decentralization.
11.	Authorized DDCs to open sectoral units.	Administrative decentralization
12.	Authorized DDCs to hire their own professional staff.	Human resource base
13.	Made LG capacities building a sectoral ministry responsibility.	Capacity building
14.	Recognized LG associations.	Policy feedback, accountability

Fiscal decentralization

The major objectives of fiscal decentralization are to enable LGs to perform their tasks effectively and to the satisfaction of citizens, optimize efficient and effective use of scarce

resources, develop competence locally, and to enhance participation of people and institutionalize accountable and transparent governance (DMI, 2001).

The following are the common fiscal decentralization practices:
- Allocation of budget, grant assistance, programme assistance from central government to local government to performs their devolved tasks.
- Arrangement for revenue sharing and transfer of ownership of assets including natural resources to LGs.
- Devolution of authority to LGs in taxation, service fee, usage fee, sale, lease and borrowing.

However, due to same limitation in the LSGA financial regulations, local bodies have the following hurdles in the context of fiscal management (LAFC, 2001):

1. Unclear functions and responsibilities assigned to local bodies and their excessive overlap with the central government.
2. Narrow revenue base: traditional economy, small geographical area, and limited financial authority.
3. Lack of clarity about source of revenue (tax) sharing.
4. Meager grant and unscientific grant–in–aid system.
5. Inadequate supervision and control.
6. Inadequate involvement of stakeholders in fiscal management.
7. Insufficient management capacity of local bodies and low level and quality of public service provided through local bodies.
8. Inadequate supportive relationship between central government agencies and local bodies.

It has also suggested some measures that should be taken into consideration while carrying out improvement in the fiscal system of local bodies. They are:

1. Legal, institutional framework and coordinated process.
2. Financial resources of local bodies and their relationship with central authorities.
3. Management capabilities of the local bodies.
4. Use of financial resources and public satisfaction.

Impact of capacity building on financial resource management

Financial trend analysis of DDC/Rupandehi

The major impact of capacity building activites has been seen in the financial resource management. A case study on the financial rend analysis of DDC/Rupandehi shows that after a number ofcapacity building inteventins, the amount of beruju has decreased sharply, both the government grant and internal revenues have increased and the spending capacity of DDC has been promising (Figures 1, 2, 3).

Status of *Beruju* clearance (DDC fund alone)

The figure 1 shows that the volume of unsettled amount (*Beruju*) has decreased sharply in recent years. The amount of *beruju* in the FY 057/58 is less than Rs. 1400000, where as it was more than Rs. 11,000,000 in the FY 054/55. The analysis reveals that the DDC's capacity in financial management has been enhanced significantly. The reasons might be due to the improved organizational structure and systematic working procedures followed by the DDC/O.
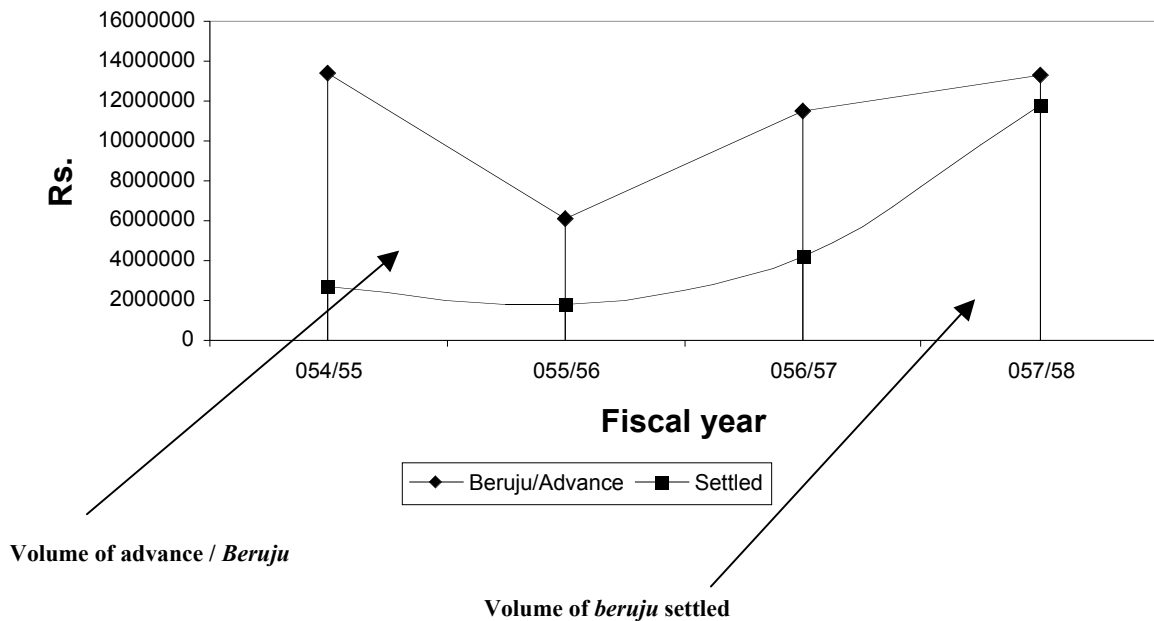
Figure 1 Status of *beruju* clearance

Comparison of government grant and internal revenues

The comparison of government grant and internal revenues shows (Figure 2) that both the grant and internal revenues have increased significantly in the last 12 years. The status also reveals that the later has increased at an increasing rate, whereas the former has increased but decreasing rate after the FY 056/057. However, the sharp decrease in the government grant in the fiscal year 059/060 might be due to the decreased government budget in development sector because of more budgets allocated by the central government for security.
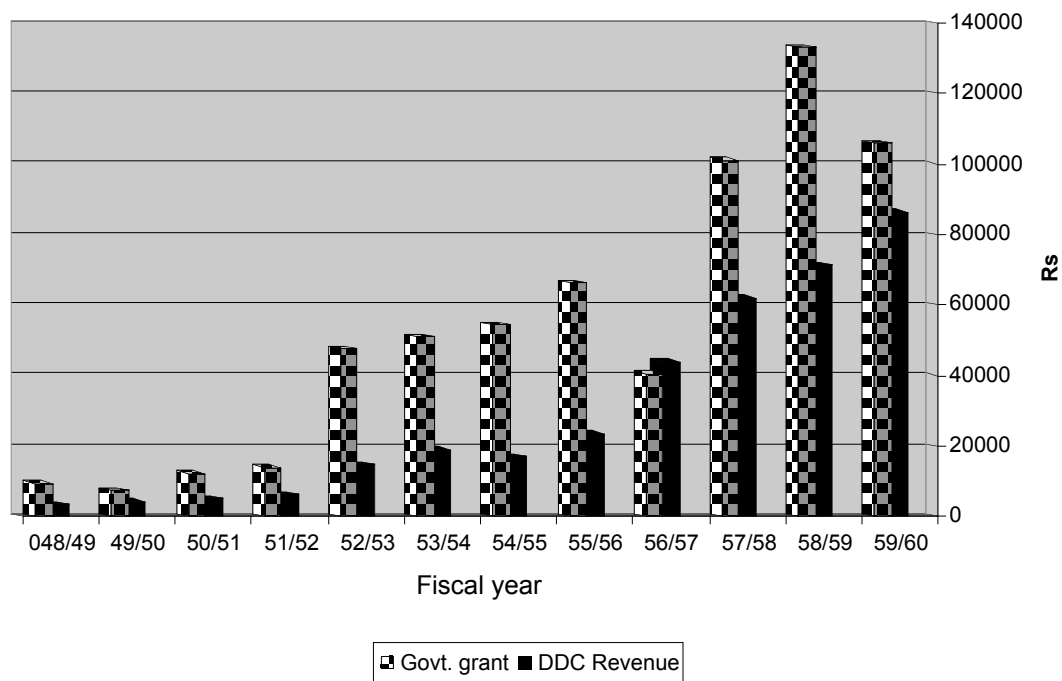
Figure 2 Comparison of government grant and internal revenue generated at district

Status of income and expenditure of DDC

The figure 3 shows that both the income (both govt. grant and revenue) and expenditure of DDC have increased over the years. Except in the fiscal year 058/59, no significant amount was remained unspent at the DDC. This reveals that the spending capacity of DDC has increased as the increase in the income. The hypothesis that the local authorities lack spending capacity is rejected.
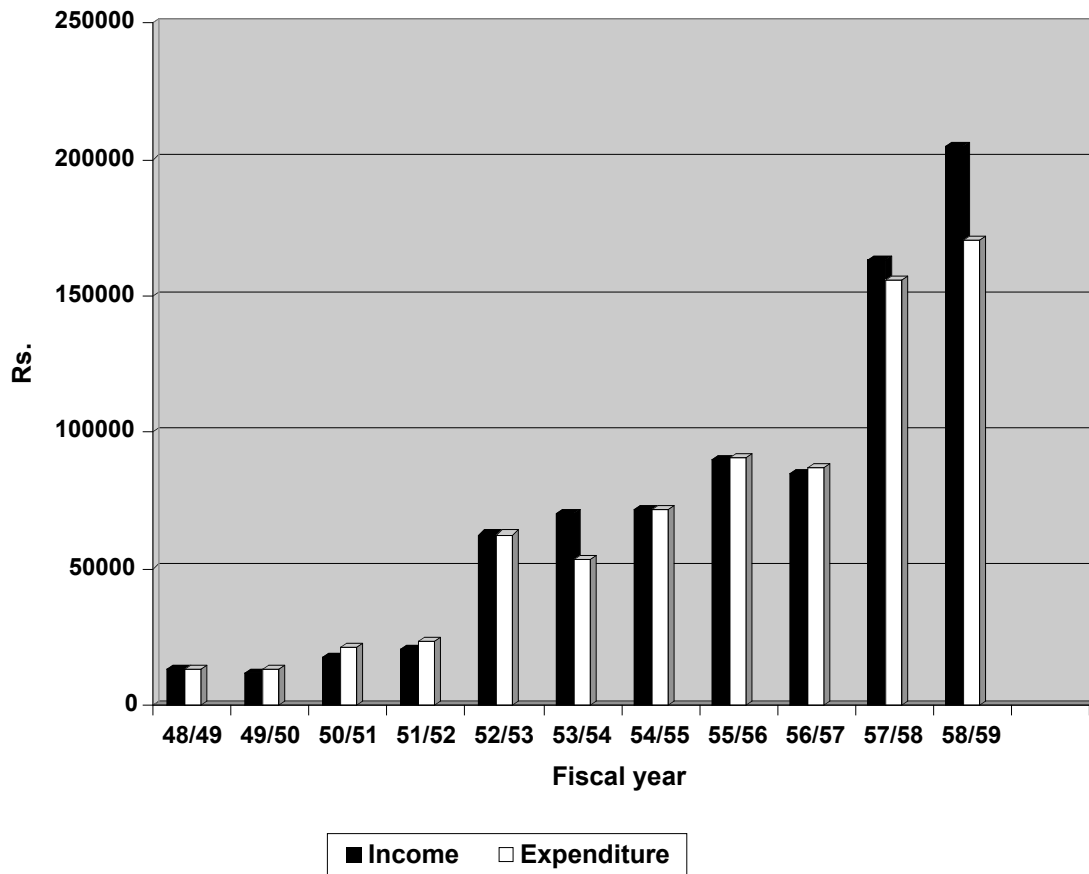
Figure 3 Status of income and expenditure

Measuring decentralization

The decentralization in the form of devolution is a prime pre-requisite of local self-governance. The degree of devolution is the basis for achieving ideal local governance. Here an attempt is made to measure the decentralization taking some measures into account. An analysis based on the field experience shows that the status of decentralization in Nepal is seen promising (Table 1, **See**: Kafle 2003).

Altogether 10 indicators which are assumed to be the key parameters of decentralization process have been identified and their corresponding weightages are given. The indicators are representatives of the structure of the local authorities, nature and type of authority (power) given including administrative and financial devolution of power, and the financial resource mobilization capacities of the local authorities. However, the score to each of the indicator has been arbitrarily given based on the authors' experience.

Table. 1 Status of decentralization in Nepal

S.N.	Indicators	Measures (Weightage)	Status[1,2]
1.	Tasks assigned to LGIs of the government fuctions	Full authority of all LAs (**10**) Full authority of certain LAs (**7**) Partial authority of certain LAs (**3**)	7
2.	Taxation: Powers of revenue raising	Full authority given by legislation (**10**) Partial authority given by legislation (**7**) No authority given by legislation (**1**)	7
3.	Relation with the Line Agencies	Good relation (**10**) Medium relation (**5**) Poor relation (**3**)	5
4.	Local decisions- interference from center	No interference at all (**10**) Minimum interference (**7**) High interference (**1**)	7
5.	Methods of providing authority	Directly given by legislation (**10**) Given both by legislation and ministerial decisions (**7**) Given thru the ministerial decisions (**5**)	7
6.	Single tier/Multi-tier structure	Multi tier (**10**) Single tier (**3**)	10
7.	Ratio of local government revenue to total government grant	> 1 (**10**) 0.5 – 1 (**7**) < 0.5 (**3**)	7
8.	Level of total local expenditure	90 – 100 % delivery rate (**10**) 70 – 90 % delivery rate (**7**) < 70 % delivery rate (**3**)	7
9.	Ratio of personnel (Local/Central)	> 80 % local (**10**) 50 – 80 % local (**7**) < 50 % local (**3**)	10
10.	Larger authorities (Size/number of units)	High (**10**) Low (**3**)	10
	Total		**77**

[1] The ranking is based on the authors' experiences in Midhills and Terai districts including Kanchanpur, Rupandehi, Nawalparasi, Kapilvastu, Palpa, Sindhuli, Dhanusha, Mahottari and Parsa. The scores given are not the averages of these districts.

2 The overall ranking is categorized into three categories viz. Score **80 – 100 = I**, **60 – 80 = II**, **< 60 = III**;

   I = Excellent**, II** = Promising, **III** = Below expectation

Initiatives of local authorities towards ideal local governance

In order to strengthen the participatory development and decentralized governance, local authorities have implemented various capacity building activities with the technical and financial support from UNDP-supported DSP/LGP/PDDP. DDCs in all the 60 programme-supported districts have implemented the capacity building packages. The package consists of the following seven strategic areas:

1. Strategic management
2. Organizational structure/culture
3. Working process/system
4. Human resource management
5. Financial resource management
6. Information resource management
7. Linkage development

After a decade of programme implementation, some significant contributions have been achieved towards strengthening of the participatory development and good governance at local level. Some of the major achievements are listed as follows:

Capacity Building Component

- Local authorities are able too make policies and programmes based on own experiences.
- "Planned" and "systematic" working procedures initiated at DDC/O.
- Significant number of people have been participated actively in planning processes.
- DDCs are able to tap external resources and mobilize them in the districts.
- Increased capacity in developing and mobilizing human resources.
- DDCs are becoming self-reliant in terms of human resource base.
- Service delivery of DDCs became effective.
- DDCs have become able to make optimum use of resources.
- Local authorities are able to make rational decision on resource allocation.
- Linkage development improved.

Village Development Programme

- A permanent mechanism developed to formulate policies, regulate and implement poverty alleviation programme (PAP) in the districts.
- COs are becoming as part of local governance at VDC/Settlement level.
- COs and CMCs are being developed as formal service providers.
- Transparent, cost effective, equitable distribution of local resources.
- COs are moving ahead as pressure groups for local development to use their citizen rights.

A detailed list of the capacity building activities and their contributions towards participatory development and good governance have been given in the annex.

Salient features of good governance

1. **Transparency**

To be an ideal local government, a local authority, first and foremost, should ensure the availability of information about the revenue and expenditure, working procedures, rules, regulations and decisions to the public. Information can be disseminated through the publication of development bulletins, organizing press conference and public auditing, and through electronic media. In addition, general public can be allowed to board and council meetings so as to directly access them to the information.

2. Accountability/Responsibility

Authorities in the local government must be answerable to the people they elect. However, the local government in Nepal, do not derive authorities directly from the constitution, but from statutory laws. Hence, they need to be answerable/accountable to both the people and the concerned ministries as well. In addition, a horizontal accountability/responsibility is also expected from them to the Line Agencies, I/NGOs and donors.

3. Effective and efficient

Resource is always scarce, and hence one of the indicators of ideal local government is its capacity to use the resources effectively and efficiently. The resources could be either financial, human, physical resources or the services they provide.

4. Equity/equality

All citizens, irrespective of gender, ethnicity, beliefs and locations, should get equal opportunities to the services, information and the resources of the local government. However, the resource distribution should be based on the equity approach. For this purpose, Local Self- Governance Act – 1999 and Rules – 1999 have mandatory clauses to prepare database system and resource maps of districts, municipalities and VDCs.

5. Management innovation/capacity enhancement

Local authorities need to have a capacity to change their organizational structure and working procedures in order to increase their efficiency, develop low cost techniques and methods, identify potential areas for revenue generation, resolve local problems, and rational use of resources. Adoption of innovative techniques and methods such as computers, GIS, e-mail, internet, computer networking, intercom are some of the examples.

6. Strategic vision

An ideal local government should have a clearly stated development vision with its goals and objectives. This helps pave the course of action and achieve them on time and within a limited resource. Plans and programmes of a local authority should strictly be based on vision and the development objectives.

7. **Meaningful participation/consensus based decision at all levels**

Local government should encourage people or clients to make them actively involved in development activities. The meaningful participation in the decision-making entails the active participation at all levels viz. problem identification, prioritization, implementation, monitoring and supervision. Conceptually, the main element of peoples' participation is the conscious, purposive and enlightened involvement of the people of their own accord in the process of the promotion of their welfare (Shrestha 1996).

8. **Predictable**

The people or the clients can predict the consequences of the government behavior with their queries if the existing Acts, Byelaws, directives, and guidelines are fair and enforced impartially. Therefore, a local government should create such an environment. This can be achieved through the effective implementation of service/citizen charter, preparation of review reports, and operationalization of computerized financial accounting package.

9. **Rule of law**

To be an ideal local government, a local authority should formulate its policies, byelaws and guidelines within the legal framework of Acts and Rules. Local government activities should be guided by the Acts, Rules, Byelaws and guidelines instead of directed by interest of political parties at local levels and individual interferences. Information-based planning and decision-making system is the one, which helps reduce such biases.

10. **Decentralized management**

Further diffusion of power and responsibilities to lower units and staff is necessary to accomplish local level activities with effective and efficient manner. An ideal local government should delegate its authority to lower units in a meaningful way, develop mechanism to monitor the performances of the delegated authority, activate the mechanism and reassess the nature of organization and the number and type of authorities delegated.

11. **Networking/linkage development**

In order to efficient and effective mobilization of own and external resources, exchange human resource and improve technologies, a local government should make better coordination and linkages with other local governments, donors and concerned stakeholders.

12. **Innovation of NGOs/Civil society and self-help organization**.

Local government should be able to make policies, strategies and enforce them to incorporate civil society, private sectors, and self-help organisations into local

development initiatives. The initiation of public-private partnership schemes and other joint initiatives would help enhance management capacities of local government in one hand, and uplift the economic condition of the local people on the other. Besides, local government should handover certain activities such as service delivery to private sectors.

13. Sustainability

Unless development activities carried out by local governments are sustained in terms of financial and human resources, the aim of good governance will be in jeopardize. Creation of HRD and District Information System (DIS) Funds and increasing trend of locally generated revenues are some examples of sustainability of DDC activities in the districts. Coordination and we-feeling developed among CO members in VDP VDCs have shown a promising sustainability of development activities at VDC level.

Actors of good governance
1. State
2. Local bodies
3. Private sectors
4. NGOs
5. Civil society
6. Citizens
7. International community

The tasks involved in local governance are to:
1. Identify local problems and ascertain the felt needs and aspirations of the people;
2. Take an inventory of locally available manpower and natural resources and assess the development potentials of the sub-regions in the lights of the availability of these resources;
3. Estimate the financial resources required to promote regional development in view of the local problems identified and carry out the inventory of the available resources;
4. Set out a strategy of resourced mobilization, both financial and physical, and implement projects and programmes that promote the development of the sub-region.
5. Decide on the location of projects in different villages and hamlets, and accordingly allocate financial resources for their development;
6. Determine the implementation and monitoring procedure such that there is no let-up in the implementation of the projects and programmes taken up by them; and
7. Evolve appropriate rules and regulation regarding the use of community resources such as common property resources, community asset like irrigation tanks, community building, schools and hospitals, and take appropriate action in the case of misuse of these resources.

Present context of local governance

Absence of locally elected bodies

The major drawback in the decentralization process in recent years has been the absence of locally elected bodies at local level. At present, the local governments in Nepal have become neither representative government nr representative democracy. The link between the people and the local authorities is cut off, citizens are passive and there is a lack of democratic exercises at local level. The absence of locally elected bodies and the authority to run the local government given to personnel have yielded following implications:

1. A decreasing trend of participation of local people in planning and monitoring workshops.
2. DDC meetings are finished in no time. Once agendas are put by LDOs, they are immediately and unanimously passed. No serious discussion is held even in very important agenda.
3. Information gap between people and local authorities is prevalent.
4. In some districts some innovative activities have been done, but they lack ownership of local people and political parties.
5. The decreasing trend of accountability and responsiveness of local government officials to the clients/people has been observed.

Impact of conflict on decentralization

1. Low participation of local people in planning and monitoring workshops.
2. The number of monitoring and supervision visits lowered ue to fear of Maoists cadres.
3. VDC office management works have been hindered.
4. Local democratic exercises have been hindered.

Opportunities and Challenges

Opportunities of good governance

1. The key focus of tenth plan is on poverty reduction through good governance. So, the initiatives of local authorities have got policy back up.

2. With the change in the development paradigm world wide, a number of donors have been present at local levels to enhance planning and management capacities of local authorities.

3. The adoption of participatory planning process, prioritization of plans based on data base and resource maps, authorities given to local bodies to formulate byelaws/guidelines and enforce them, and authority related to revenue generation as provisioned in the LSG Act-1999 and Rules-1999 have been the good opportunities for local government to move towards good governance. These provisions have helped move towards achieving the sustainability, effective and efficiency in work accomplishments, decentralized management, and meaningful participation in development activities.

4. At present, local authorities in Nepal have developed their capacities in many respects through the adoption of information based planning, operationalisation of computerized financial accounting package, preparation of citizen charter, installation of computer networking and intercom system, publication of development bulletins, use of resource/poverty maps, and so. These all help local governments achieve the indicators of good governance such as transparency, accountability, responsiveness and effective and efficiency.

5. The large number of local government units, multi-tier system of government structure, ratio of central-local personnel and increased opportunities of resource generation at local level are some of favorable conditions for the good governance in Nepal.

Challenges to good governance

A number of hindrances have been identified in transforming local government into good governance. Majority of them include:

1. So far, full authority of the tasks assigned to LGs of the government functions has been given of only certain line agencies. Relation of LGs with their respective line agencies in still at medium level. It has been seen some sorts of interference on LG activities by the center. There is still limited power of taxation/revenue raising, which needs to be expanded.
2. The benefits provided by local authorities have been tapped by certain level of groups mostly elites and political activists. It is felt that reaching the poorest of the poor along with underprivileged and vulnerable and women is one of the major challenges ahead of good governance in Nepal.
3. There is still lacks of democratic exercises at VDC, municipality and DDC meetings and councils improvements are needed.
4. The absence of locally elected bodies and the conflict situation have hindered the decentralization processes in the VDC and district level.
5. The government is still reluctant to fully devolve the line agencies, and provide tax raising power to the local authorities.
6. Interference of government on various activities of local authorities.

Conclusions

Overall, the status of decentralization has been promising and the local authorities are heading towards establishing a system of good governance in Nepal. Capacities of local authorities in a number of respects including planning, management of development projects, resource generation, human resource development and organizational review have increased significantly in recent years. However, further activities to meet the requirements of good governance for instance accountability, sustainability, rule of law, efficiency and equity are needed to accomplish.

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Initiatives of local authorities towards decentralized governance

A. Capacity Building Component

S.No.	Strategic programme support areas/ outputs achieved so far	Contributions made through PDDP initiatives towards the features of ideal local government
1	**Strategic management**	
1.1	Sectoral long-term policy guidelines published.	Local authorities are able to make policies and programmes based on own experiences. **(Strategic vision, Effective and efficient).**

1.2	Capacity gaps of DDC/O in key-dimensions identified and operational plans to address the gaps developed.	DDCs have started to pursue new ways of working through organizational innovation. **(Management innovation/capacity enhancement)**
1.3	Policy guidelines and by-laws on M&E system, LDF, HRD, DIDC, Personnel Recruitment, and Financial System published.	"Planned" and "systematic" working procedures initiated at DDC/O. **(Rule of law)**
1.4	DDC'Participatory Planning and Monitoring internalizedn the district. Annual DDPs and submitted submitted to NPC.	Significant number of people participated actively in planning processes. **Meaningful participation/consensus** based decision making at all levels
2	**Organizational Structure/Culture**	
2.1	Organizational structure reviewed, and is being improved in accordance with the review recommendations.	DDC activities have been directed by organizational values, norms and structure instead of individual preferences and on ad-hoc basis. **Accountability/responsibility** **Effective and efficient** **Management innovation/capacity enhancement**
2.2	Job description of DDC/O personnel prepared/implemented	- An increasing trend of delegating authorities and resources to sub- ordinates/lower units (VDCs). - DDC/O personnel became accountable and responsive to the people or the clients. - The specific JD has helped personnel to do their work effectively and efficiently Accountability/responsibility **Effective and efficient**
2.3	Programme supervision and monitoring sub-committee formed and activated	- DDCs are able to learn from a changing environment and apply that learning. - DDCs are becoming capable of using that learning to determine strategy and policy directions. **Transparency** **Effective and efficient**
2.4	Regular staff meeting organized, problems/experiences shared.	Efficiency and effectiveness of personnel and their activities increased **Accountability/responsibility**
2.5	Programme sections for linkage development and capacity building of DDC/O introduced, strengthened/internalized.	- DDCs are able to tap external resources and mobilize them in the districts. - Local authorities have an organizational capacity to recognize and deploy a wide range of powers, influence and resources in many different ways. - Local authorities have fully developed and used their human resource recognizing the importance of equal opportunities. **Management innovation/capacity enhancement** **Networking/Linkage development**
3	**Human resources development**	
3.1	HRD Centre established and equipped with necessary equipment and furniture (eg. OHP, flipchart stand, camera, white boards and computer).	- A permanent mechanism for developing HRs created at local level. **- Increased capacity in developing and mobilising human resources.** **(Decentralised management Sustainability)**
3.2	Policy and operational guidelines on HRDC prepared and approved by district council.	Planned and systematic working procedure initiated. **Rule of law**
3.3	- HRD fund created. DDC contributed a certain amount to HRD fund every year. - Revenue generated from HRD/C and resource persons.	Local authorities are becoming self-reliant in terms of human and financial resource base. **Sustainability**

3.4	Exposure visits of DDC members and staff organized.	- DDCs are able to learn from a changing environment and apply that learning. - DDCs are becoming capable of using that learning to determine strategy and policy directions. **Effective and efficient** **Management innovation/capacity enhancement**
3.5	- A roster of resource-persons prepared/updated. - Various training programmes including LSGA, participatory planning and monitoring processes, office management, PRA, improved filing and record keeping system, computerized financial accouting package, GIS, Social Mobilization and scientific data collection methods organized.	- DDCs are becoming self-reliant in terms of human resource base. - Efficiency and effectiveness of DDC activities increased. Effective and efficiency **Management innovation/capacity enhancement**
4	**Working processes/system**	
4.1	DDC's operational guidelines on HRDC, DIDC, LDF, M&E system published.	**"Planned" and "systematic" working procedures initiated**. Rule of law
4.2	Computer Networking established.	- DDCs are becoming more transparent and responsive to the people - Efficiency of DDC/O personnel increased - Service delivery of DDCs became effective in terms of both cost and time. **Transparency** **Effective and efficient** **Management innovation/capacity enhancement**
4.3	Minimum physical facilities provided to different sections of DDC/O.	Service delivery of DDCs became effective. Effective and efficient
4.4	Filing and record keeping system improved. Old files/furniture sorted out and sold.	- "Planned" and "systematic" working procedures initiated. - Service delivery of DDCs became effective Transparency **Effective and efficient**
4.5	Inquiry and public relation section established.	- "Planned" and "systematic" working procedures initiated. - Service delivery of DDCs became effective **Accountability/Responsibility**
4.6	Major activities/functions of DDC identified/listed out/service charter prepared.	Local authorities became close to people/clients. Accountability/Responsibility **Equity/equality** **Predictable**
4.7	Intercom system installed and made operational.	DDCO activities became efficient and effective. Effective and efficient
4.8	Regular review workshops held and review reports published	Local authorities continually review their programme performances. **Transparency** **Meaningful participation/consensus-based decision at all levels** **Predictable**
5	**Financial management and resource mobilization**	
5.1	Computerized accounting package installed and made operational.	- Service delivery system has become faster, efficient and transparent - DDCs became able to make optimum use of resources. Transparency **Effective and efficient** **Predictable**

5.2	Several consultative meetings with development partners including CCI, contractors, businessmen, elected authorities, party representatives organized in order to improve the existing taxation system and find out potential areas for revenue generation. District level workshops organized to finalize the proposed tax system.	- DDCs are close to the citizen and customers. - DDCs are able to learn from a changing environment and applied that learning. - They are capable using of that learning to determine strategy and policy direction. **Sustainability Accountability/Responsibility**
6	**Information management**	
6.1	- DIDC established and equipped with necessary equipment (eg. computers, printers, movie-camera, still camera, OHP, photocopier and book-shelves). - District database established.	Local authorities are able to make rational decision on resource allocation. **Effective and efficient**
6.2	DIDC guidelines prepared and approved by district council.	"Planned" and "systematic" working procedures initiated **Rule of law**
6.3	Information sub-committee formed, meetings held regularly	"Planned" and "systematic" working procedures initiated **Decentralized management**
6.4	District profile prepared/ updated	Local authorities are able to make rational decision on resource allocation. **Transparency Management innovation/capacity enhancement**
6.5	Radio programmes on district development activities produced and aired from F.M./Radio	People became aware of the development initiatives in the districts **Transparency**
	GIS package installed and maps produced and used for planning and decision making purposes	Capacities of DDCs for rational decision making enhanced. **Transparency Management innovation and capacity enhancement**
6.7	Resource/poverty maps prepared/published	Capacities of DDCs for rational decision making enhanced. **Equity/equality Management innovation/capacity enhancement.**
6.8	Resource library established and strengthened with books, report, bulletins and other publications of DDC.	-DDCs are able to learn from a changing environment and applied that learning. - They are capable using of that learning to determine strategy and policy direction. **Effective and efficient Management innovation/capacity**
6.9	E-mail/Internet system installed.	Networking of DDCs with other agencies improved. **Networking/Linkage development Effective/Efficiency**
6.10	NGOs profile prepared.	Linkage development improved. Optimum use of resources in the district became possible. Innovation of NGOs/Civil Society and Self-Help Organizations **Networking/linkage development Equity /equality**
6.11	Revenue generated through sale of DDC publications.	DDCs became able to generate resources to purse new way of activities and sustain current activities. **Sustainability**

B. Village Development Programme

S.No.	Strategic programme support areas/activities	Contributions made towards the features of ideal local government

1.	LDFB formed under the chairmanship of DDC chairperson to formulate policies, regulate and implement Poverty Alleviation Programme (PAP) in the district	A permanent mechanism developed to formulate policies, regulate and implement poverty alleviation programme (PAP) in the districts. Strategic vision **Decentralized management**
2.	A total of 3,20,532 HHs organized/formed into multi-purpose, broad-based community organizations at settlement level.	COs are becoming as part of local governance at VDC/Settlement level. Resource distribution through COs is being equitable. **Decentralized management** **Equity/equality**
3.	Service delivery system improved through credit capital, training, technology transfer and seed grand fund.	COs and CMCs are being developed as informal service providers. **Effective and efficient Equity/equality**
4.	COs plans are incorporated into VDC/DDC plans thru participatory planning processes.	Consensus based decision- making exercises are being held at settlement level. Meaningful participation/consensus-based decision at all levels **Equity/equality** **Transparency**
5.	LDFB worked as a forum for developing linkages to mobilize external resources in the COs.	Transparent, cost effective, equitable distribution of local resources. **Networking/linkage development Innovation of NGOs/civil society and self-help organization**
6.	Voluntary activities reinitiated at settlement level.	Cooperation, participation and we-feeling developed among community members. **Sustainability**
7.	Management, technical and skill development trainings provided to CO members.	COs capacities enhanced on leadership, group mobilization, capital generation, skill development, enterprise development, participatory planning, and linkage development with other institution. Effective and efficient **Management innovation/capacity enhancement Equity/equality**
8.	Various awareness programmes launched in the VDCs/COs.	COs are moving ahead as pressure groups for local development to use their citizen rights. **Accountability/responsibility Decentralized management**
9.	Database of settlement/VDC level prepared and displayed at VDC/O	CO members became aware of VDC activities. Capacity of CO members on data based planning enhanced. Transparency Management innovation/capacity enhancement