

A study of the capabilities and limitations of local governments in providing community services in Nepal

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Abstract

Purpose – Corruption and dishonesty in the political and bureaucratic realms have impeded the ability of local governments to provide services and social justice in Nepali society. In light of this, the purpose of this research is to answer the key research question: what are the possibilities and limitations of local government in implementing constitutionally guaranteed rights in order to transform local communities?

Design/methodology/approach – This study gathered qualitative data from 14 local governments in seven provinces. A total of 56 in-depth interviews were held with elected representatives, political parties, and government officials at both the national and local levels. Both open-ended and open-structured questionnaires were employed for the interviews.

Findings – The results indicate that capacity is a major constraint for local governments, which should be addressed to achieve successful local governance, inclusive citizen engagement, and strong technical, administrative and fiscal capabilities. Lack of local autonomy, political conflict and social class differences, external engagement, and conservative hierarchic government bureaucracy are major hurdles to growing capacity.

Originality/value – This paper analyses the capacity of newly restructured local governments through qualitative approach. It attempts to understand to what extent the Nepali local governments are capable in delivering the services at the local level as closest unit of the citizens.

Keywords Capacity-building, Local government, State-restructuring, Nepal

Paper type Research paper

Introduction

Over the past 40 years, decentralization of public services has been adopted in many developing countries in Latin America (Bossuyt, 2013), Southeast Asia (Grant and Dollery, 2010), South Asia (Wignaraja, 2005), Oceania (Regmi, 2010) and Africa (Shah, 2006). As a result, local government (LG) is consistently viewed as the lowest tier of any polity that operates closest to communities and hence has greater capacity for grassroots involvement around the globe (Acharya, 2014). Considering the essence of LG, it is also theorized across the disciplines of political science (Grant and Drew, 2017) and economics. The key reason is putatively superior capacity of LG residing in the organisation for collective action of extant communities and the inherent efficiencies associated with knowledge of a particular area and governing with this wisdom (Balabuer-Coll *et al.*, 2010; Rondinelli, 1981). Additionally, a



functioning LG system allows for the satisfaction of different sets of preferences by groups of citizens within one polity and stymies authoritarian or self-interested activity by a central state.

However, the disadvantages of LGs have also long been recognised. Research in developed countries has been inconclusive as to whether enhanced decentralization or centralization improves efficiencies in terms of administration, resource allocation and political representation (Balabuer-Coll *et al.*, 2010). Hiskey and Seligson (2003) found that decentralization can both promote and undermine political confidence and participation at a local level. Pandeya (2015) found that decentralized participation in LGs' decision-making strengthened local governance and accountability systems but was also linked to negative outcomes. Moreover, outcomes were variable depending on participatory structures, local power, incentives for participation and level of support from elected representatives. Challenges have also been experienced regarding poor policy implementation, weak managerial capacity and continuing central control over finance and resources (Acharya, 2014). These difficulties are partly addressed by some governments, but most central authorities appear reluctant to decentralize the powers and simplify the complexity of organisational design (Grant and Drew, 2017). In Nepal, impunity, corruption, and dishonesty are growing rapidly at the local level due to unnecessary connection of politicians and bureaucrats in conflict of interests, power holding attitude, and manipulation in loopholes of the laws. These have led to dissatisfaction among the citizens and threatened LG's capabilities and reliabilities.

The Government of Nepal has long been criticized for its top-down planning, ineffective, corrupt, and elite-controlled administration, all of which have weakened institutional systems and the local governance system (Adhikari, 2020). To ameliorate past lapses, the Constitution of Nepal 1990 formally highlighted decentralization as a means to ensure optimum involvement of people in local governance system through principles of devolution of power and responsibilities in local levels, building and development of institutional mechanisms, and an inclusive approach to people's participation in the decision-making process (Kharel, 2019). Despite these considerable endeavours, between 2002 and 2017, local democracy in Nepal was jeopardised due to the vacuum of elected leadership of local bodies (Adhikari, 2020). In this period, local democracy was subjected to attack by political groups presenting themselves as protagonists of democratic rights and aspirations of the people. Nonetheless, the new Constitution of Nepal (2015) envisaged federalization and decentralization of the state structure and comprehensive LG reform, which was designed based on both the 'principle of subsidiarity' and 'economies of scale' (Adhikari, 2020).

The Constitution of 2015 has provisioned to transfer the political, administrative, and economic authority from national to sub-national level and granted substantial autonomy at the sub-national level (Government of Nepal, 2015). Despite these legislative efforts, research has indicated that some authorities and functions of the LGs have deviated by the federal government towards the federal units at the district level, which have been hesitant to support the LGs in lawmaking, strengthening fiscal governance capacity, human resource development, building partnerships with broader stakeholders, and bureaucratic democratization (Acharya, 2018). Kelly (2016) argues that the Nepali governance structure remained highly centralised, incapable of addressing governance and service delivery problems on the one hand, while on the other hand failing to simplify and re-build the political, administrative, and fiscal dimensions of government in order to enhance efficiency, effectiveness and accountability. In line with this, this paper examines the limitations and possibilities of contemporary local governments in Nepal to ensure effective and efficient service delivery at the local level.

Literature review: local governance practice and results

In 1936, Keynes argued that the state intervention could increase economic growth by capturing political system, but its results in terms of development appeared a top-down and centralized approach (Preston, 1996). Until 1960's, most countries in the world adopted this theory in their political, economic and social system. In the beginning of 1970s, there was a major paradigm shift, and a popular concept 'people-centred development approach' emerged in neo-liberal theory. It is an amalgamation of capitalism and socialism, which advocates to the decentralized approach in the development (Jacobs and Laybourn-Langton, 2018). This theory focuses on the free market system, independent role of the state and other institutional mechanisms, which reduces expenditure of the state in social provisions and introduces the market-based strategies in solving economic complexities (Acharya, 2014). In the late 1960s, decentralization was introduced as a concept to transfer the power, authority and functions from the national to sub-national government (Rondinelli, 1981). It focused on democratic reform of the governing structure, which transferred political, administrative, fiscal, planning, and implementation authority from the centre to the province and local governments (Dhungana and Acharya, 2021). In developing countries, the main aim of the decentralization is to promote public participation, empower local people who are mainly marginalized to engage in the political decision-making process, so that governance can be fostered at different levels of the governing structure. Furthermore, it aims at increasing efficiency and effectiveness in the service delivery, optimum management and mobilization of resources (Zafarullah and Huque, 2020; Amah, 2017). However, transferral of legislative, judicial or administrative authorities from national to sub-national level is daunting task in developing countries.

In developing countries, local governments represent as grassroots level government units, which are closest to the citizens, and responsible to deliver not only decentralized services and institutionalize the local governance system, but also accelerate the social and economic development to advance the democratic values and public participation in decision making at the local level (Brosio, 2012). Zafarullah and Huque (2020) added that decentralization is based on subsidiarity principles, which devolves power, functions, and services to the lowest governmental tier subject to economies of scale and capacity. Thus, local governments are governing units that bring citizens and governments closer in new structure, encourage all actors to participate, deliberate, and develop solutions to pressing social, economic, and community development issues (Ghosh, 2020). As a result, many experiences in developing countries highlight that LGs provide services to citizens as self-governing units by using the government's administrative, executive, and judicial functions to enable the citizens (Acharya, 2018).

In Nepal, the Rana oligarchy was abolished in 1950, and democratic polity was established to develop the administrative system through the establishment of ministries and the formation of different departmental committees to facilitate local development under decentralized approach (Acharya, 2014). However, 'Panchayat' system was instituted in 1960 as an autocratic principal political strategy. Albeit it created a new local government structure under decentralized approach with three tiers: zone forming an upper tier; district at an intermediate level; and both municipal and village at lowest levels, the system adopted a centralized approach that put the monarch at centre of governance and people at periphery. The objective of the Panchyat-based local government system was to create centre led accountable local institutions to strengthen the political system at grassroots level; develop local leadership; involve local people in decision-making processes; mobilize resources; and strengthen the local level planning process and service delivery mechanisms and in order to strengthen the system, many laws and regulations were formulated (Pradhan, 1969).

In 1990, a new form of decentralized democracy was established that created plentiful space for citizens in their representational engagement in public institutions. However, the

new political system could not counteract the problems of the basic service delivery system. Issues of local governments' sectoral agencies' coordination and accountability widened due to inexperienced political representation and by local government being overlooked by bureaucracy (Acharya, 2014). In response to recurrent issues and demands for improving the community service mechanism, the *Local Self-Governance Act (LSGA) 1999* was formulated to provide a legal basis for the decentralization of power from central authority to district, village and municipality levels. After the enactment of the LSGA-1999, a number of positive developments took place at the local level. It enhanced autonomy and greater roles of the local government bodies in participatory planning, improvement of financial and resource management, promotion of accountability and transparency, and the participation of external stakeholders such as civil society groups, NGOs and private sectors play their respective roles and promote their causes under the local self-governance system (Kharel, 2019).

Despite its promise, ambiguities remained with the LSGA (1999) on power sharing and authority between different governing units (VDCs/Municipalities and DDC). Moreover, the conflicting provisions of other sectoral laws challenged the autonomy of local governments. For example, twenty-three sectoral laws were identified as conflicting with the LSGA, which stymied desirable results for both democracy and service delivery at the local level (Government of Nepal, 2015).

In 2002, the regime of local governance was handed over to central government employees until June 2017 due to the short tenure of locally elected representatives, which jeopardised the local governance system (Acharya, 2018). Under these arrangements, the local government system in Nepal has suffered on the following grounds. First, the decentralised democracy in Nepal (post-1990) was either more compartmentalised (top-down) than before or was excessively hierarchical. Second, democracy in Nepal was — and is presently — clearly divided into two layers. In the first are political and bureaucratic benefit groups (grassroots level political cadre, elites, and politically affiliated bureaucratic staff), the capitalist and business class and social elites. Such groups utilised the decentralised democracy for their own benefit and forcefully captured the space in decision making process, instruct the administrative system, and drag the power in their own hands for their own purposes. In the second are 'marginalised groups' mainly Dalit, women, ethnic castes, and socially/economically/geographically excluded groups who are denied any opportunity to influence policies intended for them, and for whom democracy only becomes significant during elections (Acharya, 2014). It was further cultivated by the vacancy of political representation at local bodies. This created a vacuum between public and government for institutionalising and democratising processes, deficiency of horizontal coordination in sector planning and budgeting, and weak resource absorption capacity.

In response to these challenges, a new federal Constitution of Nepal (2015) was promulgated, which projected new forms of competition, created new methods of public management, and generated new governing codes for central-local relations (Acharya, 2018). The Constitution allows for three levels of government — federal, provincial, and local — while facilitating the devolution of power to local government and other state organisations. It also specifies local governments as closest to the 'grassroots' (Acharya and Scott, 2020; Government of Nepal, 2015). The Constitution expresses a sincere pledge to create an egalitarian society based on principles of proportional inclusion and participation, which guarantees *Dalits* and marginal communities shall have the rights to participate in all agencies of the state based on the principle of proportional inclusion. In addition, local governments such as village government and municipal government are considered a third-tier government that is much closer to the people. The 2015 Constitution of Nepal also aimed to promote cooperativeness, co-existence and coordination between the federation, province and local levels and aimed to provide for the efficient delivery of services, meaningful people's

participation, and to institutionalise the legislative, executive and judicial practice at local level. Furthermore, the local tiers have also created their own governing and administrative structures and deploy power-sharing mechanisms, not only for government accountability to citizens, but also to allow actors at the multiple levels of government political participation in legislative, executive and judiciary functions (Adhikari, 2015).

To materialize the decentralization, the Constitution allocates 22 exclusive powers and 15 concurrent powers that have been shared among the federal, the provincial and the local levels. Furthermore, extensive tasks involving public services, consisting of planning, implementation, economic development (agriculture, livestock, cooperative and industrial), social development (education, health, vital registration, social security allowances distribution, certifications/recommendation), environment, infrastructure and institutional development have been made through new law *Local Government Operation Act-2017*. These powers and functions were further transferred to ward level structures. From 2016/17, the Government of Nepal commenced allocating budget monies directly to local governments under four schemes, namely equalisation, conditional grants, special grants, and a matching fund, based on the provisions for revenue-sharing outlined in the 2015 Constitution (Dhungana and Acharya, 2021). This was Nepal's first experience of local governments having the mandate to autonomously choose their priorities and spend resources at their disposal.

However, experience shows that many developing countries have failed to cope with these issues in their efforts to transform the social, political, and economic aspects of society due to significant degrees of bureaucratization, politicization, and undue influence of imported ideas and practices (Acharya, 2018). For example, the practices of federalism in Africa did not appear to have positive effects due to local identity cults. Similarly, in developing countries such as India, Iraq, and Nigeria, federalism has not delivered the desired results, nor has it been able to bridge the gap between states and resolve communal and ethnic conflicts caused by poverty, political insecurity, religious intolerance, and poor governance (Ghosh, 2020; Amah, 2017). Nepal's newly adopted constitution paved the way for federalism. The major objective of this Constitution, among many others, is to embrace the people's right to autonomy and self-rule, as well as to achieve people's expectations for peace, good governance, development, and prosperity (Acharya and Scott, 2020).

Despite the literature available in both developed and developing countries on federalism, decentralization, and local governance, these appear only in conventional theoretical approaches, which are facing number of challenges in implementation. However, Nepal's current federalism and local governance system claims as hybrid federalism, which allows all kinds (executive, legislative and judiciary) of governing power to local governments based on "co-operation, co-ordination and co-existence". This study looks at the possibilities and limitations of instituting a hybrid federalism model at the local level.

Methodology

This study gathered qualitative data from 14 LGs across Nepal's seven provinces to delve deeper into the process of reform in LGs beginning in 2015. Following that, 7 Rural Municipalities were chosen, including *Ramasoshan, Dolpo-Buuddha, Madane, Binayi-triveni, Parvatikinda, Aurahi*, and *Aatharai*. Concurrently, 7 Urban Municipalities: *Godavari, Bheriganga, Tulshipur, Beshishahar, Ratnanagar, Bardibas*, and *Duhabi* were also chosen as unit of analysis.

Between November 2019 and March 2020, 56 in-depth interviews were conducted purposively with national and local governments representatives, including Mayor/Chair, Deputy Mayor/Vice Chair, Chief Administrative Officer, and a Dalit woman member in each LG unit, 2 members of the Ward Citizen Forum, and 3 members of the Citizen Awareness

Centre. Additionally, a Joint Secretary of the Ministry of Federal Affairs and General Administration, a member of the Local Level Restructuring Commission, 3 representatives from LGs Associations, the chair of the Parliament Development Committee, and spokespersons from major political parties Nepali Congress, a member of the Unified Marxist and Leninist Party, and Maoist Centre Party, 5 independent local governance experts were among those in attendance.

The purpose of these interviews was to gather participants' thoughts and feelings about LG capability. They were also questioned on how LGs are carrying out their constitutionally mandated powers and responsibilities. Building new collaborations with development partners, technical and administrative ability for successful service delivery, budgetary capacity to lead local administration and the design of laws and regulations were among the other topics investigated. For the interviews, open-ended and open-structured questionnaires were used. The qualitative data were transcribed and classified using four themes as detailed below.

Findings and results

Preparation of legal framework

The Constitution of Nepal mandates that all three levels of government have the authority to exercise three governing functions (legislative, executive and judiciary) by allowing 22 exclusive rights and 15 concurrent functions. These functions and privileges, however, cannot be carried out until subsidiary laws are drafted and approved by local assemblies. On October 2018, the federal government forwarded the *Local Government Operation Act 2017* (LGOA-2017) to speed up the local governance process. This aimed to promote cooperation, coexistence, and coordination between the federal, provinces, and local governments; provide efficient and high-quality services by ensuring people's participation, accountability, and transparency; and institutionalize legislative, executive, and judicial practice at the local level. This Act provides detail of the functions of LGs, different authorities of LGs, defines the procedures of LGs (such as Assembly and operation), provides instructions and a basis for annual planning and budgeting, and prescribes administrative structures and the provision of staff. Similarly, it envisages powers having devolved to the ward levels from municipalities and *village* centres in terms of the formulation, implementation, and monitoring of planning; development work; regulative functions; and certification.

Even though the LGOA-2017 attempted to streamline local government operations by unbundling all exclusive and concurrent rights, the Act has been criticized for a variety of reasons. First, it is unable to minimize the conflicting provisions of laws between inter and intra governments, illustrate the scope of LGs to raise revenue, capacity development of elected representatives and staff which is insufficient when compared to the list of functions LGs are supposed to perform. Second, it does not address the professional capacity limitations among elected representatives and administrative staff. Third, some functions, which were devolved by the federal government, lack clarity.

Nevertheless, situation remains neither laws were prepared, nor the local government could assess its legal and functional rights. The federal government's initial role could be to provide the bare minimum of resources and legal frameworks. Although local governments have the authority to plan and enforce at the local level, federal and provincial governments participation was required in the early phases. Nonetheless, the federal and provincial governments had a vested interest in a centralized attitude during the legislative process. Later, the federal government and associations of LGs forwarded more than 50-types of 'model laws' to facilitate consistent approaches in LG. Central control has been maintained through the leadership of a centrally delegated Chief Administrative Officer, federal government representatives' provisions as the head of LG administration, limiting local

powers and authority. In addition, the legislation states that the elected LG heads shall have to authenticate the laws endorsed by a LGs' assembly. About the support of federal government in lawmaking process through model laws, a mayor expressed his view.

We will have to wait a long time to see if the laws that are drafted and executed at the municipal level are successful. Federal units design a set of model laws while assisting in the law-making process, taking into account their presence and control at the center, which are instructed to be formulated exactly through the Chief Administrative Officer. Local autonomy is unlikely to be limited to slogans in such a setting.

An independent local governance expert expressed about the situation of local law-making process in following way.

Most of local council members are apathetic in the legislative process due to a lack of capacity, and different priorities. Their main concern is how to increase the budget allocated to their constituency to win the next election. On the other hand, the majority of the people's representatives come from a construction and business background, they put pressure on legislators to write laws that benefit them rather than the people.

Apart from that, according to a federal ministry representative, the process of enacting laws at the local level is extremely cumbersome. Even if laws are passed, their execution is apprehensive with difficulties. Unnecessary disputes were created during implementation. Because certain laws will replace established practices, there will be grassroots protests and people's representatives will not be interested in making laws on a regular basis. They point fingers at the federal agencies to avoid taking responsibility. However, the LGs should be careful that such formulated local laws do not contravene the federal and provincial laws. Overall, the capacity, knowledge, and law enforcement mechanisms at the LG level are considered weak, largely because of an absence of legal training and experience among LGs' personnel.

Fiscal governance and capacity

LGs have demonstrated fiscal capacity in Nepal with respect to intergovernmental transfers that shift general revenues from taxes collected by the national government to sub-national governments for general or specific uses, and local tax collection. In these systems, the revenue received by the local governments is in accordance with the law on the recommendation of the fiscal commission, considering the capacity, needs and regional balance of the local level. Currently, LGs can generate only about one-third of their internal revenue through taxation and fees for services. Their principal financial source is fiscal transfers (equalisation, conditional, complementary/ matching, and special grants) from the federal government to sub-national level, which were estimated to make up about two-thirds of their total income (Prasad, 2015).

The *Inter-Governmental Fiscal Transfer Act-2017* has proposed 15 different types of taxes and fees to recoup various recurrent and capital expenses. Based on the legislation, LGs collect property, house rent, real-estate registration, land, entertainment, advertisement, business, and hoarding board taxes. They are also collecting fees from various types of services, rent, vehicle parking, tourism, collection of scrap and operation of transport vehicles. However, at the local level, the universally accepted framework for revenue collection has yet to be applied, and numerous parameters such as institutional capacity and efficiency, reliable service provision, and economic development level should all be considered.

At the local level, focusing exclusively on revenue collections is unjustifiable; resource potential and operational capacity, leadership commitment, and citizen support should all be considered. The local government appears to be unaware that low-income citizens take the

burden of local revenue (taxes, services, and fees). Despite the widespread idea that more services can be provided by raising more revenue, there have been numerous cases of local governments failure to reach efficiency in revenue collection and utilization. Even at the local level, according to the results of the SWOT analysis, it should be addressed with as early as possible.

The following are the outcomes of the discussions with respondents about LG fiscal rights, revenue administration, tax scope and areas, public opinion, and existing LG practices. A federal official expressed his view about the existing business and occupational tax collection system.

Local governments tend to slap higher taxes on professions, businesses, and various services on the run, without considering the profitability or transactions of the enterprises and firms. This has neither produced an enabling atmosphere for new investors to enter, nor has it inspired existing entrepreneurs and experts to push the business with enthusiasm. Its immediate effect is that enterprises are increasingly moving to the next local level where tax rates are lower, and the economic climate is more favorable. In the long run, this will have a negative influence on the local level.

Following the context, a mayor expressed the following:

The executive board determines the areas and rates of tax based on their own judgment. Staff and elected officials' experience and knowledge serve as a foundation for tax enforcement. Finally, the annual assembly meeting approves it, and the tax is imposed on the people. However, there have been several objections against taxes at the grassroots level. People have threatened to take the municipality to court over local tax decisions on occasion. Even if we follow the rules and regulations, we are unaware of what is at the root of the gap between LGs and the public.

One of the immediate service recipients of sampled municipality stated:

Complaints that the taxes have imposed by the local government are excessively high are found at the grassroots level. Last year, I paid Rs 2,900 for the land tax, but this year, the municipality has charged Rs 10,200 in the same amount of land. I sought the reason of increasing amount of money in similar amount of land, the answer was that the municipality carried out the property tax.

Based on the findings, local leadership is better to commit to building a local fiscal governance system by establishing local tax advisory committees to ensure proper revenue management. Tax rates should not be raised without assessment of tax and revenue implications. Similarly, determining the service charge depending on the amount of service utilization will be beneficial. Administrative expenses should be estimated for determining taxes and service charges. The service fee should not be levied if the estimate exceeds the tax collected. It is only required to impose taxes in areas where administrative expenses under one's jurisdiction can be reduced. If taxes are imposed in places where sustainable taxes are not possible, one should always be aware that unnecessary administrative costs produce public dissatisfaction.

Human resources capacity

From 2002 to 2017, LGs were largely steered by centralised mechanisms, which failed to deliver coalface services to the local level. Despite this, the institutional arrangements of the LGs during the period in which locally elected representatives were absent, the service delivery, infrastructure development, planning and monitoring, resource mobilization, auditing and financial management were deeply flawed. Central government staff, by virtue of their position, enjoyed state power and resources, while LGs' staff, positioned merely as support staff, were demoralized, and considered inferior by central government staff, as they were seen to be recruited based on nepotism and favouritism. As a result, LGs' employees

were positioned as passive service providers and were unable to facilitate the democratic and inclusive development objectives.

To these ends, the parliament approved the *Employees Adjustment Act 2018* to support the functions and mandates outlined in the Constitution. The key objective of the Act is to reorganise the existing unitary structure of civil service so that government can re-allocate adjust and transfer civil servants in the public service into the federal, provincial, and local levels. In accordance with the interim O&M survey conducted by the federal government that estimated around 100,000 staff would be needed, among them the federal government would need 35 percent, while the provincial governments would need 16 percent and local levels would need 49 percent of the total estimated employees. This would require substantively more civil servants than the then existing number, which was 99,571 before the adjustment. By March 2019, a total 99,571 civil servants were adjusted, of which 40.12 percent were retained at the federal level, 13.87 percent adjusted to provinces, and the remaining 43.98 percent sent to local levels (Acharya, 2018). The following outcome of SWOT analysis (Table 1) shows the assessment of capacity of human resources.

The finding of the in-depth interviews indicates the government, on the other hand, has been unable to persuade personnel to present to their assigned location. Even after five years of formal implementation of federalism following the completion of provincial and local elections, provincial and local levels have experienced staff shortages. Sectoral personnel such as engineering, finance, legal, and information technology are in limited supply. Without confirmed chief administrative officers, more than 200 local levels are operating, and as a result, service delivery has suffered significantly. Except federal staff, the federal government has no statistics on employee shortages. However, it has been stated that local government positions will be added while existing positions will be managed, whereas federal government positions have been increased unnecessarily. Employees understand that such an attitude may deprive them of professional development and service facilities after local adjustments are made.

Role of bureaucracy

In Nepal, federal bureaucracy operates at the policy level, while those serving in the provinces and LGs are focusing on implementation and service delivery. At the local level, when there were no elected LGs' institutions, it was the bureaucracies of various central-government ministries or agencies which worked at local level as administrative apparatuses. This situation is usually prevalent at the higher tiers of local administration in developing countries. However, the current practice of administrative readjustment indicates that Nepal's bureaucracy has been viewed as antagonistic to the government and has been resistant in institutionalising local democracy and local governance. The following is how a Chief Administrative Officer summarized the overall nature of the Nepalese bureaucracy.

The Nepalese bureaucracy operates with a centralized mindset, which is intrinsically linked to political parties. It is a common propensity to make the services more complicated than innovation. Trade unions are formed and promoted by each political party.

Another expression from local governance expert was as follows:

When looking at meritocracy and grades from high school to college, most of them obtained a third-class degree or an ordinary back paper; first-class certificates are exceptional. The number of readers appears to be high even after joining the service. At the assistant level, those who enter the service for a livelihood with poor qualifications are observed.

Results indicate that the bureaucracy is considered less competent, poor performing in the decision-making process, because of a self-centric mindset amongst civil servants, a lack of motivated personnel and weak systems to hold public servants accountable. The top-level

Strengths	Weaknesses	Opportunities	Threats
<ul style="list-style-type: none"> • Development of a citizen's charter for effective service delivery • The <i>Employee Adjustment Act 2018</i> was approved by parliament and Employee Adjustment processes took place. • A major shift from centralised mechanisms to decentralization took place. For example, a projects approval system was relocated from National Planning Commission to LGs. • All LGs completed O&M survey and prepared the organogram for staff placement. • A merit-based recruitment system replaced the former nepotistic one. 	<ul style="list-style-type: none"> • Gaps remained in terms of knowledge and skills between central government and local government staff in planning and implementation, resource mobilization, auditing and financial management. • There was great discrimination between federal government staff and local government staff as local government recruited staff do not have executive power. 	<ul style="list-style-type: none"> • Services can be reached at the marginalised communities effectively and efficiently. • The agenda of inclusion can drive effectively. 	<ul style="list-style-type: none"> • Power and functions of LGs cannot be operationalised.

Table 1. SWOT analysis of human resource capacity of local governments

bureaucracy's role in institutionalizing federalism is critical, but there is scepticism and a reluctance to balance the political and bureaucratic machinery. A representative of a political party stated the following concerning the function and performance of top bureaucrats.

Due to a lack of collective accountability, the Nepalese bureaucracy is increasingly attempting to avoid top management duties and blaming itself for failures.

To summarize, Nepal's public administration system is primarily process-oriented, as compared to result. Significant political changes have transpired in Nepal, but little has progressed administratively; the same old style and structure can be found. Bureaucracy is mostly dominated by nepotism and favoritism, leading to a brain drain. Political and administrative elites conspire to eliminate personal efficiency like the right person at the right place. If the bureaucracy is weak, this has increased the incidence of criminalization in society and value-based bureaucracy. However, the federal level staff seems reluctant to transfer the duty to the states in the spirit of federalism, constitutional rights, and international best practices in public administration. For example, when the local administration lacked the competence to use its exclusive power, it had a vested interest in controlling and centralizing it rather than efficiently executing constitutional rights by strengthening its capabilities.

Discussion: LG capacity in Nepal

From the perspective of LGs in Nepal, it is the task of intergovernmental connections to balance local development with higher expectations for bridging the gap between government and civil society, as well as government institutions that deal with human resources and institutional operations. Inadequate legislation and institutional frameworks, human resource management, accounting and procurement processes, and revenue administration have all been concerns (Acharya, 2018). To promote the interrelations among federal, provincial, and local tiers in Nepal, the Constitution of 2015 focuses on cooperation, coexistence, and coordination principles, which emphasize fiscal and administrative processes by which these tiers share revenue through an inter-fiscal transfer mechanism (Acharya and Scott, 2020).

The 2015 Constitution highlights that the federation can be directed or assist LGs directly or through the provincial government under the constitution and federal law. It is the duty of the provincial and LGs to abide by such directives (Adhikari, 2020). Despite these cooperative apparatuses, the Constitution has provisioned several institutional mechanisms to accelerate intergovernmental relations. First, an inter-provincial council mechanism has been provisioned under a chairmanship appointed by the Prime Minister to settle political disputes arising between the federation and a province or between provinces (Acharya and Scott, 2020). Second, the inter-provincial trade mechanism has been envisioned to avoid any kind of obstruction to carriage of goods or extension of services through a provincial or local tier of government to another provincial or local tier (Dhungana and Acharya, 2021). Third, the government promulgated the *Inter-Governmental Fiscal Management Act 2017* as a key fiscal governance Act. This act reinforces a fiscal administration system through revenue management, grant allocation, loan borrowing, budget distribution and expenditure, and public finance management at the federal, provincial and the local tiers. Finally, it corrects the imbalances and reduces the disparities in local service delivery among subnational territories.

However, numerous differences have emerged to hinder inter-government relations. While the Constitution provides that the federal government can direct to the provinces and provinces can direct to LGs, LGs have remained reliant on the federal government for various reasons. First, the power and functions which distribute resources arbitrarily to the LG does not match with the capabilities of LGs. Second, there are imbalances between functional authority and budgetary authority at the province and local level. Third, there is high fiscal

dependency on the federal government. Finally, bureaucracy which is known as the engine of federalism was highly corrupted and dominant at the local level in recent years (Adhikari, 2015). These dynamics adversely affected the quality of autonomy and institutionalisation of inter-governmental relations.

Many factors influence the adaptive capacity of LGs to be responsive. These factors can be grouped into three broad categories: essential resources, social networks and collaboration, and political legitimacy (Dhungana and Acharya, 2021). Although essential resources critically contribute to capacity development, it is also supported through intergovernmental mechanisms and vertical chains. Evidence suggests that polycentric governance and collaboration are necessary in building resilient social systems (Newig and Fritsch, 2009). The norms and networks of such systems, often referred to as social capital, facilitate cooperative action among citizens and institutions. Political legitimacy is a factor influencing LGs to accelerate the local capacity. Part of this legitimacy is determined by institutional context and the legal powers and authority particular governments possess (Adhikari, 2020). Thus, LGs often propagate strategies to maintain autonomy and retain the regulatory and administrative power needed to make outcomes occur. Hence, capacity development processes can be summarised as follows: First, capacity development activities should not create dependency. Second, capacity development activities should not lead to a weakening of the state. Third, capacity development is not a separate activity to institutional mechanisms. Fourth, capacity development is not solely concerned with financial sustainability.

Having undergone the biggest socio-political change since the end of conflict in 2006, with the promulgation of its 2015 Constitution, the challenges ahead for Nepal are to institutionalise the changes that have taken place in the political landscape of the country. This includes ushering the country towards a new era of economic development through political stability, ensuring inclusivity in all aspects of governance, managing identity politics, addressing the concerns of the *Madheshi* political parties, decentralizing power, and addressing the issues of transitional justice.

Conclusion

Power devolution from the centre to the local level has been widely implemented since the promulgation of the Constitution in 2015. This process reinforced the shift from a hierarchical to a more networked structure. The devolved authorities, according to the Constitution, have the potential to reform the local governing system through principles of coexistence, cooperation, and coordination. However, the current reality on the ground in Nepal continues to be difficult on multiple fronts, implying that theoretical problems raised in previous studies are manifest in Nepal. LG functions are in their immaturity unable to function effectively due to a lack of technical ability among political and administrative employees, a lack of knowledge and skills among elected representatives in enacting local laws and a slow implementation of annual programs and budgets. Similarly, the federal government is indifferent to the idea that it is the responsibility of the centre to formulate laws and arrange human resources, while LGs' jobs are only to implement them. Local autonomy has been influenced by this hierarchical mindset.

Finally, a substantial amount of the budget has been allocated to local levels to manage federalisation and devolution of service delivery, based on the size of the administrative area, population, and a poverty index. LGs have also been entrusted with the task of drafting laws and collecting taxes. However, figures show that barely 18 percent of Nepal's total yearly budget was directed to local levels in 2018/019, and fewer Acts and regulations were enacted at the local level. The main causes of this are a lack of technical expertise and local governing experience.

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