

Mallik, Vidyadhar

**Research Report**

## Local and community governance for peace and development in Nepal

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## Studies

# Local and Community Governance for Peace and Development in Nepal

*Vidyadhar Mallik*

Local and community governance for peace and  
development in Nepal

## German Development Institute / Deutsches Institut für Entwicklungspolitik (DIE)

The German Development Institute / Deutsches Institut für Entwicklungspolitik (DIE) is a multidisciplinary research, consultancy and training institute for Germany's bilateral aid and for multilateral development cooperation. On the basis of independent research, it acts as a consultant to public institutions in Germany and abroad on current issues of cooperation between developed and developing countries. Through its 9-months training course, the German Development Institute prepares German and European university graduates for a career in the field of development policy.

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The opinions expressed in this report are my own and do not represent the official views related to any position I have held in the government or other organisations. I take full responsibility for any errors or omissions in this book.

Vidyadhar Mallik, Kathmandu, February 2013

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## Abbreviations

ADDCN	Association of District Development Committees of Nepal
BTI	Bertelsmann Transformation Index
CA	Constituent Assembly
CBO	Community based organisation
CDD	community-driven development
CDO	chief district officer
CEO	chief executive officer
CPA	Comprehensive Peace Accord
CPN (UML)	Communist Party of Nepal (United Marxist Leninist)
DDC	district development committee
DFID	Department for International Development, UK
DIE	German Development Institute
DLGSP	Decentralised Local Governance Support Programme
FECOFUN	Federation of Community Forestry Users, Nepal
FHIS	Honduras Social Investment Fund
GDP	gross domestic product
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit
GoN	Government of Nepal
GTZ	Deutsche Gesellschaft für Technische Zusammenarbeit
HMG Nepal	His Majesty's Government of Nepal
ICG	International Crisis Group
KfW	KfW Entwicklungsbank (German Development Bank)
LDO	local development officer (secretary and head of a DDC)
LGCDP	Local Governance and Community Development Programme
LGP	Local Governance Programme
MC	minimum conditions



MC/PM	minimum conditions and performance measures
MoF	Ministry of Finance
MoFALD	Ministry of Federal Affairs and Local Development (previously MoLD)
MoLD	Ministry of Local Development
MoPR	Ministry of Peace and Reconstruction
NGO	non-governmental organisation
NPC	National Planning Commission
NPR	Nepalese rupee
NPTF	Nepal Peace Trust Fund
PAF	Poverty Alleviation Fund
PASRA	Poverty Alleviation in Selected Rural Areas
PDDP	Participatory District Development Programme
PM	performance measures
SPSS	Statistical Package for the Social Sciences
SUNAG	Sub-National Governance Programme
SWAp	sector wide approach
UCPN (M)	United Communist Party of Nepal (Maoist)
udle	Urban Development through Local Efforts programme
UNCDF	United Nations Capital Development Fund
UNDP	United Nations Development Programme
VDC	village development committee
WCF	ward citizen forum
WFP	World Food Programme

## Summary

### **Introduction**

The end of the ten-year-long armed conflict between the Maoists and the government and the peace agreements of late 2006 brought widespread hope for a more inclusive and well-governed democratic Nepal. However, six years later in early 2013, the failure to produce the promised new constitution and an alarming deterioration of governance have exhausted the hope of most Nepalis.

In 2011/12 the author carried out a study to examine the contribution of local and community-level governance for promoting peace and development during Nepal's post-conflict transition. The study gathered information from secondary sources and interviews, focus group discussions and an opinion survey of governance stakeholders at the central level and in Doti, Mahottari and Pyuthan districts. It examined the situation of governance, peace and development in general and the performance of four donor-supported programmes for local governance, poverty alleviation and peacebuilding.

This book presents the findings of the study. It analyses the experiences of Nepal and other countries and gives the perspectives of central, district and community level experts and stakeholders. It provides many insights into the situation of chronic political instability and the possibilities for fostering good governance, peace and development.

### **The situation of governance in Nepal**

The period since the mid-1990s has been marked by chronic political instability in Nepal with frequent changes of government, in-fighting among politicians, the ten-year-long armed conflict and a faltering peace process. This has resulted in a worsening crisis of governance, little economic growth and limited progress on local self-governance. There is deteriorating law and order, increasing incidents of extortion and violent crime and a failure of the government to reach the periphery. Local and foreign investors are reluctant to invest amidst high production costs, lengthy daily power shortages and frequent disruptions to

business. Vulnerable and poor communities suffer the most from these failings.

Nepal is in a state of transition operating under an interim constitution with the main agenda of writing a new constitution, restructuring the state and concluding the peace process. However, as of February 2013 there is political gridlock with the governing and opposition parties blaming one another for failing to produce a constitution. The major contested issues for the new constitution are the form of governance (executive president or parliamentary system) and the form of federalism (whether provinces should be single or multiple identity-based units). The dissolution of the Constituent Assembly in May 2012 and the endless struggle for power amongst the politicians have repeatedly undermined the addressing of these crucial issues.

The upheavals of the Maoist conflict and the continued domination of state affairs by the so-called high castes in the face of new ethnic and regional movements have brought ethnic and identity-based federalism to centre stage. The traditionally disadvantaged and marginalised ethnic, regional and other identity groups are pushing for a larger share in state power. This new identity politics has opened a Pandora's box of competing claims.

The current and ex-government officials, development programme chiefs, civil society activists, development partner representatives and local people consulted for this study agreed that good governance, peace and development are closely inter-related and foster one another. They said that peace is needed for development, development is needed for peace, and good governance is needed for both while peace and development foster good governance. On the other hand poverty and exclusion from development lead to more poverty and conflict. The Nepalese development paradigm led to structural inequities and the exclusion of many people from economic opportunities, which prepared the ground for the Maoist insurgency.

## **The potential of local and community governance**

Decentralised local (district and municipal) and community level governance have great potential for promoting development and peace in Nepal.

**Local self-governance** – If properly applied decentralised governance increases the authority and capacity of sub-national levels of government and enhances the responsiveness, transparency and accountability of all levels of government. Most opinion survey respondents agreed that local governments tend to be closer to the people, better at delivering services and implement less costly and more sustainable development projects than central government agencies. They also agreed that local government is crucial for promoting peace, inclusive development and for involving disadvantaged communities in governance. Local governments tend to be more aware of local issues and can handle them better.

The study, however, also found that local governance is deteriorating and suffering the impacts of the prolonged transition. There have been no elected local governments since 2002 and the transitional structures are accused of practising widespread corruption. The central government is only weakly committed to steering the decentralisation process and has been ineffective in coordinating local government and community efforts. The political parties bicker among themselves about the nature of transitional local government. The lack of transparency and accountability and corruption affect all levels of government and the ability of local governments to deliver services has suffered. They are run by centrally appointed bureaucrats, who are challenged to execute programmes that give value for money and provide services to citizens, especially the poor. Citizens have to pay bribes for essential public sector services that are anyway often delayed and of low quality. The limited achievements of decentralisation have contributed to the demands for a federal system of government.

**Community-driven development** – Local development programmes that are planned, implemented and owned by communities are perceived to be more efficient than development programmes directly executed by government agencies. A large proportion of Nepal's population are members or beneficiaries of the country's tens of thousands of user groups, self-help community organisations, ward citizen forums, local saving and credit groups and other community based organisations (CBOs). These organisations are playing an important role in filling the gap created by the absence of elected local governments. They provide a vehicle to implement local infrastructure projects, raise awareness, improve access to credit and manage natural resources, health facilities and schools. The

large-scale community-driven development that has happened in Nepal has helped alleviate poverty, raised social awareness and provided an organised voice for many communities. It has empowered many women and disadvantaged, poor and marginalised people.

Community-level people favour this ‘community-driven development’ as they have so often been let down by local and central government. Most respondents said that community-driven development allows people to participate in designing, planning, implementing and monitoring development projects and therefore promotes better resource allocation, cost effectiveness, transparency, accountability and sustainability. There was said to be less corruption in this level of governance. Central level stakeholders said that active CBOs make central and local governments perform more in the interests of local people. The main challenge here was said to be to align the work of CBOs with local government processes, to function without external donor support and to overcome the lack of commitment of central government and local elites.

**Conclusions on community and local governance** – Most respondents agreed that social mobilisation and community development should be an integral part of local governance and that local government and community-driven development, as long as they work together, provide more benefits to local people. Community-based development usually strengthens decentralisation while effective local governance helps grow community organisations. Inclusive development and local peacebuilding becomes possible for local governments when they engage with and empower CBOs. The major challenge here is to mobilise support, resources and commitments at the national level for local and community governance.

## **The transition to federalism**

Nepal is committed to introducing a federal system of government. The opinion survey respondents said that strengthened local governments and empowered CBOs will help smooth the transition to federalism by absorbing the shocks and uncertainties of the transition. Most respondents agreed that local governments should be the subsidiary units of the federal provinces and that strengthened local governance will help the

transition. And CBOs can help manage the transition and build peace and development if treated as outreach mechanisms and a bridge between the government and its citizens.

## **Four case study programmes**

The study examined the achievements of four donor-supported programmes on local governance, poverty alleviation and peacebuilding support in Nepal that work through local communities.

**The Local Governance and Community Development Programme (LGCDP)** was found to have successfully enabled demand-side mobilisation. Many of the community awareness centres and ward citizen forums it has set up have attracted good local commitment, raised the awareness of disadvantaged communities and enabled them to demand their rights and funding for local projects. These mechanisms inform the public about village development committee (VDC) budgets and the earmarking of funds for women and disadvantaged communities. They are beginning to foster improved community and local governance and better transparency, accountability and resource management. The programme's promotion of formula-based grants and performance-based top-up funding was also praised by most stakeholders.

However, the community awareness centres and ward citizen forums are hindered by unpredictable resources and inadequate capacity and face a situation where citizens' demands are being raised, but the limited capacity of local government and a lack of funding make it difficult to fulfil them. LGCDP has also been badly affected by the generally poor performance of the unelected local governments, a failure to use resources built up by previous programmes, lack of linkages and coordination with other programmes and agencies and the mistiming of programme activities.

**GTZ/GIZ support to local governance in Nepal** – GTZ/GIZ support to local governance in Nepal has successfully demonstrated good governance practices and informed later innovations including LGCDP's community awareness centres, ward citizen forums and the minimum conditions and performance measure system for incentivising local governments. Whilst doing this it has strengthened many municipalities, VDCs and district development committees (DDCs) and the ability of

citizens to participate in local governance. The main shortcomings were said to be limited geographical coverage, limited resources and short periods of operation.

**The Poverty Alleviation Fund** – The World Bank-supported Poverty Alleviation Fund (PAF) has helped lift many poor people out of poverty alongside other factors especially the large increases in remittance incomes. PAF’s interventions have empowered many women and disadvantaged people, increased school attendance and provided better access to services. It has created small infrastructures to support poor people’s livelihoods. PAF’s model of directly funding groups of disadvantaged people is widely praised for ensuring that more benefits reach target groups compared to programmes run by local governments and line agencies. This approach has led to demand-driven, community-owned development.

The main challenges to the continuing success of PAF’s community organisations are uncertainties about future funding, their limited connectivity with local government and line agencies and the limited support from politicians, national government and other development partners. Some central and district level interviewees believe that PAF is donor-driven, unsustainable and works in parallel to local governments. It also needs to improve its targeting of the ultra-poor.

**Local peace committees** – Since 2007 local peace committees have been established in all Nepal’s 75 districts and in many VDCs for peacebuilding and transitional justice. They have contributed to the peace process by collecting data on conflict victims and other damage and by helping conflict victims receive compensation. Active committees are building peace by mediating local disputes and are the only autonomous government-mandated bodies to bring political and civil society leadership together at district level to work for peace. The participation of civil society representatives gives them broader legitimacy. They have great potential for resolving local conflicts but a lack of resources, capacity, proper mandate and limited central support has resulted in many inactive committees. One view was that some committees were failing because they were led by politicians who only know how to compete for power and are less able to work together for a shared goal.

**Conclusions on the four programmes** – Overall the four programmes have substantially empowered communities and strengthened local governments and communities to contribute to development and peace. However, their impacts have been dampened by a number of challenges. A common one is the lack of commitment of politicians and bureaucrats, who use double-speak and are reluctant to ‘walk the talk’ because of their vested interests. Local politicians have not had to face the electorate since 1997 while the bureaucrats are not subject to downward accountability. These programmes have also suffered from planning and implementation shortcomings; inadequate incentives for key politicians, bureaucrats, and elite class people; coordination gaps with local government and district line agencies; resource gaps and outreach and empathy gaps.

### **Overall conclusions**

The findings of this study oppose the viewpoints that strong local government could hinder the role of provincial governments and that direct support to CBOs undermines the roles of local government and local politicians. On the contrary most study respondents believed that effective local government will complement provincial federal governments and enable the transition to federalism.

And on the future of the situation of governance in Nepal: Although recent years have seen some shift in power and changes in social norms with the emergence of identity politics and the new Maoist and Madhesi political forces, the basic features of a just, equitable and inclusive democracy have yet to take root because of the continuing domination of the traditional elites. On balance, the views expressed by the study respondents give a pretty negative picture of governance in Nepal with citizens and local governments disconnected from power and democratic channels, and an authoritarian central government.

### **Recommendations**

1. *The overarching need is to write the new constitution and conclude state restructuring as soon as possible to establish a federal government for a more inclusively governed Nepal.*
2. *The central government should make a compact with the people and implement it at all levels of government. A key part of this compact*



would be to provide the general public with a means of engaging with the government. In the absence of elected local government this could happen by setting up formal dialogue structures between the government and civil society or by going through ward citizen forums, community awareness centres, community organisations or VDC peace committees.

3. *The government should make its institutions more inclusive* to enhance access to services and improve its performance and reach. This calls for introducing affirmative action legislation, training civil servants from disadvantaged groups for higher level jobs and officially recognising local languages in local government alongside citizens' empowerment and more demand side mobilisation and government outreach (see below for recommendations on latter three points).
4. *Improve accountability in local government by holding elections for temporary local governments, or at least by mandating local politicians and other stakeholders to form inclusive local governments instead of the current practice whereby political parties wield influence but carry no formal accountability.*

Other means of improving accountability in local government include making the public sharing of information and decisions mandatory by local governments and CBOs, and integrating project identification by CBOs into VDC and municipal planning and providing technical support for locally prioritised projects.

5. *Strengthen demand mobilisation, especially by disadvantaged groups, by institutionalising the role of CBOs in local governance.* Achieve this by:
  - mentioning community level governance institutions in the new constitution;
  - introducing a statute to regulate, empower, monitor and facilitate CBOs and to formalise links between them and local and central government;
  - amending the Local Self-governance Act to recognise CBOs and their federations as formal institutions for community governance; and

- integrating citizen awareness centres and ward citizen forums into local government planning, monitoring, oversight and decision making.
6. *Strengthen demand mobilisation, especially by disadvantaged groups, by providing more support for social mobilisation by:*
- selecting social mobilisers from target communities;
  - selecting local service provider NGOs at the regional level via a competitive process;
  - encouraging CBOs to act in a politically neutral way; and
  - where needed, tailoring social mobilisation to better reach ultra-poor communities.
7. *Strengthen decentralised local governance by preparing an action plan for the decentralisation of sectoral functions to local governments and ensuring that MoFALD acts as a facilitating rather than a controlling body.*
8. *Strengthen the supply side of government to deliver public goods and services by:*
- making the standard operating practices of bureaucrats more service-orientated and rewarding them when they perform well with citizens evaluating their performance;
  - lessening the power of bureaucrats by putting the delivery of some public services into the hands of civil society and the private sector; and
  - improving coordination between local government and line agencies by clarifying the roles, mandates and terms of references of line agencies and local governments and propagating coordination and team working between them.
9. *With government leadership support the production of a new peace and development strategy for 2013/14 to 2015/16 focusing on conflict sensitive approaches and more engagement with local communities. This strategy should provide a basis for national planning, governance reform and mobilizing donor support.*

10. *The government should make a compact with its development partners to spell out its plans to improve the governance situation. This will involve taking a do-no-harm and conflict sensitive approach to development and, where appropriate, working through civil society and CBOs.*
11. *The external development partners should provide more predictable aid, engage with and support the government of Nepal and political parties to hold elections for transitional local governments, agree on a new integrated peace and development strategy, support community-based peace and development programmes and help coordinate programmes at the local and community levels.*
12. *Reform the internal governance of political parties and make politicians more responsive to the general public.*

# 1 Introduction

## 1.1 A country in transition

Nepal is in a state of transition awaiting the production of a new constitution to mark the beginning of the end of the post-2006 peace process.

In 2006 Nepal's mainstream political parties joined hands with the Communist Party of Nepal (Maoist), overthrew their common enemy the king, and declared Nepal a democratic republic. The parties agreed to elect a Constituent Assembly on the basis of proportional representation plus a first-past-the-post election system to write a new constitution for a federal democratic republic.

The 1990 constitution was scrapped and the country is now running under the 2007 interim constitution (MoLJPA 2007). The central agenda of the state is to write a new constitution, restructure the state and conclude the peace process. The implementation of the Comprehensive Peace Accord, 2006 (CPA) between the Maoists and the alliance of the other seven main political parties has, however, been slow because of mistrust and political bickering for power. But progress has been made on writing the constitution and the integration of the Maoist combatants into the Nepal Army.

In April 2008 a 601-member Constituent Assembly was elected to write an inclusive constitution for a new Nepal within two years. But the assembly could not deliver and was dissolved in May 2012 after being extended four times. The failure to write a constitution has resulted in growing frustrations among citizens and especially among the historically marginalised and exploited communities (ICG 2010, 2; ICG 2011, 1-2).

Following the end of the armed conflict, new ethnic conflicts erupted in the hills and southern plains (the Terai). In January 2007, Madhes rights activists launched their movement for greater rights for the people of southern plains origin (ICG 2007a, 12), while ethnic movements emerged in the Eastern and central hills among the Kirat-Limbu and other ethnic groups. The upheavals of the Maoist conflict and these movements alongside the continued domination by 'high caste' people of hill origin have brought ethnic and identity-based federalism to political centre stage. Nepal is a diverse country with many ethnic groups, languages, and cultural, regional and geographical variations. No group is in the majority. But the so-called

high caste Brahmins and Chhetris from the hills have long-ruled the country and are perceived as the ruling class and traditional elite which has created deep-rooted grievances among Nepal's many other communities.

These developments happened against the background of low economic growth, social inequality, limited development progress and widespread poverty. Over the last 15 years Nepal's economic growth has only grown between 2 % and 4 % per year, almost on a par with population growth. The Gini Coefficient measure of inequality remains high at 32.8%, although it has come down (improved) from 41.4% in 2003/04 (CBS 2011, 11). The most recent survey found 25% of Nepalis living below the poverty line (CBS 2011, 21) while another measure of poverty – the multidimensional poverty index value (MPI) reported that 64.7% of Nepalis were living in poverty with 55.1% living on less than \$1.25 per day (purchasing power parity) (UNDP 2011a, 144). Thus, in 2011, Nepal ranked 157 out of the 187 countries on UNDP's Human Development Index (UNDP 2011a, 126-130).

Slow, inequitable and exclusionary growth continues to fuel the common people's growing frustrations.

## 1.2 Resolving the major contested issues

The major contested issues for writing the new constitution are the form of governance and state restructuring. The potential forms of governance are an executive president, the Westminster parliamentary system or a hybrid system based on the French model. State restructuring is concerned with the geographical delineation of the new federal provinces, the basis of federalism (single or multiple identity-based units), and the division of power between the centre, the provinces and local governments (local bodies) at district, village and municipal levels.

Nepal has been a centralised state since its formation in 1768 and has no experience of federalism. There is a fear that tensions could emerge between local governments and the future provincial governments if the new governance structures are not well thought out in advance and managed properly. Failing to mobilise local support could complicate the present transition and deepen the divisions within Nepali society.

However, Nepal has considerable experience of decentralised and community governance and the lessons learned from these initiatives should guide

the overall structure of government including the future provincial governments. The proper management of relationships, restructuring and the devolution of power could result in better synergies, better governance and more sustainable peace and development for Nepal.

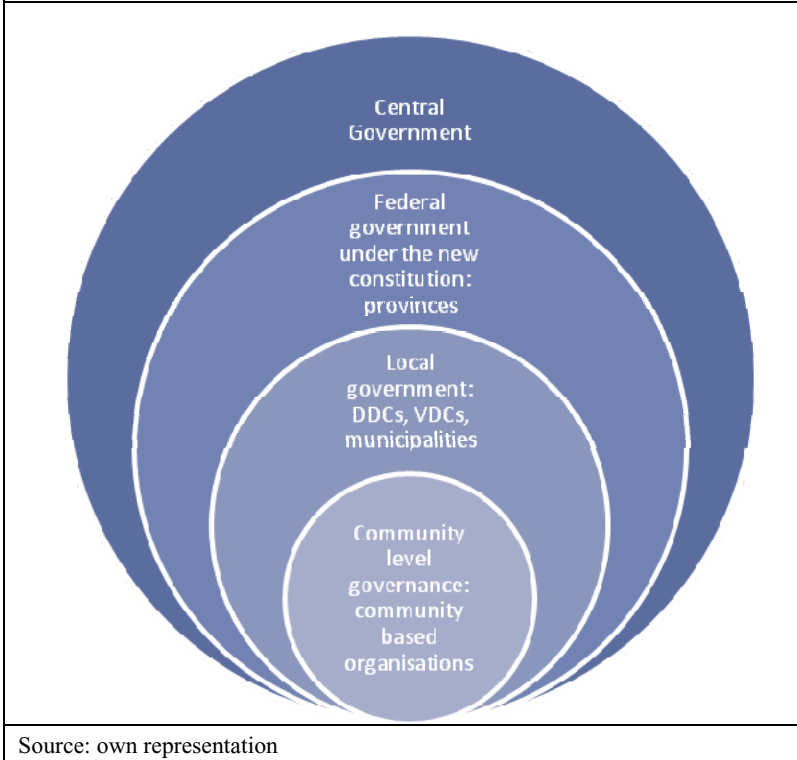
Nepal has a robust network of community and grassroots organisations including many self-help community groups, user groups and rural cooperatives. These organisations play an important role in the present transition by helping fill the gap created by the absence of elected local governments since 2002. These organisations mobilise communities and build up social and economic capital. They are engaged in managing community forests, schools and health facilities, local irrigation systems; in running rights-based awareness campaigns; improving local incomes and implementing local infrastructure projects.

### 1.3 Scope of this book

Community-level governance and decentralised local governance have great potential for promoting peace and development in Nepal. This book makes the case for this and proposes that empowered community and local governance should form the foundation and inner core of a well-governed Nepal as the country adopts a federal system of government (Figure 1). It presents the views of a wide variety of governance stakeholders and draws on lessons from experiences in Nepal and other countries.

The book is based on the findings of a 2011/12 study carried out in Nepal. The study looked at the relationships between community-level governance, local governments, the proposed federal provincial units and national government and the state of governance in Nepal. The relationships and division of functions between these four levels of governance is one of the most crucial issues for restructuring the Nepali state under a new constitution. A major rationale behind the study was to counter the viewpoints that strong local government could come in the way of true federalism and the role of provincial governments, and that direct support to community based organisations (CBOs) undermines the roles of local government and local politicians.

The study also examined the performance of four governance and peace-building support programmes in Nepal: the Local Governance and Commu-

**Figure 1: The four levels of government under a new constitution**

nity Development Programme (LGCDP), GTZ/GIZ support to local governance in Nepal (PASRA, udle and SUNAG), the Poverty Alleviation Fund (PAF) and local peace committees (see Box 1).

The book therefore covers a range of governance themes including:

- community level governance by CBOs where local people organise to fulfil certain aspirations, manage common resources and form social capital;
- local governance by local governments (district development committees or DDCs, village development committees or VDCs, and municipalities);

- local development for poverty alleviation through income generation and livelihood activities and by building local infrastructure; and
- local and community level peacebuilding.

**Box 1: The four case study governance programmes**

**The Local Governance and Community Development Programme** (LGCDP, 2008–2013) is a local governance reform and strengthening programme. It promotes accountability, sustainability and inclusive development through the use of community development, social mobilisation and the exercise of inclusive democracy. It is supported by the government and a pool of development partners and covers all 75 districts of Nepal.

**GTZ/GIZ support to local governance in Nepal (PASRA, udle, SUNAG)** – The German government previously supported decentralised local governance in Nepal through its Urban Development through Local Efforts (udle, 1987–2005) and Poverty Alleviation in Selected Rural Areas (PASRA, 2005–2011) programmes. Its current Sub-National Governance Programme (SUNAG, 2011–2014) is supporting LGCDP by providing capacity building inputs for municipal and local level government and promoting community development and governance strengthening in a north-south corridor of districts in western Nepal.

**The Poverty Alleviation Fund (PAF)** is a community-driven programme for poverty alleviation that is supported by the World Bank. It targets poor and disadvantaged people and works on livelihood, social infrastructure, social capital formation, group harmonisation and the use of social funds in more than 40 districts. Phase 1 ran from 2004 and Phase 2 from 2008.

Nepal's **local peace committees** have been in place since July 2007. These committees have been formed in almost all of Nepal's 75 districts and in some VDCs. They are made of members of local government, political parties and civil society and report to the Ministry of Peace and Reconstruction (MoPR). They promote local dialogue to mitigate conflicts and help gather data on conflict victims and conflict damage.

The study collected the views of governance stakeholders in Nepal by administering a questionnaire to 82 government officials, programme officers,



civil society activists and development partner representatives (Annex 1); interviewing 19 central level and 18 district level governance stakeholders (Annex 2); and by holding 12 focus group discussions with members of local community organisations (Annex 3).

The 82 questionnaire respondents were divided into three categories to analyse questionnaire responses with the assumption that those directly involved in local government and the Poverty Alleviation Fund (PAF) would tend to view their own areas favourably (Table 1). In this regard it is important to note that people who have benefitted from any of the initiatives investigated by this study will be more likely to have a positive outlook on that initiative and vice-versa. These data collection exercises were carried out at the central level in the Kathmandu Valley and in the three districts of Doti, Mahottari and Pyuthan (see Box 2 and Figure 2).

<b>Table 1: Types of questionnaire respondents</b>	
<b>Types of respondents</b>	<b>Number of respondents</b>
Associated with local government at time of the study (LGCDP, local government and MoLD/MoFALD):	12
Associated with the Poverty Alleviation Fund at the time of the study:	21
Other respondents (civil society, academia, development partners, other):	49
<b>Total respondents:</b>	<b>82</b>
Source: own compilation	

A main subject of investigation was the performance of the four local governance and peace programmes. Information was also gathered on the performance of these programmes from programme evaluations and other reports. Finally information was gathered on other countries' experiences of local and community governance and federalism as they relate to Nepal's situation.

The study was therefore based on four case study programmes and a relatively small sample of respondents and focus group discussions. Although this sample is not nationally representative the findings across these important programmes and well-informed stakeholders at different levels of governance reveal many of the main challenges and opportunities for governance, development and peace in Nepal.

### **Box 2: The three study districts**

The study collected district level perceptions and views on governance in Doti, Pyuthan and Mahottari districts. These districts lie in different parts of the country and have differing ethnic compositions and geographical situations. They were also selected for being implementing districts of LGCDP, PAF, the local peace committees, PASRA and udle.

**Doti** lies in the middle hills of the Far Western Development Region. Most of the inhabitants are Brahmins, Chhetris and Dalits (caste Hindus). The Far West of Nepal lies far from the centre of power in Kathmandu and, along with the Mid-Western region, comprises the most socioeconomically disadvantaged part of the country. Many men leave their home areas seasonally or for longer periods to work in other parts of Nepal, India and elsewhere. Most people of the Far Western hills want to maintain the boundaries of the Far Western region as a province in the new federal system.

**Pyuthan** lies in the middle hills of the Mid West Development Region close by the hotbed of the Maoist conflict (1996-2006). This district has many Janajatis (ethnic group people). Many men also leave this district in search of work and the remittances they send back provide an important source of income for many families.

**Mahottari** lies in the central part of Nepal's southern Terai plains. The district's population is made up of Madhesi caste people and Terai Janajati people plus settlers from the hill districts in the northern parts of the district. The district was affected by the Madhes movement of 2007 when the Madhesi people asserted their demands for territorial and regional federalism. The culture of the Madhesi caste groups is similar to that of people across the border in India. This district faces the challenges of lack of social awareness, perceived discrimination by the state and extensive poverty. There are good roads and communication infrastructure in the north, but many southern rural areas lack adequate infrastructure and have few livelihood opportunities.



## 1.4 The line of argument

This book argues that the fundamental underpinning of federal restructuring in Nepal should be the creation of an inclusive, fair and efficient governance structure that fulfils people's basic needs and listens and responds to the voices of all. It calls for the principle of subsidiarity to be applied (see Box 3), with extensive responsibilities given to the local (district, VDC and municipality) and community tiers of governance. The study also asserts that community-driven development and effective local government are both needed to promote economic and social development.

### **Box 3: The principle of subsidiarity**

- Subsidiarity is an organising principle which says that decisions are best made at the lowest possible level of government or an organisation and that political power should be exercised by the smallest, lowest or least centralised competent authority.
- The principle holds that a larger and greater body should not exercise functions that can be carried out efficiently by a smaller and lesser body, but rather the former should support the latter and help coordinate its activity with the activities of the whole community.
- Subsidiarity is the idea that a central authority should have a subsidiary function, performing only those tasks that cannot be performed effectively at a more local level. It is ideally one of the features of federalism (Democracia Participativa 2012).

Nepal has experienced a very divisive conflict, which was caused by widespread poverty, socioeconomic exclusion and bad governance. Local people and their communities want to be able to influence decisions that impact their daily lives and to own the local development process. This can best happen through transparent, accountable, efficient and participatory governance that is local and accessible through local government and community-based organisations. Such a set-up will bring harmony and people's participation resulting in more peace and development and should minimise future conflicts including between district level governments and the federal provinces.

The theory of change underlying this book is therefore that community-based development improves local socioeconomic infrastructure, generates livelihood opportunities and helps social capital formation while effec-

tive decentralised local government expands the outreach of government to citizens. This will complement and strengthen the new federal system.

The book covers these subjects by first explaining the key concepts of peace, development and governance, describing the present governance situation in Nepal and presenting the study findings on governance, peace and development in Nepal (in Chapter 2). Chapter 3 presents the experiences of decentralised self-governance in Nepal and other countries and the study findings on this subject. Chapter 4 looks at the experiences of Nepal and other countries on community based development and the findings on this subject. Chapter 5 analyses the performance of the four case study programmes from Nepal.

Chapter 6 gives the overall findings and conclusions and presents the successes, shortcomings and gaps of the four programmes and local and community governance in Nepal. The final chapter gives recommendations to guide the government, Nepal's development partners and other stakeholders on building a structure for a well-governed and prosperous Nepal.

## **2 Governance for peace and development**

This chapter demonstrates that peace and development are closely related and the quality of governance in a country impacts them both. It first describes the situation of governance in Nepal related to the political turbulence around the 1996–2006 Maoist conflict. It goes on to recount the associated poor governance, the limited progress on decentralisation and the low levels of economic growth. The text then analyses the concepts of peace, development and governance in relation to Nepal's situation giving the study findings related to these concepts and the relationships between them according to the international literature.

### **2.1 Political instability in Nepal**

#### **2.1.1 Up to the end of the Maoist insurgency**

Nepal has seen many uprisings in the past 75 years. The first martyrs of these movements date back to 1941 and the fight against the autocratic rule of the Rana prime ministers. There are now hundreds of officially recognised mar-

tyrs and the numbers increase every year. In the post-Rana period the Shah Kings also met large scale popular opposition for their autocratic rule.

King Mahendra dissolved the democratically elected parliament in 1960 and jailed the prime minister and the political leaders for opposing him and disbanded the parliamentary system. He introduced the partyless Panchayat system in 1962 and by giving power to his cronies at local and central levels maintained full control over all important decisions of state.

The first major uprising against the monarchy took place in 1990. This brought about the reintroduction of multiparty democracy. The 1991 parliament introduced press freedom, economic liberalisation, local self-governance, and civil service reform. The same period saw a large growth in civil society.

But the political parties soon familiarised themselves with the taste of power and started bickering for power within their parties and with rival parties. Governments started to fall regularly, changing on average about once a year between 1991 and 2006.

The coalition and minority governments that came to power after 1994 did not take the national and peoples' agenda as their priority as they busied themselves with money-making and making deals to keep hold of power. The peoples' frustrations with the government and its agents grew. This dissatisfaction was more pronounced in the outlying rural parts of the country as little development and few public services trickled down to these areas and their disadvantaged communities. The Maoists 'people's war' resulted in 1996, fought first in the remote hills of Mid-Western Nepal and then across almost the whole of the country (ICG 2003, 1-8).

This civil war resulted in the deaths of more than 15,000 Maoist combatants, security personnel and innocent people. Other casualties included the physical and social infrastructure, governance networks, development and the old social institutions based on feudal bondage and that had kept the masses of oppressed people silent. The Maoist insurgency gave fire to the aspirations and frustrations of those who viewed themselves as oppressed and made them more conscious of their identities (Gersony 2003; ICG 2005, i-ii).

The conflict had far reaching consequences. In July 2002 the elected local governments at district, VDC and municipality level were dissolved once their terms expired as it was not possible to hold new elections. The community organisations engaged in local social and developmental activities were often at odds with the local Maoist cadres and had to scale down their activities.

The royal massacre of 1 June 2001 saw most of the members of the royal family killed. Gyanendra became king. He quickly turned into an autocrat and in February 2005 dismissed the government for not being able to hold parliamentary elections and took direct charge of the government. He ruled the country through his notorious advisors and stifled the media, civil society, and the political parties.

The opposition political parties and many educated urban people, media persons, businesspersons, members of civil society and student unions started a peoples' movement in Kathmandu and other urban centres. The Maoists already occupied most of the rural areas. In November 2005 the opposition parties and the Maoists joined hands to topple the king's rule (ICG 2007b, 1-7). The spring of 2006 thus saw the second popular uprising. After the overthrow of the autocratic king, the dissolved parliament was re-established, a government of the seven political parties came into power, a ceasefire was announced between the new government and the CPN (Maoist) and peace negotiations began.

After several rounds of negotiations a Comprehensive Peace Accord (CPA) was signed in November 2006 between the seven parties' alliance (SPA) government and the CPN (Maoist). The Maoists joined the government. A roadmap to elect a Constituent Assembly (CA) was agreed on and a plan of combatants' management, integration into the security forces and rehabilitation was agreed. The United Mission to Nepal (UNMIN) was invited to oversee the management of the combatants.

### 2.1.2 The peace process from 2008 to May 2012

The focal point of the peace agreement was for an elected constituent assembly to write a constitution for a 'new Nepal' with the fair representation of men and women and all major ethnic, caste and regional groups. But the elections were delayed as issues emerged that had to be settled before elections could be held. Most important was the issue of ethnic and regional representation. The Madhesi people of the southern plains and ethnic groups in the eastern hills launched their rights-based movements using both non-violent and violent means to press for a degree of autonomous government in the new constitution (ICG 2007a). The state power and its apparatus were already weak and weakened further where these new movements erupted.

Elections were finally held in April 2008 after a series of agreements and compromises and after the Interim Constitution was amended and promises made that Nepal would be declared a ‘Federal Democratic Republic’. The Maoists won the most seats with more than the combined second and third largest parties (Table 2). These elections saw the emergence of a fourth political power in the Madhesi parties.

	<b>Party</b>	<b>No. seats</b>	<b>Percentage</b>
1	Communist Party of Nepal (Maoist)	229	38%
2	Nepali Congress	115	19%
3	Communist Party of Nepal (United Marxist Leninist)	108	18%
4	Madhesi Peoples’ Rights Forum	54	9%
5	Terai Madhes Democratic Party	21	3%
6	Other	74	12%
<b>Total</b>		<b>601</b>	

Source: CA secretariat

The Maoists did not gain a majority in the 601 seat assembly and so the formation of successive minority and coalition governments and struggles for berths in the cabinet began. From its very beginning power politics took precedence over the writing of the constitution and advancing the peace process. The quarrel for power started over selecting the president following the dissolution of the monarchy at the assembly’s first session. As the parties lost their common enemy (the king), they started finding enemies in each other and the fragile consensus to complete the peace process and write the constitution was weakened. A blame-game and mistrust between and among the parties badly affected the work of the assembly. After four extensions it was dissolved in May 2012 without producing the new constitution.

### 2.1.3 The ethnic and identity issue

The new assembly was by far the most diverse national legislature in the history of Nepal with a third women membership and many members from



the traditionally marginalised Janajati, Dalit and Madhesi groups. Together, these people were in a majority. This unsettled the traditional power elites (see Box 4) who felt threatened, especially as the other groups mobilised into caucuses demanding more political power.

#### **Box 4: Ethnic and caste domination in Nepal**

The founding of the Hindu kingdom of Nepal in the late eighteenth century was based on the language, religion, and culture of the upper Hindu castes of the Midhills and led to the domination by Brahmins and Chhetris of all public and political spheres (Bertelsmann Stiftung 2012). All the other groups have been largely excluded from political and socio-economic power. It is ironic that even the Maoist leadership is dominated by upper caste men from the Midhills.

Hill Brahmin men in particular have been and are hugely overrepresented in politics and the administration (ICG 2011). For example, five out of the eight prime ministers since 1990 have been Brahmins. The worst off groups are the Dalits and the Muslims. These and the many disadvantaged ethnic groups (Janajatis) such as Tamangs and Tharus, suffer from prejudice, political and administrative underrepresentation and economic disadvantage. It is widely recognised that discrimination by upper caste people in politics and administration is a major cause of this situation.

The Interim Constitution (2007) fundamentally redefined the Nepalese state's identity. Nepal is no longer a Hindu state, but an "inclusive and fully democratic state". However, the traditional hierarchical thinking persists in the minds of many leaders, leading to the continuing deprivation of women, Dalits, most ethnic groups and Madhesi people. The disadvantaged groups remain under-represented in positions of power in the government, the political parties, the administration, the judiciary, the media, the teaching profession and business (Bertelsmann Stiftung 2012, 6).

In practice most political parties and their leaders refuse to address the deeply rooted problems of socioeconomic and ethno-religious cleavages, social exclusion, and regional inequalities. The government has only half-heartedly addressed the demands of the Madhesi people and Janajatis. While Nepal is supposed to be moving towards a federal system to

ensure the representation of all groups, the top level political leaders are failing to ensure the diverse aspirations and demands of the countries' many identity groups (Bertelsmann Stiftung 2012, 26).

Many Janajati members demanded ethnically based federalism with the new provinces to be named after the major ethnic group of the area in question. A major cause of the demise of the Constituent Assembly in 2012 was the opposing and entrenched views on the subject of ethnic federalism (see Box 5). Many ethnic, regional and other identity groups demonstrated outside the Constituent Assembly for a larger share in state power including women, Dalits, people of the Far West, Madhesis and Janajatis.

### **Box 5: Federal restructuring**

The report of the High Level State Restructuring Commission (SRC) of the Constituent Assembly (SRC 2012) created much heated debate and controversy, as a majority of its members opted for an ethnic model of federalism with most provinces to be named after ethnic groups. The committee's report gave less importance to the efficiency and economic viability of the provinces. Moreover, the report suggested that local governments be treated as an integral part of provincial governments without any constitutional status. The minority members of the State Restructuring Commission went public with their opposition to the ethnic model and stated their preference for two levels of local government with district and village/municipality level governments under the provinces.

The debate is focused on the geographical delineation of provinces and their names. The ethnic activists are calling for most of the hill provinces to be named after the majority ethnic group (e.g. Tamsaling for the area around and outside of the Kathmandu Valley after the Tamang ethnic group and Magarat in the mid-west of the country). These demands have gone along with calls by Janajati activists to reserve power in such provinces for the traditionally marginalised Janajati groups. The many politicians who oppose ethnically named states fear that it could lead to domination by these ethnic groups and the lessening of the power of the traditional elites. The debate remains unresolved as to whether federal restructuring should be based on single ethnic identities or multiple (mixed) identities. The debate on decentralisation and the relationship

between the provinces and local/municipal level governments have been overshadowed by the heated emotional debates on ethnic federalism and the divisions it has created.

This issue had come to prominence during the Maoist conflict as the Maoists had won much support from the Janajatis and Dalits by promising them a degree of autonomous self-governance in a federal state. The government, in agreements made prior to the Constituent Assembly elections in 2008, assured the identity groups that their demands would be fulfilled in the new constitution.

The issue of ethnic identity opened a Pandora's box of competing claims. In the last months of the Constituent Assembly, with some justification and as a strategy to oppose the naming of provinces after ethnic groups, the Brahmins and Chhetris claimed that they should also be treated as ethnic groups. And then there are the competing demands of the Madhesi people and the Tharu ethnic group. The Tharu are a large ethnic group that lives in the Terai and inner Terai parts of the country. It saw its identity as allied with the other ethnic groups (Janajatis) and opposed the calls by the Madhesi groups for a single Madhes province across the Terai.

#### 2.1.4 The dissolution of the Constituent Assembly

The Constituent Assembly was dissolved in 2012 because of its failure to overcome differences on several major issues (see Box 6). Backstage agreements could not resolve the differences and many agreements were not properly implemented or simply ignored. In November 2011 the Supreme Court ruled that the tenure of the Constituent Assembly could not be extended and should end on 28 May 2012. This decision put pressure on the politicians and ethnic leaders to try and reach a last minute consensus to finish the constitution. There were big demonstrations and strikes by ethnic, regional and political groups for their demands to be addressed in the new constitution. This created further divisions among communities. When the CA expired on 28 May 2012 Nepalese society became calm again, but was struck with grief (UNRCHO 2012).

**Box 6: Major unresolved issues at dissolution of the Constituent Assembly, May 2012**

- The form of governance and whether Nepal should have an executive presidential system, a Westminster parliamentary system or a hybrid model with executive power divided between the prime minister and the president.
- State structuring and federalism and whether Nepal should have a single ethnicity based federal structure, a multiple and mixed ethnicity based federal structure, or a federal structure based on integrating adjoining areas of the mountains, hills and plains. The main contentious issues relate to the geographical delineation, the naming and number of provinces.
- The judiciary and whether it should be fully autonomous or if it should be overseen by the legislature, whether a separate constitutional court is needed, and whether the appointment of judges should be scrutinised by hearings of the legislature.
- The election system and the legislature and whether Nepal should have a first-past-the-post or proportional system, or a mixed system for elections; and the number of legislatures at the centre and in the provinces; number of members; and the proportional representation of ethnic and caste groups.

### 2.1.5 The peace process after May 2012

In spite of the many setbacks, up to January 2013 the peace process has continued as most mainstream parties have remained in dialogue and have reached a series of agreements and understandings for resolving issues. On the other hand, however, many such agreements have not been fulfilled and have turned out to be hollow thus weakening trust between the opposing parties. The failure to observe agreements has almost become the norm with a widespread acceptance by the general public that politicians often do not do what they promise and do not hold to agreements (ICG 2010).

Progress on the peace process ground to a halt after the dissolution of the Constituent Assembly in May 2012. Eventually, in the last week of August

2012 the committee responsible for deciding issues of army integration reached a decision on the integration, voluntary retirement and rehabilitation of Maoist's army combatants – key parts of the peace process. It has taken more than four years to verify and classify these combatants and develop integration and rehabilitation packages. The combatants who opted for cash payments and immediate integration into society were paid in early 2012 while those opting for integration into the Nepal Army came under the responsibility of the Nepal Army in late 2012. The slow process of integration and confusions and misunderstandings over their qualifying criteria has caused frustration among the Maoist combatants.

Differences of opinion and mistrust among the governing and opposition parties continue to hinder the peace process. The Nepali Congress, the Communist Party of Nepal (United Marxist Leninist) (CPN UML) and the United Communist Party of Nepal (Maoist)<sup>1</sup> are beset by personality conflicts and factionalism. In June 2012 the UCPN(M) suffered a vertical split as the hard-line Mohan Vaidya faction split off to form the Communist Party of Nepal-Maoist (CPN-M). And there are intense rivalries and a lack of consensus within UCPN(M) between the cadres aligned with Prime Minister Baburam Bhattarai and party president Pushpa Kamal Dahal (Prachanda).

As of January 2013 there is political gridlock with the governing and opposition parties blaming each other for the failure to produce a constitution. Discussions are on-going with some suggesting reinstating the old Constituent Assembly while others call for the election of a new parliament, holding a referendum or calling a round table conference of all parties. The focus has changed from the contents of the new constitution to how to continue constitution writing.

A major sticking point in the second half of 2012 was that the Interim Constitution says that the Prime Minister must be a member of the CA (the legislature) and could not continue as prime minister if he ceased to be a member, but would remain as caretaker prime minister until a new prime minister is appointed. But the dilemma was that as there was no CA (the legislature), nobody else could become prime minister as well, as the candidate had to be a CA member. This meant that the fresh appointment of a prime

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1 Note that during the insurgency the Maoist political party was called the Communist Party of Nepal (Maoist) or CPN (Maoist). In January 2009 the party merged with another small Maoist party and renamed itself the United Communist Party of Nepal (Maoist) or the UCPN(M).

minister was a tricky issue with the only way out being a consensus decision by the major parties on appointing a new prime minister and forming a new government. But, as of February 2013, such a consensus has been elusive.

## 2.2 The legacies of political instability in Nepal

The political developments since the mid-1990s have led to a worsening crisis of governance in Nepal as reported by a number of international and national agencies. The political instability has led to only low levels of economic growth and halting progress on local self-governance.

### 2.2.1 Declining quality of governance

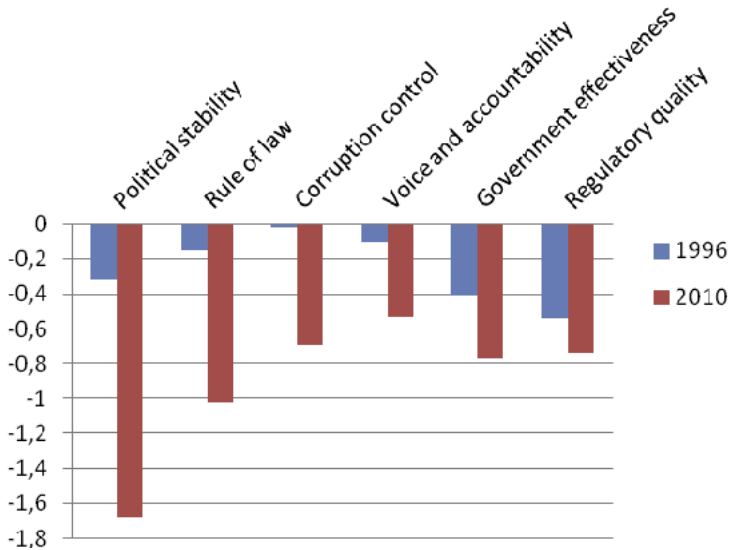
The World Bank reports increasing political instability and corruption, less rule of law and less effective government in Nepal between 1996 and 2010 (Figure 3). Even the level of voice and accountability decreased in spite of the Maoists' people's war and the popular movement for democracy during this period.

Transparency International reports worsening corruption in between 2004 and 2011 (Figure 4). In 2006 Nepal ranked 121st out of 163 countries on its Corruption Perception Index; but by 2011 it had fallen to 154th out of 183 countries. Another index (World Bank 2012a) ranks Nepal at 107th out of 183 economies for doing business in. One business unfriendly indicator is that it takes an average of 326 hours per year for businesses to pay taxes.

The Bertelsmann Transformation Index (BTI) measures the state of governance in 128 developing countries and countries in transformation. In 2012 Nepal ranked 98th among 128 countries for the state of democracy, the economy and political management, with a score of 4.45 out of 10 (Bertelsmann Stiftung 2012). It also ranked:

- 75th on BTI's political transformation index with a score of 5 out of 10;
- 101st on BTI's political management index value with a score of 3.74 out of 10; and
- 112th on BTI's economic transformation index with a score of 3.89 out of 10.

**Figure 3: Nepal's performance on World Bank governance indicators, 1996–2010**



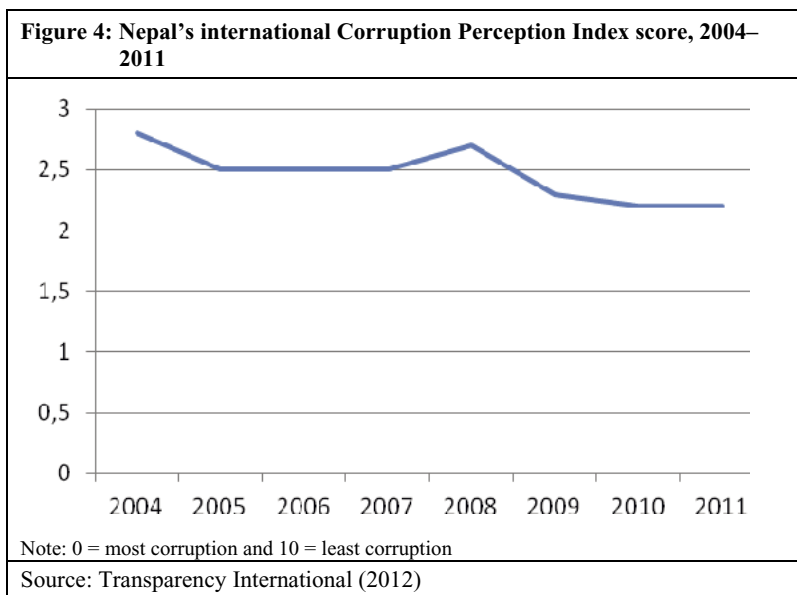
Note: These indicators are scored from a minimum of minus 2.5 to a maximum of 2.5

Source: Kaufmann / Kraay / Mastruzzi (2010)

The 2010/11 report of the Commission for Investigation of Abuse of Authority (Nepal's main anti-corruption body) said that in the previous ten years the number of complaints against corruption or abuse of authority had grown 2.5 times from 2,522 to 6,145 (CIAA 2011, Annex 11).

Nepal's auditor general found audit objections of almost 22.5 billion Nepalese rupees (NPR) out of the NPR 527 billion it had audited for government agencies for 2010/11 (OAG 2012, 3-28). It also reported that the cumulative revenue arrears had reached almost a third of total revenues in the same year, and there was a cumulative audit objection of more than 10% of the total amount audited for 2010/11. This report highlighted how many government agencies lacked proper internal controls, and in many cases had not been following the law.

ICG (2010, 21-30) reported a deteriorating law and order situation, increasing incidents of extortion and other violent crimes and failure of the govern-



ment to reach the periphery of the country (ICG 2009b; 2010). It reported how the political parties had established a mafia market, were using patronage to protect cadres engaged in violence and extortion, alongside a largely ineffective police force and a culture of anarchy for political benefit.

### 2.2.2 Limited progress on decentralised government

Considerable progress was made in the 1990s on decentralising government to elected district, VDC and municipal governments. This culminated in the introduction of the Local Self-governance Act in 1999. However, the failure to hold local elections led to the dissolution of the elected local governments in 2002 since when there have been no elected local representatives. This has led to only limited progress on decentralizing authority from central government line ministries to local governments in the districts.

Local governments have lost much of their legitimacy. They handle large amounts of money for providing local services and improving the physical infrastructure. But the absence of elected representatives means that these governments lack transparency and accountability and corruption is a seri-



ous challenge. Most are performing poorly in implementing programmes and providing services.

The *ad hoc* arrangements for local government in place since 2002, including the all-party mechanisms which served as advisory bodies from 2009 to 2011, have been the backdrop for growing and widespread corruption. These all party mechanisms were disbanded in 2011 for misusing their powers (Ekantipur 2011). And as of January 2013 there is no elected authority to oversee the performance of the deputed bureaucrats who are running local governments.

The decentralisation of governance is in limbo. The political parties bicker about the nature of transitional and temporary arrangements. Many commentators believe that local government elections are needed while others believe that transitional local government structures should be set up based on the percentage of votes won in the April 2008 CA elections. See more on the state of governance in Nepal in Chapter 3.

### 2.2.3 Poor economic growth

The past decade and a half has been lost in terms of connecting Nepal to the high speed growth of India and China. Nepal's 2% to 4% economic growth has been much less than its neighbours' double digit or near double digit growth. Nepal's GDP per capita growth was only 3.8% in 2010/11 (MoF 2012, 4) and 4.5% in 2011/12 (MoF 2013, 6).

Political instability and poor infrastructure are the two greatest challenges for private sector growth, with high production costs, growing power shortages, frequent disruptions to business operations and trade and declining competitiveness (Afram / Del Pero 2012). Militant labour unions have caused a number of businesses to close. Political gridlock meant that there were no regular annual government budgets at the start of fiscal years 2011/12 and 2012/13 with interim budgets introduced instead. This has hindered the accurate forecasting of subsequent budgets, leading to under-spending on development programmes thus constraining the development of new programmes.

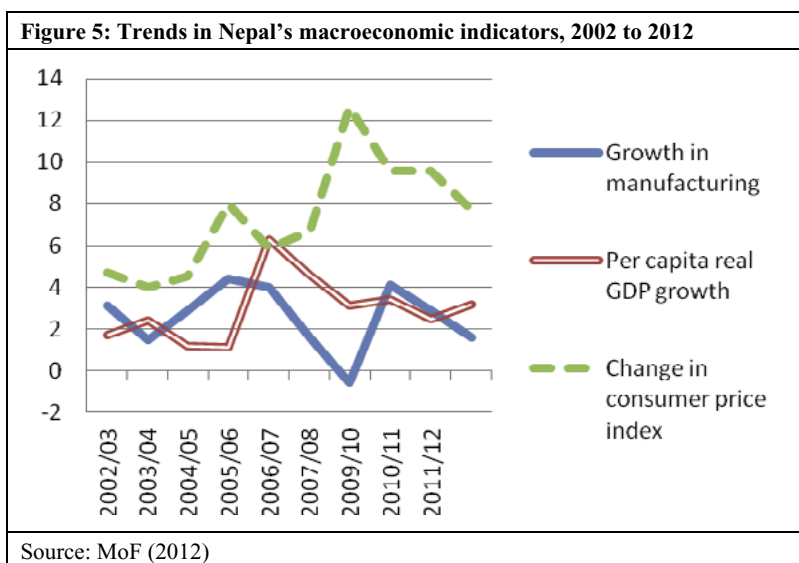
Much of the domestic revenue goes on administrative expenses. In fiscal year 2011/12, the revenue surplus (revenues minus current expenditure) of the government budget was only 23.6% of total capital and principal re-

payment expenses. The rest was financed by public borrowing and foreign grants and loans (MoF 2012).

And each year the government fails to spend funds allocated for development and programmes are not executed on time and capital budgets are unspent. At the same time last minute efforts to spend result in large payments on ‘late starter’ public works, many of which are washed away by the monsoon rains. A number of prestige projects, including a fast track highway to join the capital to the southern plains and large irrigation and water supply schemes are mentioned in each year’s budget, but are yet to come on line.

This situation has disappointed Nepal’s domestic and foreign investors because of big risks and low yields on their investments.

Nepal, however, has great potential for economic growth because of some sound fundamentals. The macro-economy is in reasonable shape because of managed fiscal deficits and foreign currency reserves accruing from remittances and also because of the country’s connectedness to the thriving Indian economy. The comfort of the dependable foreign currency reserves comes from the huge accumulations of remittances, with remittance receipts of US \$3.97 billion in 2011/2012 alone (NRB 2012, 9-10). The



living standards of many Nepalese have improved mainly because of the large number of people working away from home. But the dependence of the economy and society on remittances and an absentee population brings into question long-term sustainable growth. The country's economic growth depends mostly on agricultural production with higher economic growth if the monsoon rains are favourable and *vice versa*. The last ten years has seen slow growth in gross domestic product and the manufacturing sector and high rates of inflation (Figure 5). There was food price inflation of 15 % in 2010/11 (MoF 2012).

#### 2.2.4 Shifting ground?

There are indications that the political developments since 1990 are leading to a fundamental shift in power and changes in social norms. To some extent the traditional power structure is crumbling under the multiple shocks of increased political and ethnic awareness, the chaos of transition, rising expectations and the inept performance of transitional governments. There are growing fault-lines of ethnic division and the traditionally dominant hill Brahmins and Chhetris fear losing their dominance. At the same time the older political parties (the Nepali Congress, the CPN [UML] and the National Democratic Party [RPP]) are losing influence to the Maoist and Madhesi parties. The latter now exert a large influence on the country's strategic direction.

The values, norms and rules of the game of political and social relationships are changing fast. Many people who worshipped the king as the incarnation of God have lost their respect for the traditional Hindu caste hierarchy. Demands for social justice go against the traditional norms of social harmony to the dismay of many of the traditional elites. Diverse influences have raised the people's awareness for egalitarian values, sectarian norms (thinking on ethnic identity lines) and socialist norms for the socioeconomic restructuring of the state.

These changes are set against a bureaucracy that deteriorates as it becomes more politicised and removed from the people as physical threats have made many civil servants leave their field postings. The civil service finds it hard to adapt and respond to these changes and the rising expectations of the people.

Although some change is happening, many things stay the same. The basic features of a just, equitable and inclusive democracy have yet to take root because of continuing domination by the traditional elite even within the new political centres of the Maoist and Madhesi parties. The traditional elite downplay the importance of the culture, language and socioeconomic attributes of other groups. They continue to visualise the ‚Nepali’ nation as having a singular identity based on the cultural or social attributes of the dominating ruling class, to the exclusion of other identities. And most higher level civil servants continue to be Brahmin men from the less remote hill districts. They share real power with other Brahmin and Chhetri politicians, media men and the intelligentsia and tend to be insensitive to the rights of other groups. They are selected on the basis of their language and clerical skills and less on the required competencies for their jobs. Thus, rather than providing solutions, they often cause problems and create tensions during the current transition acting as a conservative force that blocks change.

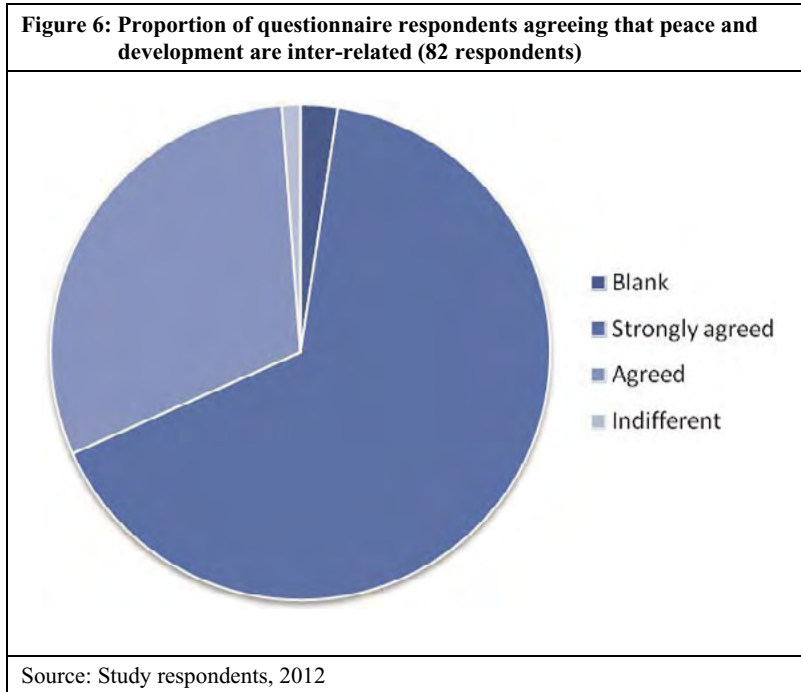
## 2.3 Peace, development and governance in Nepal

Nepal’s transition has seen the development of deepening divisions based on political, ideological, ethnic and regional differences. As of January 2013 it is not possible to predict future political developments. The responses of the 82 questionnaire respondents and the leading governance stakeholders revealed the inter-relationship between peace and development, the importance of good governance for peace and development and the need to integrate and strengthen community and national level peacebuilding efforts.

### 2.3.1 The relationship between peace and development

As posited in the international literature on the relationship between peace and development (see discussion in Box 7), almost all questionnaire respondents agreed that peace and development are inter-related (Figure 6). They agreed that development brings about peace by fulfilling people’s needs. In the same way most respondents agreed that poverty and exclusion from development leads to conflict and disorder that block development and lead to more poverty and conflict. Economist Dilli Raj Khanal said that the Nepalese development paradigm has led to structural inequities and the

exclusion of many people from economic opportunities. This had resulted in the Maoist insurgency.



Another widespread view was that the increased awareness of the traditionally marginalised and disadvantaged groups brought about conflict thus undermining the traditional social harmony. But a more inclusive and just society is yet to emerge and so further conflict is likely.

On the other hand, another respondent argued that some conflict is desirable for development as it drives social change while another respondent did not see any relationship between peace and development in Nepal because of the elite capture of public resources. He favoured community based development, social inclusion and targeted development programmes for disadvantaged communities for sustained peace and development. A number of respondents argued for people-centred development programmes.

### **Box 7: The inter-relationship of peace and development**

This brief review of the international literature on peace, conflict and development helps explain Nepal's situation where limited progress on peacebuilding is hindering development.

**Development** – Development is a process of expanding the freedoms that people enjoy (Sen 2000, 3). It therefore requires the removal of sources of 'un-freedom' including poverty, tyranny, poor economic opportunities, systematic social deprivation and the neglect of public facilities. Expanding freedom should be the primary end and the principal means of development. Many argue that human development is most needed to expand people's freedoms and empower them to engage actively in development processes (Alkire 2010, 40). People are both the beneficiaries and agents of long-term, equitable human development that puts people at the centre, enlarges human choices (not just incomes), builds human capabilities and makes full use of these capabilities (Huq 1996, 16-23). *Sustainable* development is crucially important to meet human needs while preserving the environment so that the needs of future generations can also be met.

**The causes of conflicts** – The causes of violent conflict include rapid change, rising expectations, greed and grievances, horizontal inequities, ethnic divides, lack of genuine democracy and weak institutions. The economic stresses of low incomes, the low opportunity costs of rebellion, youth unemployment, severe corruption and rapid urbanisation all trigger violence (World Bank 2011a, 73-81). Multiple stresses such as low incomes and high unemployment and inequalities usually exacerbate the risks of violence. This was and is the situation in Nepal.

**Conflict and underdevelopment** – Conflict is often both a cause and an effect of underdevelopment (Ghani / Iyer 2010). Thus, conflict reduction and poverty alleviation need to go hand in hand for development in conflict affected countries like Nepal. Civil wars often lead to a vicious cycle of poverty, low growth and growing grievances (Collier 2007). Rebel movements, such as Nepal's Maoists during the insurgency, justify their actions in terms of the repression, exploitation and exclusion practised by the state. Young men are easily allured to join rebel armies in environments of hopeless poverty. And where economies are weak, the state is also likely to be weak (because of inadequate resources to provide

security and maintain public order), and so rebellion is not so difficult. It is also important to recognise that peace is more than the absence of violence. It is also the absence of exploitation, oppression and alienation, and the absence of the cultural violence that legitimises direct and structural violence (Galtung / Scott 2008, 106). This narrative closely matches Nepal's situation with the central importance of empowering Nepal's traditionally marginalised and disadvantaged populations and of bringing about inclusive growth to raise the incomes and levels of human development of all citizens.

**Poverty and conflict** – Where low incomes and poverty cause conflict, then the focus should be on reducing poverty. Reducing conflict is a prerequisite to political stability, which, in turn is needed for implementing pro-growth policies. In India, there is evidence that states with higher incomes and fewer police have less violence than ones with more police and lower incomes (Ghani / Iyer 2010). There is also evidence that inequalities between identity groups cause conflict and thus the benefits of 'development' need sharing fairly across groups.

**Conflict undermines development** – In recent years the levels of economic growth in countries affected by violent conflict has been a percentage point lower per year than in other countries (World Bank 2011a, 60). Countries experiencing major violence in the 1981 to 2005 period had a 21 percentage points higher poverty rate than countries without violence and development in such countries lagged on almost every Millennium Development Goal indicator. People in fragile and conflict-affected countries are more likely to be impoverished, to miss out on schooling and lack access to basic health services (World Bank 2011a, 63).

**Peace and development** – Peace usually leads to development. Ethiopia (where conflict tailed off after the 1988 treaty with Somalia) experienced a more than quadrupling in access to improved drinking water from only 13% of its people in 1990 to 66% in 2010. In Mozambique there was a very large increase in primary school completion in the years following the end of the civil war – from 14% in 1999 to 46% in 2007. In Rwanda (where peace returned in 1993) the prevalence of under-nutrition reduced from 56% of the population in 1997 to 40% in 2005. And in Bosnia and Herzegovina measles immunisation increased from 53% of young children in 1995 (when its conflict ended) to 96% in 2007 (World Bank 2011a, 6).

### 2.3.2 The importance of good governance

Good governance is key for peaceful development and especially so for developing countries such as Nepal (see discussion in Box 8). Almost all questionnaire respondents agreed that good governance is needed to deliver peace and development (Figure 7). Many said that improved governance brought faith and ownership of the people in the government and creat-

#### **Box 8: Governance for peace and development**

**Good governance** – Governance is the exercise of political authority and the use of institutional resources to manage society’s problems and affairs (World Bank 2006). It is also the processes for making decisions and implementing them (UNESCAP 2012). Good governance has the following five characteristics:

- people’s participation and consensus orientation that give legitimacy and voice;
- strategic direction to implement strategic visions;
- responsiveness, effectiveness and efficiency for good performance;
- accountability and transparency; and
- equity and rule of law for fairness (IoG 2012).

**Governance and conflict** – Contemporary patterns of internal armed conflicts and societal breakdown indicate that the main drivers of collective violence are exclusion and lack of access to resources and power (UNDP 2009, 3). Ineffective governance is thus one of the factors leading to violent conflict as it reduces the delivery of critical political goods like security, rule of law and social services. This was certainly the case with Nepal’s recent conflict.

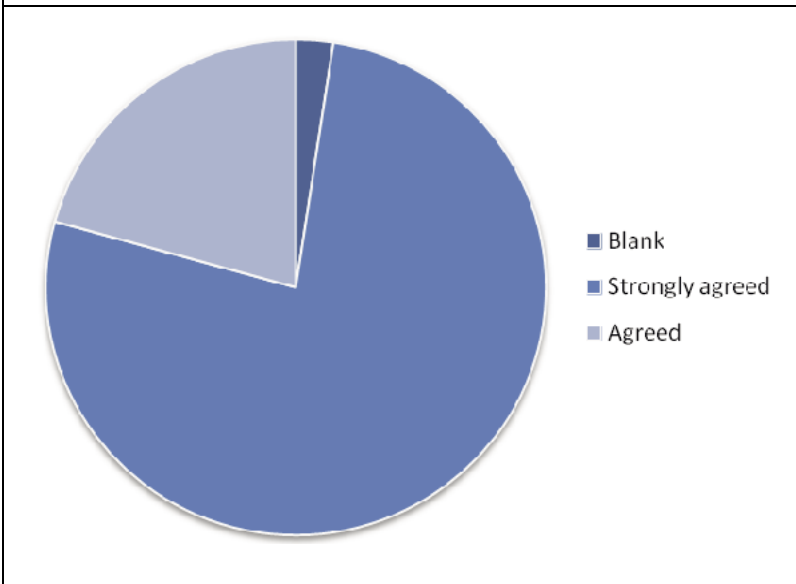
**Weak institutions** – Conflict is more likely to occur where state institutions are weak, resources are unequally distributed, there are unstable social relations, and where there is a history of violence and the exclusion of certain social groups (UNDP 2009). The likelihood of violent conflict is higher where there are significant political or economic horizontal inequalities, such as between ethnic and other identity groups. Although



deprivation and unequal treatment may not generate an immediate revolt, these experiences can remain in people's memories and influence the later course of events. Legitimate governance processes and institutions are central to any effort to address the structural causes of conflict and the triggers of violence.

**Governance and development** – Bad governance is often a development trap. Seventy-six per cent of the 58 smaller countries that are home to the 'bottom billion' in terms of economic growth and poverty have "been through a prolonged period of bad governance and poor economic policies" (Collier 2007, 79). It is clear that good governance and economic policies help growth while bad governance and policies can destroy an economy at an alarming rate. Smaller land locked countries such as Nepal are more prone to failures and misery if they do not improve governance and policies (Collier 2007, 64-65).

**Figure 7: The importance of good governance for peace and development (82 respondents)**



Source: Study respondents, 2012

ed hope for peace and stability. Improved governance leads to improved service delivery, equity and justice while poor governance results in fewer services and more corruption, inequity, exclusion and conflict. Many mentioned accountability, responsiveness, transparency, people’s participation, the empowerment of disadvantaged people, the rule of law and social inclusion as the features of good governance. Other views were that good governance creates social capital, which helps build social harmony while politicking and corruption have been the major cause of inadequate development in Nepal.

**Table 3: The governance situation in Doti, Pyuthan and Mahottari**

Doti	Pyuthan	Mahottari
<ol style="list-style-type: none"> <li>1. The district suffers from less attention from the centre and more staff shortages in government offices than in Pyuthan.</li> <li>2. Caste discrimination is a prominent issue.</li> <li>3. A united Far West issue is a major issue here for the delineation of the federal provinces. Most local people oppose the division of the current Far West Development Region.</li> <li>4. Local people feel disconnected from Kathmandu because it is so far away.</li> </ol>	<ol style="list-style-type: none"> <li>1. Local people are more politically sensitised and empowered than in the other two districts.</li> <li>2. The Janajati communities are progressing less than most Brahmins and Chhetris. Some Dalits are progressing as they have been targeted by LGCDP. Here poor Brahmins and Chhetris feel left behind.</li> <li>3. Unhappiness about federalism in certain political groups.</li> <li>4. Local people feel more connected to Kathmandu than Doti people.</li> </ol>	<ol style="list-style-type: none"> <li>1. Local people feel most helpless and disconnected with poverty and vulnerability the most pronounced.</li> <li>2. There is widespread caste discrimination in Madhesi society.</li> <li>3. Madhesi people feel neglected by the state.</li> <li>4. There are significant differences in outlook between people of hill origin and Madhesi people, but mixed communities do better.</li> <li>5. Poor governance with staff often absent, LGCDP and PAF not started in many areas or started late and the local peace committee feels it is victimised by central government.</li> </ol>
<p>Source: Study respondents, 2012</p>		

Alongside the common governance failings identified in Chapters 3, 4 and 5 of this book, a number of issues were identified as of particular concern in the three study districts (Table 2.2). The study found caste discrimination to be a major concern in Doti and Mahottari while the Janajatis felt left behind in Pyuthan. Mahottari was the district where poverty and poor governance was most pronounced.

### 2.3.3 Relationship between the national peace process and local peacebuilding

One crucial issue for peacebuilding in Nepal is the relationship between the national peace process and local peacebuilding and conflict resolution. Two central level stakeholders said how it is important to move ahead on both fronts and to integrate national and community level peacebuilding.

John Paul Lederach of the Kroc Institute, who supports the national peace process and local peacebuilding in Nepal, said that peacebuilding in Nepal needs to happen both in a bottom-up way at the community level for mediating small-scale conflicts and in a top-down way for resolving larger conflicts like the Maoist conflict. At the same time community level peace processes need to be integrated into national peacebuilding through federated structures like the federations of forest and irrigation user groups. However, he pointed to the large gap between the local and national peace processes in Nepal. He also pointed to the importance of balancing the maintenance of social harmony, which can entail denying justice for the sake of harmony, and social justice by building the mediation and peacebuilding capacities of communities. Here it is essential that communities feel ownership over mediation processes with the ability to join together to resolve larger ‘conflict’ issues.

George Varughese, Country Director of the Asia Foundation in Nepal, believes in the relationship between social capital and peace. According to him, during conflict, the social fabric breaks down and social capital is depleted. In this way the traditional power structure, in which the local elites commanded respect and were thus able to mediate conflicts, was seriously challenged during the Maoist insurgency. In the current context social capital formation is essential for building peace at the local level and beyond in Nepal. This can happen by community-based organisations facilitating dialogue between opposing communities. He pointed out how mediation carried out by associ-

ations of community organisations, such as the Federation of Forestry User Groups of Nepal (FECOFUN), is successfully resolving many conflicts.

### 2.3.4 Conclusions

In conclusion it seems that good governance, peace and development are closely inter-related and all of them foster one another. Peace is needed for development, development is needed for peace and good governance is needed for both while peace and development will foster good governance. The connections are clear, but as related in the earlier part of this chapter only limited progress is being made in Nepal on these three fronts. The following two chapters relate the promise that decentralised local governance and community-driven development hold for Nepal's progress.

## 3 Decentralisation and governance

This book asserts that the decentralisation of government and federalism are complementary for delivering peace and development if authority is decentralised to the lowest appropriate level of government. This chapter covers decentralisation as an instrument of good governance. It argues that decentralisation that empowers communities and embraces federalism will facilitate sustained growth and human development in Nepal.

The first part describes experiences with decentralisation and federal government in other parts of the world to inform the steps that Nepal needs to take and challenges it will face in restructuring the state. The second half describes the current situation of local self-governance in Nepal and gives the study findings on the strengths and weaknesses of this type of governance and discusses how local and federal governments can complement one another under the future new constitution.

### 3.1 Decentralisation, local government and federalism

#### 3.1.1 Decentralisation

Decentralised governance is the organisation of authority into a system of co-responsibility at central, regional and local levels according to the

principle of subsidiarity. This type of government increases the authority and capacity of sub-national levels of government as it increases people's participation in decision making; develops local people's capacities; and enhances responsiveness, transparency and accountability of all levels of government (UNDP 1999). Decentralisation can be seen as a fulcrum that provides a stable arrangement where the centripetal forces that tend towards centralisation and the centrifugal forces that tend towards the periphery interact and maintain a win-win position for forces of unity and for local autonomy and diversity (Kauzya 2004). The interplay between the centripetal and centrifugal forces can lead to a mid-point equilibrium of decentralised governance with the shared exercise of power.

### *The three aspects of decentralisation*

The decentralisation of governance entails political, administrative and fiscal decentralisation.

- Political decentralisation is where citizens or their elected representatives are given more power over public decision-making (World Bank 2001a). Advocates of this type of decentralisation assume that decisions made with greater people's participation are better informed and more relevant to diverse local interests than those made only by national political authorities. This implies that elected local representatives are likely to be better acquainted with the needs and desires of their constituents and to be more accessible to their constituents.
- Administrative decentralisation involves redistributing authority, responsibility and financial resources for providing public services (World Bank 2001a). It is the transfer of responsibility for planning, financing and managing public functions from central government agencies to the field units of government agencies, subordinate levels of government, semi-autonomous public authorities or corporations, or area-wide, regional or functional authorities. The three major forms of administrative decentralisation are deconcentration, delegation, and devolution. It is usually 'devolution' that underlies most political decentralisation (World Bank 2001a). Devolution transfers responsibilities for services to local governments that elect their own representatives, raise their own revenues, and have the independent authority to make investment decisions. In a devolved system, local governments have legally recognised areas over which they exercise authority and perform public functions.

- Fiscal decentralisation involves shifting some responsibilities for expenditure and revenues to lower levels of government. The various types of fiscal decentralisation include self-financing or cost recovery through user charges and other user contributions; the expansion of local revenues through property or sales taxes or indirect charges; inter-governmental transfers of central government tax revenues to local governments; and loans. A case study shows how, in spite of fiscal decentralisation, in Uganda local governments still depend on central funding which undermines their autonomy (Box 9). The situation is similar in Nepal.

**Box 9: Fiscal decentralisation in Uganda**

In Uganda local governments can raise their own revenues and access three types of grants:

- conditional grants for spending on development works such as health, education, agriculture, water, and rural roads;
- unconditional grants for paying wages, salaries, and pensions for local civil servants and political leaders; and
- equalisation grants that go to the poorest districts to reduce the horizontal fiscal imbalance, and regional disparities.

However, many local governments' in Uganda remain highly dependent on central government transfers. In the long run this will limit their autonomy and flexibility to respond to local needs through more targeted and efficient service delivery. This is shown by the fact that most local governments' expenditure allocations in Uganda reflect central government priorities and not necessarily the priorities of specific districts.

Source: Boko / Baliaoune-Lutz (2009)

*Decentralisation and peace and conflict*

Decentralisation can defuse conflicts since local and regional governments will tend to:

- improve public services;
- are better acquainted with the local causes of conflict;

- facilitate participation and co-determination by minorities; and
- enable the reconstruction of failed states from the bottom up (GTZ 2006).

Decentralisation is often advantageous in states made up of different ethnic groups as a means of distributing political power (Monteux 2006, 162-182). If properly implemented it will limit central authority as elected local representatives demand that the centre promotes local development and does not overstep or abuse its powers. Decentralisation will often enhance the participation of minority groups in the political process and protect them from the dictatorship of the majority. It should also allow groups to deal with local issues at the local level.

However, while decentralisation may reduce ethnic conflict and secessionism by bringing the government closer to the people and increasing local participation, it can increase ethnic conflict and secessionism by encouraging the growth of regional parties (Brancati 2006). Regional parties usually reinforce ethnic and regional identities, legislate in favour of certain groups and can mobilise groups for ethnic conflict and secessionism (Brancati 2006).

Decentralisation has highly differentiated effects on ethnic conflict (Siegle / O'Mahony 2006). Initiatives that support increased levels of local government expenditure and employment have been less likely to succumb to ethnic conflict. Conversely, countries with higher levels of local government taxes have been more susceptible to ethnic conflict. Countries and places that have previously experienced ethnic conflicts, have weak central government control over the security sector, and where certain ethnic groups have dominant control over valuable natural resource revenues are particularly vulnerable to ethnic conflicts.

If implemented properly and fairly decentralisation will strengthen both central and local governments by bringing about more engaged governance to address the wellbeing of all citizens. This is why decentralisation usually helps to sustain peace where it already exists. Decentralisation does not, however, work within the framework of *power sharing* to resolve disputes over who should have the most powerful position in a hierarchy of power. It does work well within the framework of the *shared exercise of power* to establish arrangements and practices to facilitate shared power for the benefit of all (Kauzya 2004, 16).

*“Decentralization succeeds best in situations where there is a strong central Government (strong in terms of legitimacy and capacity) as well as an empowered population at local community level. Otherwise it contains no intrinsic value for being a natural promoter of peaceful development and democracy. The whole issue is also contingent on the environment and situation in question. Sometimes decentralization will mitigate conflict by allowing sufficient shared exercise of power among competing groups. At other times, centralization may mitigate violence by strengthening central government and enabling it to sustain a stable strong State.” (Kauzya 2004, 4)*

Peacemakers will usually support territorial decentralisation (including federal restructuring or the creation of federal sub-units) because it recognises political and spatial realities on the ground. Decentralisation usually maintains existing external borders, and thus does not challenge the territorial integrity of the state while satisfying local demands for autonomy by granting each group a state-within-a-state (Lake / Rothchild 2005).

#### *Decentralisation and good governance*

Decentralisation will often increase accountability in governance by shortening the distance between policy makers, citizens and public service providers (Campos and Hellman 2005). It should also bring politicians closer to the people by giving them better information about constituents’ preferences and making it easier for constituents to monitor politicians’ performance. And citizens can more easily learn about activities and programmes that their local leaders promote and support, discern how much effort they devote to improving public services, and see how far they deliver on their campaign promises.

On the other hand, decentralisation bears some risks for good governance including state capture at the local level, clientelism (the exchange of goods and services for political support), capacity constraints, inter-governmental tensions and the stifling of competition.

The performance of local governments usually determines their popularity. While Spain’s regional governments have performed well and gained widespread support the opposite case has been true in Kyrgyzstan where poorly performing local governments have attracted little support (Box 10). As reported there are mixed opinions and hence mixed levels of support for local government in Nepal.



### **Box 10: The performance of local governments in Spain and Kazakhstan**

**Spain** – In Spain, citizens’ support for decentralisation is a product of both sub-national identities and the knowledge that regional governments govern better than the central government. The decentralisation of many governance functions to the regional level happened from the 1980s as a product of the assertion of sub-national ethnic identities and as an evolutionary process. Although a strong sense of sub-national identity is a good predictor of regionally oriented support, even in regions without a different or strong sub-national identity, support for regional self-government is greater where it does a good job and where regional policies work better than national ones (Cesena / Casarramona 2011).

**Kyrgyzstan** – Between 1996 and 2001 the decentralisation process in Kyrgyzstan created promising new local self-government structures and channels for the participation of local people to wield direct influence on matters of local concern (Grävingholt et al. 2006, 1-14). However, the achievements have been limited by the inadequate capacity of most local governments, the lack of clear functional assignments to each level, the disproportionate power of local state administrations and insufficient financial resources. Lack of decision making power and competencies at the lowest level of local government has led to many local people seeing these institutions as irrelevant while officials do not always welcome people’s participation in decision making and tend to keep the process opaque. The resulting lack of participation has produced a vicious circle of weak local government and lack of people’s participation. Participation in decision making only makes sense if decisions can be influenced!

In developing countries support for decentralisation can decrease due to problems caused by the seven traps in Box 11. Most of these traps apply to some extent to the situation in Nepal. Alongside and in addition to these seven traps are the risks of elite capture, more disparities in interregional transfers, the weakening of accountability mechanisms, fragmented economies of scale and failures to address disparities between lagging and advanced localities (Kaiser 2006).

**Box 11: The seven traps of decentralisation, after Fuhr (2011)**

- The policy trap where governments promise the creation of new territorial units providing internal autonomy, but get trapped in endless political battles with and among local interest groups.
- The coordination trap of multi-level rivalry between local governments and regional or local offices of sectoral ministries.
- The fiscal trap due to free-riding by some local governments and the inappropriate or unclear assigning of national tax revenues and expenditure responsibilities between national and sub-national governments.
- The debt trap where uncontrolled borrowing by local and provincial governments contribute to economic overheating and puts overall macroeconomic stability at risk.
- The capturing trap where some local governments manage to capture significantly more resources than others by exerting pressure on the national government for a larger revenue base. This can also happen where provinces capture resources that according to the principle of subsidiarity should accrue to municipalities.
- The inequality trap with wealthier local governments benefitting disproportionately because of their greater taxation and spending powers.
- The capacity trap of limited progress on upgrading the performance of local governments.

A further risk is that decentralisation can act against national unity as conflict or the threat of conflict can lead to fragmentation unless the central government can suppress rebellions (Bird et al. 2010, 27-29). Secessionism may arise for economic reasons due to regions feeling that they are paying too much or getting too little, or for cultural or opportunistic political reasons. Asymmetric decentralisation may provide a solution to such situations, but in many conflict affected countries, this has been a staging post on the road to separation, as happened in Southern Sudan (Bird et al. 2010, 27-29).

Decentralisation can increase disparities, jeopardise stability and undermine efficiency (Prud'homme 1995). As in the following two cases, a good degree of authority needs to remain with central government to counteract such problems.

- Attempts by local governments to redress income disparities are often unfair as the poor in well-off regions often fare better than those in more deprived regions. Thus, income needs to be redistributed among jurisdictions as well as among individuals, which is possible only if central government has the authority to do this.
- Fiscal policies for macroeconomic stability should be handled by central governments as local authorities have few or no incentives to undertake economic stabilisation policies. But if the national government uses fiscal policies to affect overall demand, its share of national taxes and expenditures must be significantly large, something that is challenged by fiscal decentralisation. Decentralisation can cause fiscal perversity because of large fiscal transfers from the central government or large-scale borrowing. Borrowing by provincial governments can cause unsustainable deficits which can undermine national efforts to attain price stability and sustainable economic development.

### 3.1.2 Local government for local development

Local governments are usually made up of locally elected officials who are responsible for providing local services, and promoting local development under mechanisms that hold them accountable for their actions. The following write-up also explains the constraints that many local governments have to work under.

Local government is often seen as a way of more effectively facilitating local development and service delivery (Helling et al. 2005, 33-35). This happens when local governments are given responsibilities for delivering basic services and when civil society institutions are involved to complement and influence the actions of local governments. Here local governments should act not only as decision-makers and service providers but also as coordinators and facilitators among public agencies and private actors. Core responsibilities are to lead strategic planning and build partnerships among public sector, civil society organisation, community organisations and the private sector for more effective governance, service delivery and

economic development. This can also help resolve the demand overload that local governments often suffer from.

Local governments are usually mandated to govern in a way that empowers local people. They can empower local people in a number of ways (Helling et al. 2005):

- Through civic education programmes to help people understand how local government operates and what public services they may expect or demand from local government.
- By enhancing the capacities of representative institutions such as municipal councils or assemblies to contribute to local planning and decision making.
- By holding community-level consultations and other efforts to promote stronger communication between citizens and representative bodies.
- By including marginalised segments of the population in consultations and deliberations.

The introduction of local governments with substantial powers facilitated widespread meaningful people's participation in local decision making in Bolivia (Box 12).

**Box 12: Local government in Bolivia facilitated people's participation in governance**

In 1994 Bolivia created hundreds of new local governments. These have proved more sensitive to local conditions and more accessible to lobbying and grassroots pressure than the central administration that previously had simply abandoned large expanses of the country. The superior responsiveness of local government has been a feature of the new local governance structure in which power and influence are nurtured and ultimately channelled by voting and information. This decentralisation has engaged thousands of neighbourhood councils, peasant communities, interest groups and business associations in local policy making. Such groups previously had no voice in how their communities were run. The locating of resources and political power in local government has offered rich and poor the means to improve their lives and a concrete incentive to participate.

Decentralisation changed both the form and substance of government. The relatively few central officials stationed beyond national and regional capitals before 1994 had almost no incentive to concern themselves with local demands. Career success was determined by ministerial fiat unrelated to local outcomes in distant districts. Business interests and the rich hoped to gain some favours from the centre, but throughout most of the country ordinary citizens' concerns were effectively shut out. Decentralisation changed this by creating local authorities beholden to local voters.

Source: Faguet (2003)

Effective local government needs strong in-built accountability mechanisms. The overarching accountability mechanism is the power of local people to vote out representatives or their parties at the next election (Helling et al. 2005).

Participatory planning and budgeting is an important complement to formal accountability systems. Many such participatory initiatives go beyond priority setting and resource allocation to join representatives of communities and service beneficiaries with local officials in monitoring resource use and the quality of services. Participatory planning and budgeting are thus employed to strengthen accountability in ways that promote mutual learning by citizens and public officials on improving service delivery (Helling et al. 2005). Such empowerment strategies had large knock-on effects in strengthening the voices of communities in Brazil's cities (Box 13).

However, local governments be seriously constrained by the lack of commitment of central government or the main political parties. The experiences of Bangladesh and Uganda show how the domination of local governance by central government undermined the effectiveness of local government there (Box 14). This tendency is also a concern for decentralised governance in Nepal.

**Box 13: Local empowerment leads to local development in Brazil**

In Brazil, measures introduced in the 1980s to empower municipal local governments enabled the city of Porto Alegre to experiment with participatory budget planning. This empowered citizens' associations in the city's 16 regions to propose local projects (Binswanger / Aiyar 2003, 23). The projects were publicly debated and short-listed, with final allocations decided by a weighting system combining citizens' preferences with objective criteria.

Many benefits resulted. Between 1989 and 1996 access to safe drinking water increased from 80 % to 98 % of households and the number of children enrolled in school doubled. Local government revenues increased by 50 % because of the willingness of citizens to pay for improved services. And equal weight was given to all regions of the city, with the poorest one with only 5,000 people being given the same voting powers as the wealthiest one with 300,000 people.

Brazil's decentralisation laws did not mandate such participatory budgeting. But once Porto Alegre's innovation became known, public pressure led to other municipalities adopting the same approach and by June 2000 nearly 100 municipalities were using participatory budgeting. This shows how empowerment can spur participatory innovations, and how competition between local governments can help scale-up improved governance and voice.

Source: Binswanger / Aiyar (2003)

**Box 14: Constrained local government in Bangladesh and Uganda**

**Bangladesh** – The limited fiscal and administrative powers of local governments in Bangladesh have seriously constrained their effectiveness (World Bank 2011c):

- Some of the functions assigned to local governments overlap with the functions of more powerful and better-resourced central government agencies.
- The fiscal base is weak as transfers are neither predictable nor transparent and local governments are not capitalizing on their tax raising potential.

- Local governments have too few skilled personnel and limited avenues to reach out to citizens and forge partnerships with the private sector.
- Local governments have weak accountability systems and lack institutionalised mechanisms for participation in planning and public expenditure prioritisation.

This situation was set against the historically highly centralised arrangements for public service delivery and the opposition of many members of parliament to the devolution of authority as it threatens their role in local development. Citizens have assigned the tasks of service delivery and local development to the central government and its agents, thus emboldening the centre to extend ever more control on local governments leading to their further incapacitation.

**Uganda** – Budgeting decisions and prioritisation by the central government in Uganda undermines the effectiveness of local governments in Uganda. For example, the central government has kept control over conditional grants to the education sector at the local level, which has resulted in local preferences often being ignored. At the same time corruption, lack of incentives, conflicting relationships between local politicians and their technical staff, and lack of capacity hinder local service delivery (Boko / Balamoune-Lutz 2009).

### 3.1.3 Federal systems of government

The shape of federalism in Nepal has yet to be decided. This section discusses the differences between federalism and decentralisation, looks at the different kinds of federalism and discusses some of the challenges faced by federal systems.

Federalism is a system of government where sovereignty is divided between a central authority and constituent political units such as states or provinces. Federalism defines the relationship between the central national government and its constituent units at the regional, state and local levels. It is the presence of separate polities within a comprehensive structure of government (shared rule); and a guaranteed distribution of power between the comprehensive government and the constituent polities (self-rule) (Lijphart

1984, 169). In federalism no level of government can subordinate the other. Federalism recognises a multi-centred and non-centralised structure of government where each centre has a guaranteed portion of power which cannot be removed by the others (Baldi 1999, 4). A federal system is thus different to decentralised government where the periphery can be subordinated to the centre.

Federalism can help achieve the dual desires of building an efficient and dynamic state and the search for distinctive identities through shared rule and self-rule (Watts 2002). It is a means of constitutional organisation that permits action by a shared government for certain common purposes, together with autonomous action by constituent units for maintaining their distinctiveness, with each level directly responsible to its own electorate. A case in point is how Switzerland's 2000 constitution extended the central powers of the federal government and compensated the cantons (provinces) for their loss of powers by giving them more rights to participate in central decision-making. The new constitution diminished self-rule and expanded shared rule (Fleiner 2009, 89).

Stability or instability in a society is often a function of the extent of social polarisation and how this is managed (Muhammad 2007, 207-208). Federal systems can help manage this major source of political instability. For example, while Nigeria's federal structure may not have succeeded in solving all the country's political ills, it has kept the country together.

The various types of federalism, including asymmetric federalism, cooperative federalism and ethnic federalism all have their strengths and weaknesses.

**Asymmetric federalism** is where different states in a federation possess different powers with, for example, some states having more autonomy than others. This system is frequently proposed as a solution to dissatisfactions that arise when one or two constituent units feel significantly different needs from others because of ethnic, linguistic or cultural differences (Galtung / Scott 2008, 99). The experiences of asymmetric federalism in Spain and Canada show that it can bring stability where deep diversity exists but can also lead to instability and secession (Funk 2010). Canada and Spain have been witness to a great deal of tension between symmetry and asymmetry and competing visions of equality. Nevertheless, both polities are relatively stable considering the diversity they contain. Asymmetrical federalism can be a stabilizing mechanism and is an appropriate tool to accommodate



diversity (Funk 2010, 63-65). The advantages and disadvantages of India's asymmetric system of federalism are discussed in Box 15.

**Box 15: The advantages and disadvantages of asymmetric federalism in India**

India has an asymmetric system of federalism with unequal political, administrative and fiscal powers and relationships between its 28 states (Rao / Singh 2004, 3). It is recognised that such a system is necessary for these units to come together and hold together. The rule-based and transparent asymmetry and the special treatment accorded to some states by the Indian constitution and in the evolving inter-governmental transfer system have contributed to the health of the federation. These transparent asymmetric arrangements are justified on the grounds of the overall gains to the federation.

However, discriminatory policies followed for short term political gains can be inimical to the long term interests and stability of federalism. In India the discretionary treatment of states arising from the frequently changing dynamics of political power and the vagaries of coalition and regional party politics, weakens the institutions of inter-governmental finance and are harmful to the long term stability of the federation.

Source: Rao / Singh (2004)

**Cooperative federalism** is where state governments, local governments, and the federal government share governance responsibilities. They work out the details concerning which level of government takes responsibility for particular areas and for creating policy in that area. This concept views national and state governments as partners in the exercise of governmental authority (USLegal 2012). This characteristic has strengthened the Indian federation while some commentators assert that it has undermined the strength of the German federation.

- It has been asserted that India's federal system is a system of 'cooperative federalism' with formal and informal rules to maintain the political system and peaceful change (Kelkar 2010). The 73rd and 74th constitutional amendments (1992), which created a third tier of government (the Panchayati Raj), are an example of the flexibility for

peaceful change that the Indian federal constitution can accommodate (ISPWD-K 2012).

- Some commentators believe that German federalism has been an exercise in ‘half-hearted’ decentralisation and a well-led central state would have been a better option (Hillgruber 2005). Around the year 2000, Germany was suffering a structural crisis exacerbated by economic stagnation and weak state finances. It was believed that this situation was due not only to a failure of political leadership but also to a federal system that was in need of fundamental structural reform (Hillgruber 2005). Advocates of reform pointed to the need to disentangle powers and clearly attribute responsibilities between the different levels of government. Critics maintained that under the German system of cooperative federalism, one level can always interfere with the other level resulting in immobility and stagnation, irresponsibility and chaos (quoted in Hillgruber 2005). This point of view has, however, had less currency in recent years.

**Ethnic federalism** – The experiences of Ethiopia are instructive as this country’s communist government introduced a system of ethnic federalism. In Nepal the leading party in the Constituent Assembly was communist (UCPN(M)) and a system of ethnic federalism is still on their agenda in January 2013.

In 1994 the ruling Ethiopian Peoples’ Revolutionary Democratic Front (EPRDF) radically reformed the country’s political system (ICG 2009a). It transformed the centralised state into a federal democratic republic and redefined citizenship, politics and identity on ethnic grounds. The government created nine ethnic-based regional states and two federally administered city-states. However, there was discontent with the ethnically defined states and fears of continued interethnic conflict as the ruling party was unable to accept that the opposition could take power via the ballot box and regarded the expression of differing views and interests as a form of betrayal. It staged serious crackdowns on the opposition before the 2005 elections.

Political parties proliferated in Ethiopia as a result of the polarisation of national politics that sharpened tensions between and within parties and ethnic groups from the mid-1990s. This ethnic federalism increased competition between groups that vie over land and natural resources, as well as administrative boundaries and government budgets. This system of governance has failed to accommodate the genuine grievances of some ethnic groups while

promoting ethnic self-awareness among all groups (ICG 2009a). The key point here is that ethnic federalism in Ethiopia has not promoted grassroots democracy, decentralisation or political competition. Autocratic rule has stifled genuine democracy.

## 3.2 Decentralisation and local governance in Nepal

### 3.2.1 The situation

As of January 2013, Nepal is a unitary state with two tiers of local government as per the Local Self-governance Act, 1999 (MoLJPA 1999). Nepal has 75 districts with district development committees (DDCs) serving as the country's middle tier of government. The districts are divided into village development committees (VDCs) and municipalities, which are the lowest level administrative and governing units. VDCs and municipalities are divided into wards as the lowest unit of service delivery. Furthermore, local people at the community level organise themselves into community organisations, user groups and other types of community based organisations (CBOs).

The Government of Nepal's ministries and departments have regional, zonal and district offices across the country. The sectoral line agencies and functionaries of the central government operate at the local level through service centres and district offices (line agency offices).

The Local Self-governance Act, 1999 provides for the devolution of powers, responsibilities and resources to local governments including the responsibilities and functions of sectoral line agencies. The act makes local governments responsible for carrying out participatory planning and monitoring and gives them the right to collect and mobilise financial resources. The legislation also calls for private sector participation in local self-governance and for mainstreaming socially and economically excluded groups in the development process. The current responsibilities of local governments exclude the functions of the judiciary, the civil administration and sectoral line agencies.

The 1990 constitution (Article 25[4]) mentioned decentralisation saying that "the State shall maintain conditions suitable to the enjoyments of fruits of democracy through wider participation of the people in the governance

of country and by way of decentralisation” (MoLJPA 1990). It did not, however, specify the structure and roles of local government bodies. This made Nepal’s local government system vulnerable to the executive’s arbitrary behaviour and shifts in the parliamentary equation (ADDCN 2001). Many other factors including overlapping roles, planning weaknesses, the armed conflict and the limited involvement of civil society hampered progress on decentralisation. The Interim Constitution, 2007 does not mention ‘decentralisation’ in its directive policies (Article 35[13]), but does provide for self-governance and people’s participation in governance.

Nepal’s local governments are independent local bodies with devolved power, responsibilities and authority. They are guided by the Ministry of Federal Affairs and Local Development (which until May 2012 was the Ministry of Local Development [MoLD]<sup>2</sup>). Local governments are supposed to have

<b>Date</b>	<b>Event</b>
1992	First local government elections under the 1990 constitution
1997	Second local government elections
1999	Passing into law of Local Self-governance Act and its rules
July 2002	Dissolution of elected local governments after the failure to hold new elections amidst the deepening conflict.
July 2002 to January 2013 and beyond	Local governments running under LDOs, and VDCs and municipalities running under their secretaries with informal involvement of local politicians in decision making.
February 2006	Municipality elections held under the king’s government. They were boycotted by the major political parties and the results were not recognised.
July 2009 to December 2011	All-party mechanisms appointed as advisory bodies for district, VDC and municipal local governments. Dissolved in December 2011 after CIAA alleged widespread corruption.
Source: own compilation	

2 On 18 May 2012 the Ministry of Local Development was restructured into the Ministry of Federal Affairs and Local Development with added responsibilities for federal affairs.

elected councils and executive bodies, although no elections have been held since 1997 and there have been no elected local governments since July 2002 following the end of the 1997 governments. Until this time the ultimate authority for local government decision making were the VDC, municipal and district councils attended by all local representatives including ward representatives.

Since then Nepal's DDCs, VDCs and municipalities have been led by centrally appointed bureaucrats (local development officers for DDCs, secretaries for VDCs and executive officers for municipalities) with the informal involvement of local politicians. This involvement was formalised in the 2009 to 2011 period through advisory all-party mechanisms. The mechanisms were however disbanded in December 2011 accused of widespread corruption. Table 4 summarises the developments in local government since 1992.

### 3.2.2 Local governance support programmes

Since the mid-1990s there has been a series of large-scale decentralisation support and local governance strengthening programmes in Nepal (see Table 5). UNDP, the government of Norway, the United Nations Capital Development Fund (UNCDF) and DFID have supported the Ministry of Local Development and the National Planning Commission to roll out the Participatory District Development Programme (PDDP), the Local Governance Programme (LGP) and the Decentralised Local Governance Support Programme (DLGSP). A number of smaller support programmes have been run by GIZ, the Swiss Development Cooperation, DANIDA and other bilateral development partners and INGOs.

PDDP was initiated by the National Planning Commission in 1995 in 30 districts while LGP was implemented from 1996 by the Ministry of Local Development in a further 30 districts. The major objective was to improve the management of local development through participatory planning and management, to improve the socio-economic conditions of rural people and to support decentralised development efforts by building the capacity of central level institutions and local governments (MoLD 2002). These programmes mobilised communities to plan and implement local development projects.

**Table 5: Large-scale local governance support programmes in Nepal**

Programme	Dates	No. districts	Development partners
Participatory District Development Programme (PDDP)	1995–2002	30	Norway and UNDP
Local Governance Programme (LGP)	1996–2002	30	Norway and UNDP
Decentralised Financing and Development Programme	2000–2008	20	UNCDF and DFID
LGP/PDDP Bridging Phase	2002–2004	60	Norway, UNDP and DFID
Decentralised Local Governance Support Programme (DLGSP)	2004–2010	66	UNDP and Norway
Local Governance and Community Development Programme (LGCDP)	2008–2012	75	6 bilateral, 1 multilateral and 6 UN agencies
Source: own compilation			

These two programmes made considerable achievements including the institutionalisation of bottom-up participatory planning and monitoring, the formation of community organisations, the creation of local trust funds (LTF) and providing seed money for local development initiatives. However, many challenges remained to make local government effective (Box 16). Many of these challenges remain and were mentioned by study respondents. The donors thus decided to provide further support, but the escalation of the conflict and the resulting failure to hold local elections meant that only a transitional programme was launched in 2002/03 (the LGP/PDDP Bridging Phase Programme).

**Box 16: The challenges faced by PDDP and LGP**

- The low sustainability of community organisations.
- The lack of political commitment to decentralisation reform as government agencies resisted reform as it threatened their power.
- The government's system for allocating grants to local governments lacked transparency and failed to follow clear criteria.
- Local governments not making sufficient use of their taxation powers.
- The government-supplied DDC and VDC secretaries undermining local government autonomy.
- Inadequate coordination between local governments and line agencies and continuing government control over most sectoral matters.
- Poor transparency and accountability of local governments.
- Insufficient involvement of women and disadvantaged people in decision making.
- Unclear assignments of tasks and lack of resources for poverty reduction as most poverty reduction programmes were directly implemented by line agencies.

Source: ADDCN (2001)

The Decentralised Local Governance Support Programme (DLGSP) was a large-scale continuation of PDDP and LGP to support local governance, social mobilisation, empowerment, and strengthened livelihoods across rural Nepal. The programme's Village Development Programme built social capital at the grassroots level across large parts of rural Nepal. It formed 10,405 new community organisations and built their awareness, skills, confidence and savings to give these organisations the means to act for their own development. The programme was implemented in 22% of Nepal's VDCs with 10% of all Nepali households being members of a community organisation under the programme (UNDP 2010, 1-7).

The programme also:

- helped communities forge links with local government and civil society

- helped reduce domestic violence and increased gender equity as local people came together to mediate disputes, resolve problems and oppose anti-social behaviour; and
- promoted the saving habit and improved access to credit, community infrastructure and local livelihoods.

DLGSP's support to DDCs was however limited by the absence of elected local government and the depredations of the armed conflict although the continuity of support it provided was crucial to keep up the momentum for local governance and provide the basis for the resurgence of this work after the conflict.

The Local Governance and Community Development Programme (LG-CDP) is the current national support programme (MoLD 2008). It aims to contribute to poverty reduction through inclusive, responsive and accountable local governance and participatory community-led development that ensures the increased involvement of women, Dalits, Janajatis, Muslims, Madhesis, and disadvantaged groups in the local governance process. A detailed analysis of LGCDP is given in Chapter 5.

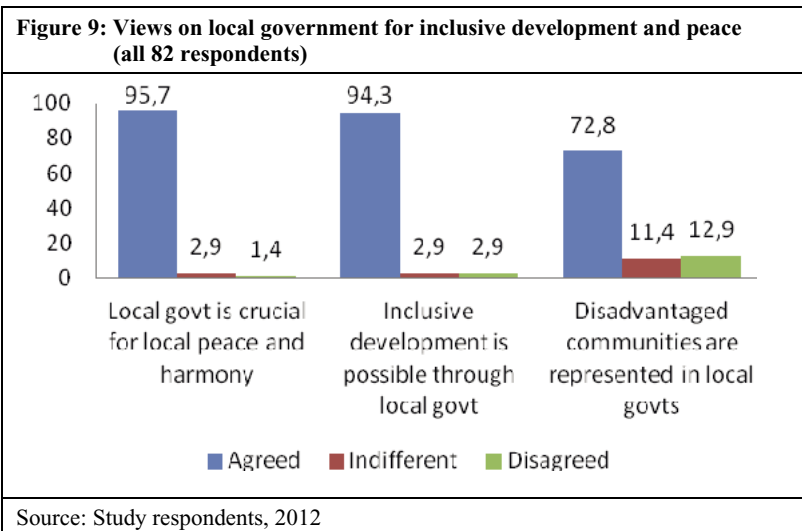
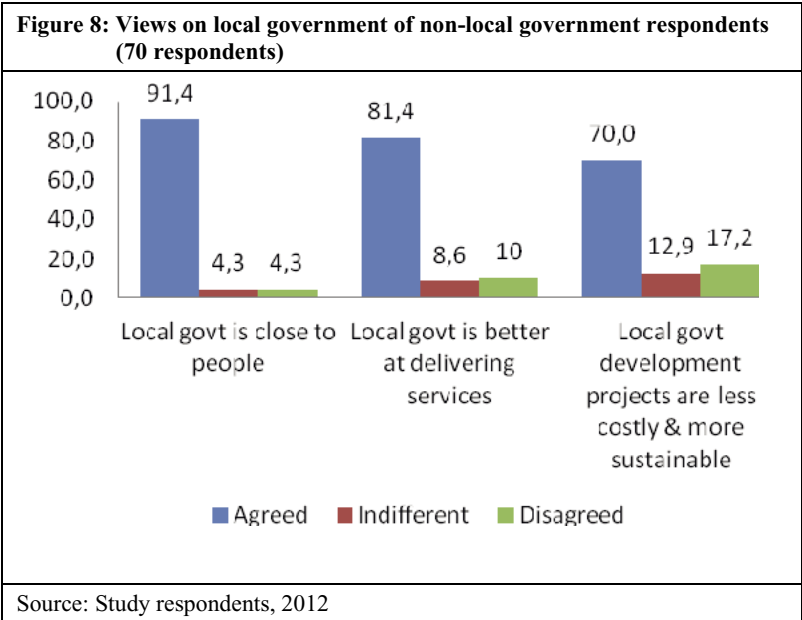
### 3.3 Views on decentralisation and federalism in Nepal

#### 3.3.1 The role and potential of local government in Nepal

Most 70 non-local government questionnaire respondents agreed that local governments are closer to the people, better at delivering services and implement less costly and more sustainable development projects (Figure 8). (See Annex 1 for list of all respondents by type.)

Most respondents also agreed that local government is crucial for promoting peace and harmony, inclusive development, and for involving disadvantaged communities in governance (Figure 9). A number of them said that local governments have a strong role to play in peacebuilding because they are close to the people and know their concerns, values and surroundings. They said that local governments tend to be more aware of local issues, are better at handling them and can better harness local potential. They are thus well placed for designing and implementing peacebuilding initiatives.





It was also said that local governments can bring peace and stability by acting as a link between citizens and the state's formal institutions and by liaising between different interests and mediating in disputes. The greater proximity of local governments to the people helps create an environment to discuss and solve common problems, ultimately helping in peacebuilding and stability.

### 3.3.2 Hindrances to effective local government in Nepal

Many other responses highlighted the shortcomings of local governments and the many hindrances they face. The respondents pointed to the absence of elected local governments as the main overarching handicap. The following assertions summarise many study respondents' views on the hindrances to effective local government:

- Local governments are not governments of the people but governments of politicians. These politicians create conflict and violate the peoples' rights by their focus on winning power and making money for themselves and their parties. This has brought conflict and instability and undermines democracy.
- The institutional capacity of many local governments is weak. They fail to mobilise local resources and suffer from poor management, unskilled staff, and inadequate monitoring and downward accountability. They also suffer from the frequent loss of qualified human resources, a bureaucratic culture and the lack of inclusive decision making.
- The central government provides inadequate resources to local governments and is indifferent to local issues. On the other hand there is unnecessary interference by the centre through restrictive guidelines and instructions.

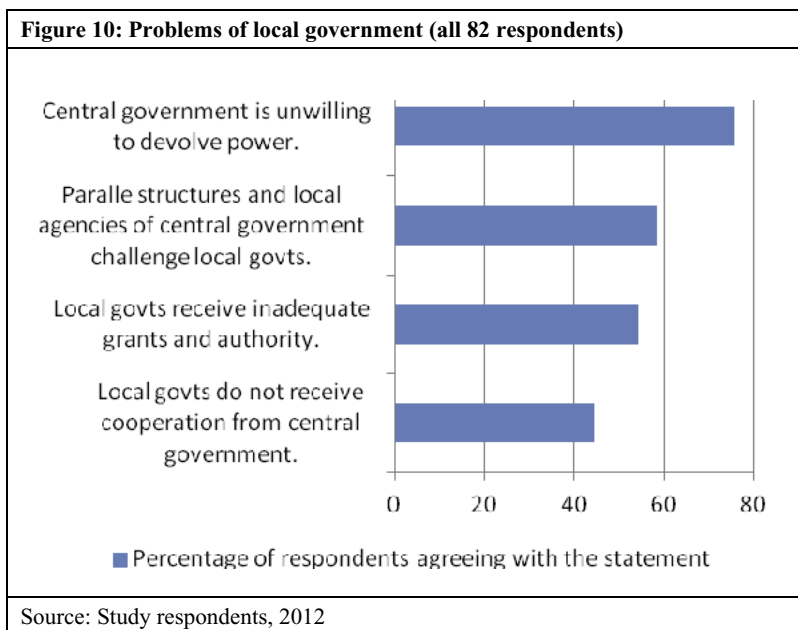
The views of three ex-high level bureaucrats encapsulate the views of study respondents on the many hindrances and shortcomings.

- Khem Raj Nepal, retired secretary at the Ministry of Local Development, believes that miracles happened when elected local bodies were functioning between 1998 and 2002. They worked hard for resource mobilisation, fiscal sustainability and development results. However, the central government and the Ministry of Local Development interfered by issuing dozens of directives aimed more at control than facilitation.

He also pointed out that the Local Self-governance Act needs amending in 22 places to match the letter and spirit of the Interim Constitution. For example the structure of local governments need to be made inclusive by reserving places for women and disadvantaged groups before elections take place. He also said that the all-party mechanisms were only meant to be advisory bodies but went beyond their remit as they acted like elected officials. These mechanisms were not mentioned in the Interim Constitution and lacked terms of reference.

- Jagadish Pokhrel, former vice-chairperson of the National Planning Commission, said that Nepal is paying a huge cost for the erosion of local government. Local governments worked well up to 2002 and were vibrant and well-connected to local and community levels. But the Maoist war jeopardised them as local institutions. The lack of local government elections has resulted in a lack of downward accountability and only residual structures of local government remain. The present local government structures function as arms of the ministries of local development and finance and the National Planning Commission provide funds for fake projects because of pressure from local elites. The people's sense of ownership and connectedness has been lost and it will be difficult to regain the trust that was evident up to 2002. He opined that fresh local government elections are essential.
- Bimal Koirala, former chief secretary of the government (2002–2005), said that lack of adequate funding has prevented DDCs, VDCs and municipalities from carrying out many of their functions. And their empowerment has been undermined by the lack of central support for the decentralisation project. The job of decentralisation has been given solely to the Ministry of Local Development (now MOFALD) as if the job of other ministries and agencies at the centre is only to 'centralise'. Even the government's business transaction regulations do not speak about decentralisation and the National Planning Commission does not have a separate division for decentralisation. All ministries understand decentralisation in their own way and there is little integration across sectors.

On this topic, more than a half of questionnaire respondents agreed that the central government is unwilling to devolve power, that local governments receive inadequate grants from the centre (even after acknowledging that there have been large increases in annual block grants in recent years) and



the central government agencies are unwilling to devolve their powers to local governments (Figure 10).

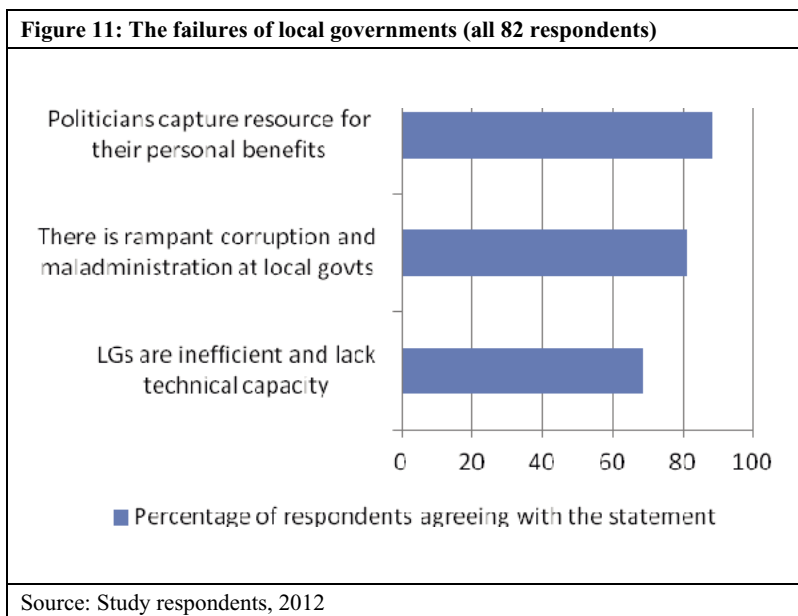
Bimal Koirala also said that the lack of elected local government since July 2002 has seriously affected local governments as it led to:

- MoLD using its discretionary powers to try and improve local government accountability;
- expenditure becoming more supply-based according to the availability of funding and not demand-based according to local needs;
- hierarchy consciousness leading to many VDC secretaries, who are mostly junior clerks, being side-lined by officials, making it difficult for secretaries to do their work; and
- conflicts between the appointed bureaucrats and nominated politicians in the all-party mechanisms, as the latter behaved like party workers rather than people's representatives.

A recurring theme in the study interviews was that the lack of downward accountability has seriously weakened the effectiveness of local government.

- Bimal Koirala said that the accountability framework is weak as the display boards, social audits, public disclosures and financial audits are carried out as formalities to pass the minimum conditions and performance measures (MC/PM) test.
- Horst Mattheaus, chief of GIZ's Sub-National Governance Programme (SUNAG) and long-time associate of local government reform in Nepal pointed out how the elected local representatives have been replaced by bureaucrats to lead local government but adequate bureaucratic control over such bureaucratic leaders is now lacking. The implementation of local projects has continued by mobilizing user groups and local committees. This has had some success, but these user groups and committees cannot play the role of elected local bodies. At the same time, the line agencies continue to exert bureaucratic control with little contact with local government.
- Members of the Association of District Development Committees of Nepal (ADDCN) said that there is almost no downward accountability in the current local governments. As a result little funding is reaching disadvantaged people as money earmarked for them is often usurped by the better-off who have voice and threaten local government officials to fund their programmes.
- Pashupati Nath Jha of SUNAG's Nepalgunj office said that the failure to implement their many rules, regulations, manuals and guidelines was at the root of local governments' poor performance. Corruption in the all-party mechanisms was damaging. Everyone blamed the transition, but the political parties should have taken more positive interest in delivering services. He also said that local government bureaucrats had little incentive to do their jobs well. And during the heat of the Maoist insurgency some of them had used it as an excuse not to produce results. Such bureaucrats became more lazy and corrupt and blamed the conflict for their poor performance.

A majority of questionnaire respondents agreed that local governments are not performing well and lack technical and administrative capacity. They agreed that most local governments are inefficient and corrupt (Figure 11), although members of central and local government agreed less on this. Al-



most all respondents, including the local government control group, agreed that the main political parties in the districts tended to capture resources for their personal and party benefits.

Local government and district officials felt that a number of external factors prevented them from doing their jobs properly. Local government officials said they lacked proper mandates and resources to perform and suffered from pressure from local politicians. They also said that the central government seeks to serves its elite clients, exclude marginalised communities and only give lip service to local and community self-governance. The central government has also not properly resourced or capacitated LGCDP, PAF and local peace committees while the ministry responsible for local government behaves like a controller more than a facilitator.

District level officials complained that they were not well connected to the centre and lacked financial resources, manpower and competencies. They said they suffered frequent unwarranted interventions from the centre and from politicians in their districts.

### 3.3.3 Local government and federal restructuring in Nepal

There are differing views at the central level on the crucial issue of how local government should be incorporated in a new federal system.

The report of the committee on State Restructuring and Allocation of State Powers (Constituent Assembly of Nepal 2010) recommended putting local governments as the third level of governance under the central and federal levels. In line with this the Association of District Development Committees of Nepal (ADDCN) wants ‘federalism’ to be an exercise in strengthening local government and bringing governance closer to the people (Sapkota et al. 2009). They say that under federalism the number of districts should be reduced to about 25 from the present 75 with these units being called either provinces or districts. These should serve as the coordinating units rather than executing federal units while municipal governments and a reduced number of village local governments should be the real executing agencies.

Most central level officials, politicians, development practitioners and members of civil society agreed that local governments need a constitutional status and that federalism is not an end in itself but a tool to strengthen decentralisation. They said that the demand for federalism had emerged because the decentralisation of government has not met the people’s aspirations. But strengthened local governments are now needed to facilitate federal restructuring, bring more accountability to local government and to promote community-driven development.

A major reason why the debate on identity-based federalism has gained prominence is because Nepal lacks inclusive institutions (Acemoglu / Robinson 2012). Several study respondents stressed that the appointed officials and nominated politicians who run local government need to be held more accountable. It was suggested that nominated transitional councils be formed and empowered to appoint executives from among themselves with appropriate downward accountability structures. The big question here is how these councils would be appointed and how this could happen fairly.

Central level governance stakeholders made the following suggestions for the federal restructuring of the Nepalese state:

- Krishna Prasad Sapkota, former chairperson of ADDCN and member of the Constituent Assembly, said that federalism is for decentralizing central government and should be multi-layered and multi-system with

multi-ethnic structures. Local governments should also be given legislative, executive and judicial powers. There should be a bottom-up approach to governing starting from community organisations rising up through VDCs and municipal governments to the district level and on to provincial and national level government. He said that community organisations should be mentioned in the new constitution as the lowest unit of governance and that community level judicial powers be given to local governments.

- George Varughese of the Asia Foundation said that there is a need to ensure that community initiatives are not stifled. Presently even local governments are struggling to find their position in the new constitution. Nepal needs a debate on how to bring the government closer to the people; but the discourse on federalism has seemingly turned on efforts to distance the people and communities at the local level for the sake of provincial level autonomy. The new constitution must clearly spell out the authority of the different layers of government, of the centre, the provinces and local governments. He also called for the clear division of authority on sectoral responsibilities between line agencies and local government.
- Bimal Koirala said that Nepal needs about 1,000 local township councils (by restructuring the present VDCs and municipalities) and 40 de-concentrated units of central and provincial governments (by restructuring the present districts), and then some provinces. The 40 de-concentrated units should be responsible for administering police, revenue, and law and order alongside central and provincial government agencies.
- Jagadish Pokhrel called for service centres to be set up to serve clusters of VDCs.

District level stakeholders pointed to the following fault lines in the study districts that were putting the national peace process at risk and threatening the institution of federalism.

- Officials in Doti said that the movement for a single Far Western province had widespread support. The location of the current regional headquarters at Dipayal in Doti meant that there was strong opposition in Doti to the proposal of the CA's state restructuring commission to include the Far Western hill areas in a province with Surkhet (which lies outside the current Far West) as its capital.



- Officials in Mahottari said that shifting government offices from the current district headquarters Jaleswor to Bardibas would create serious conflicts between residents of the north and south of the district. This divide between the people of hill origin and Madhesi people has been whipped up by the political leaders against the genuine demands of the Madhesi rights movement.
- Officials in Pyuthan said that the rise of ethnic identity politics could lead to large-scale conflict. Pyuthan could experience trouble if provinces were named after single ethnic groups. The district is a stronghold of the Janmorcha anti-federalist party.

### 3.4 Conclusions

The decentralisation of government is widely viewed as necessary for governance reform and effective service delivery, which in turn are essential for local peace, social justice and broad based development. Nepal's long experience of decentralisation has been supported by donor funded programmes. However, decentralised governance has only delivered limited benefits because of inherent weaknesses and the disruptions caused by the ten-year-long armed conflict. The main hindrance to effective local government has been the absence of elected representatives since 2002. As a result Nepal's decentralisation programme has not mobilised enough commitment from the politicians and the ruling elites. At the same time the central agencies have been reluctant to share power and many political and bureaucratic actors only give lip service to decentralisation. The limited achievements of decentralisation have led to the demands for a federal system of government.

## 4 Community development for local governance

This study investigated how community-driven development can help achieve inclusive development and peace in terms of the experiences of Nepal and other countries. Other country's experiences show that this kind of development is often a more effective way to promote local development than central government led initiatives.

## 4.1 Community-driven development for local governance and development

Community development is where a community engages in improving its social, economic and environmental situation. Amongst the various types of community development approaches the level of community participation ranges from simple information sharing to the social, economic, and political empowerment of community groups. This study proposes that ‘community-driven development’ has great potential for advancing development and peace in Nepal’s current situation. It is a kind of community development where communities, usually organised into groups, are given control over decision making and resources for development (World Bank 2012b). They are directly funded and decide how funds are used. They often work in partnership with support organisations and service providers including elected local governments, the private sector, NGOs, and central government agencies. ‘Community-based development’ is another kind of community development where funding decisions are made by local or central government agencies, and CBOs are only involved in ensuring that the money is spent properly and do not directly receive funds.

### 4.1.1 The strengths of community-driven development

Community-driven development improves the ability of communities to collectively make decisions about the use of resources such as infrastructure, labour and knowledge and helps people develop their ability and potential to respond to shared problems and needs (Cavaye 2012). This kind of development is a way of providing social and infrastructure services, empowering poor people, improving governance and enhancing livelihoods. It treats poor people and their institutions as assets and partners. It operates with the underlying assumption that communities are the best judges of how their lives and livelihoods can be improved (World Bank 2012b).

The five elements of community-driven development are as follows with the third point, the community control of resources, distinguishing community-driven development from other forms of community development:

- A community focus, as the target beneficiary, grantee, and implementing agent is some form of community-based organisation (CBO) or representative local government.

- Participatory planning and design.
- The community controls the resources, which ensures that at least some resources are transferred to the community or community based organisation.
- The community is involved in implementation through the direct supply of inputs, labour, or funds, or indirectly by managing and supervising contractors or operation and maintenance functions.
- Community-based participatory monitoring and evaluation is used for downward accountability (ADB 2006a).

Community-driven development is premised around the building of social capital through collective action. Social capital is the features of organisations, such as trust, norms, and networks that can improve the efficiency of societies by facilitating coordinated actions (Putnam quoted in Mansuri / Rao 2004). The term social capital also refers to the ability of individuals and groups to build bonds with other individuals and groups to work for individual and group betterment. Social capital is thus a stock from which people can draw to facilitate economic growth and development.

When individuals engage in collective action, the strength of a group's resources, knowledge and efforts are combined to reach a shared goal. Where groups are small collective action only makes goods available to active participants (Olson 1965, 35-36). Accordingly, the larger a group, the farther it falls short of providing an optimal amount of collective good to its members. Therefore, in general small groups further common interests better than large groups (Olson 1965, 50-52) – a matter of key concern for community-driven development.

Community-based development can be particularly suited for communities emerging from armed conflict, such as many communities in Nepal. Conflicts, such as Nepal's can often change social and political dynamics by for example helping break down traditional feudal arrangements. The post-conflict period can provide the opening to initiate more inclusive, cohesive community processes. Alongside this community-driven development has the potential to address urgent needs and to serve as a catalyst for building healthier social and political dynamics. It can also provide a speedy and cost-effective means of reconstruction assistance; create inclusive community organisations that foster relationship-building and reconciliation; and develop community capacity and action plans (World Bank 2011d).

The strengths of the community-driven approach for local development is demonstrated by the success stories from South Asia featured in Box 17.

**Box 17: Success stories of community-driven development from South Asia**

**Bangladesh** – Phase 1 of a community-driven development project in Sri Lanka (Nutan Jibon, the Social Investment Programme Project, [SIPP II]) built and strengthened community level organisations and developed mechanisms to channel funding to community organisations (World Bank 2010a, 3-4). The programme reached 500,000 households in seven of Bangladesh's poorest districts including many previously unreached poor and vulnerable households.

The programme established and strengthened 1,350 community level pro-poor institutions. They were supported to decide their priorities for local development and manage funds to implement small infrastructure and social service projects. Most decision-making positions in these groups were occupied by poor women. Alongside this, 21,500 savings groups were formed with 90% women membership and most of them provide small loans to their members. The project also supported skill enhancement and job creation, and income generation grants to the poorest people (World Bank 2010a).

The quality of the infrastructures financed by SIPP and managed directly by beneficiaries was much better than comparable works delivered under regular government programmes. For example, the compactness and durability of earthworks was better than that of the same kind of works built by local governments. The new infrastructures cost on average 15% less than those built under traditional public sector programmes. The programme successfully empowered the poor, built and strengthening their institutions to deliver services, and improved incomes and the ability of communities to withstand shocks (World Bank 2010a).

**Pakistan** – A community-driven development approach facilitated the successful implementation of the Rural Punjab Water Supply and Sanitation Programme in the state's poor rural communities (Padawangi 2009). It was implemented and the new infrastructures managed by CBOs, with women playing a central role. This setup enabled the charging of tariffs

for water supplies for the first time in spite of the traditional belief that water is a gift of God and thus should be available for free. Empowering the communities to take ownership of the infrastructure enabled the CBOs to be financially and technically self-sufficient (Padawangi 2009). The involvement of communities from the beginning led to a strong local sense of ownership of the water supply and sanitation infrastructure. Though operation and maintenance costs are met by communities, initial capital costs and any large-scale repairs are met by the government. Strong government support, including monitoring and technical guidance, has been a key ingredient for success.

**India** – Local communities played a critical role in four community-based urban development projects in India (Kerala, Kolkata, Madhya Pradesh and Rajasthan) for sustaining their small-scale infrastructure investments and poverty reduction impacts (ADB 2006b, 11-12). The main trends and key lessons were as follows:

- The community based approaches were taken in response to the combined failures of top-down, state-led, big development strategies to combat urban poverty. Community-based participatory programmes such as livelihood promotion through self-help groups have enhanced the success and sustainability of these projects.
- The crucial role of community involvement in facilitating slum upgrading through demand-led, participatory approaches with, for example, the use of poverty mapping in Madhya Pradesh allowing the targeting of the most vulnerable slum dwellers.
- The levels of participation varied with the Madhya Pradesh project being the most community-driven as it granted ownership of facilities to user groups by directly transferring funds to their bank accounts for planning, design, implementation, operation, maintenance and management.
- All four projects supported state governments to implement local government reforms to provide an enabling environment for community-based and community-driven development, thus creating opportunities for scaling-up (ADB 2006b).

**Sri Lanka** – The Community Development and Livelihood Improvement ‘Gemi Diriya’ Project (2004–2010) in Sri Lanka enabled communi-

ties across two provinces to build accountable and self-governing institutions and to manage investments (World Bank 2010b). This World Bank supported project developed a model for working in poor plantation estate communities. It reached out to the poorest of the poor through one-time grants to youths from poorer families, women and estate workers. Government programmes had rarely reached these people. The project opened up new income earning opportunities for estate worker households. It demanded that sub-projects were identified by local poor people and that 80% of benefits went to poor people with the poorest of the poor and the needs of remoter, poorer hamlets prioritised. Participatory wealth ranking was carried out by communities to identify the poor (World Bank 2010b, 12-20). The sustainability and engagement of the community institutions was central to the project with considerable efforts put into community mobilisation, strengthening and accountability. A range of new skills and capabilities were built in the communities and poor villagers are now taking over service provision previously carried out by external service organisations while community professionals are beginning to provide services to other areas and agencies (World Bank 2010b).

#### 4.1.2 Community-driven development and local government

One objection to community-driven development is that it can bypass local government and service delivery institutions and create parallel structures that do not sustain once projects close. Many early community-driven development interventions operated in this way with no links with formal institutions (ADB 2006a). However, this pitfall is now well recognised and many community-driven development initiatives work through and with local governments to increase development impacts (Wong / Guggenheim 2005, 36-38).

Community-driven development devolves decision making to communities and seeks to make local institutions, such as local governments, more participatory, accountable, and responsive. Local governments and CBOs working together can achieve what neither can achieve on their own. CBOs can mobilise local people to act collectively in support of local government programmes. And local governments can provide technical support and linkages to communities (Krishna 2004). Community-driven development

usually promotes greater civic participation, voice, and accountability in local governance and provides a means of delivering services in a cost-effective way. It encourages the creation and strengthening of community groups, and forges new norms of civic behaviour and expectations between government and the people (Wong / Guggenheim 2005).

The considerable advantages of using the community development approach to complement the work of local governments and central government line agencies are as follows:

- Public sector funds can channel resources to address needs for which conventional sectoral and local government mechanisms are not well adapted, including investments to meet short-term, highly specialised or complex demands.
- Participatory community-based planning can efficiently allocate resources for investments that respond to locally defined priorities. Community contributions through matching fund and co-production arrangements enhance local ownership and help investments to be demand driven.
- The community-based management of resources and investments is often more transparent and cost-effective than public sector management, resulting in more productively employed assets and faster and less costly impacts.
- Control over decisions and resources can enable communities to build social capital by extending the depth, range, and effectiveness of their social networks.
- Targeted community-driven approaches can devolve decision making and control of resources to the poor and other marginalised groups.
- Supporting inclusive CBOs will increase poor people's voice in local political processes and governance (Wong / Guggenheim 2005).

Working with local governments is important for sustainability and the scaling-up of community-driven development initiatives. Experiences from Nicaragua, the Philippines, Tanzania and Zambia show that the more community organisations and local governments work together and link up, the stronger are accountability relationships. On the other hand, the weaker the decentralisation framework, especially for fiscal decentralisation, the weaker are partnership possibilities. Thus; whenever the decentralisation framework is weak or non-existent, attempts to get local governments and CBOs

to work together need to be supported by decentralisation reforms to open up the enabling environment (World Bank 2005). Experiences from Macedonia, Honduras and Chile show how community driven planning can make much better use of social funds for driving local development interventions in tandem with local government authorities (see Box 18).

**Box 18: Three examples of the devolution of responsibilities to communities for the more efficient use of social funds**

**Macedonia** – The Macedonia Community Development and Culture Project (MCDP) (2001–2007) increased the transparency and dynamism of local development by promoting collaboration between municipalities and local communities (Helling et al. 2005, 19). Prior to 2001, community development committees had no channel to propose specific actions to their municipal councils, resulting in disenchantment with the councils. The project supported ‘community implementation committees’ as forums for communication and deliberation between municipalities and citizens. These committees complement the more formal and political municipal councils. The committees assumed responsibility for outreach and promoting development at the community level and were given authority over community micro-projects. The committees are made up of local notables, members of vulnerable groups, municipality representatives and representatives of central government agencies and local civil society. Committee meetings provide a forum for community representatives to present the needs of their communities, to identify solutions to community problems and agree on which micro-projects MCDP should fund. This collective decision-making process enables stakeholders to hear others’ concerns, local government representatives to understand community priorities and communities to understand resource limitations.

**Honduras** – The progress achieved under the Honduras Social Investment Fund (FHIS) shows how social fund agencies can strengthen community and local government for governance and service provision. The fund was created in the early 1990s to create employment for the poor on small-scale public works. It proved a more efficient means of providing basic infrastructure to rural communities than sectoral investment programmes managed by line ministries. The government and FHIS subse-



quently became more concerned with the quality, sustainability, and relevance of its investments. This led to a greater emphasis on community participation in resource allocation (Helling et al. 2005, 5) and began to alter the relationship between poor communities and public sector organisations. FHIS investments in community capacities to prioritise needs, to deliberate over solutions to local problems, and to contribute to local initiatives led to communities increasing their influence over local affairs. These participatory planning innovations led to the central government devolving responsibilities for managing and maintaining sub-projects to municipalities and other more participatory and transparent methods of investing in local infrastructure improvements at the national level. This all led in 2000, to FHIS introducing a community execution modality in which funds are transferred directly to and managed by communities (Helling et al. 2005).

**Chile** – The Fund for Solidarity and Social Investment (FOSIS) was created in Chile in 1990 to finance interventions to increase incomes and improve the lives of poor people. This fund avoided the drawbacks of centrally managed funds that deal directly with beneficiaries and thus undermine decentralisation efforts by bypassing local governments (Barrientos 1999). This fund developed mechanisms to integrate community-level poverty alleviation interventions with regional and local government planning. It operated by each year by:

1. allocating programme resources to the 13 regions according to a targeting criteria based on poverty maps;
2. regional authorities selecting participating communities;
3. municipal authorities targeting each approved programme to small geographical areas or neighbourhoods within these communities; and
4. project implementation by intermediary NGOs and beneficiaries, which was monitored by the regional and municipal authorities.

This way of working integrated FOSIS's investments into the local government system, enabled synergy with other activities and strengthened the capacity of regional and municipal governments for participatory planning and poverty alleviation (Barrientos 1999).

## 4.2 Community-driven development in Nepal

Nepal has considerable experience of community-driven development for managing and developing local forests, irrigation systems, drinking water systems, schools and health facilities, extending access to micro-credit and implementing poverty alleviation schemes. These initiatives are centred on various types of local groups or CBOs that provide the vehicle for local involvement in planning and for managing interventions. Nepal has more than 100,000 CBOs including PAF's 20,000 community organisations, the 4,000 community awareness centres and 33,000 ward citizen forums formed under LGCDP, the 15,000 community forestry user groups, and the many irrigation user groups, and livelihood, saving and credit, and mothers groups (Box 19).

### **Box 19: Types of community based organisations in Nepal**

The term community based organisation (CBO) is used to refer to the local groups that form the focus and the means of implementing community-driven development. CBOs are distinct from local governments, political parties, and formally registered NGOs and include:

- the community organisations formed under the Poverty Alleviation fund (PAF), DLGSP and other development programmes;
- local user groups including community forest and irrigation user groups;
- the ward citizen forums (WCFs) and citizen awareness centres formed under LGCDP;
- local small-scale saving and credit and agricultural production groups;
- mothers groups; and
- school and health facility management committees; and
- community learning centres (which are run by NGOs under the Ministry of Education).

Cooperatives are not included here, although small scale cooperatives have similar characteristics to other types of CBOs.

In Nepal decentralisation reforms and local governance strengthening programmes have supported community based development and community governance through the formation and strengthening of CBOs. The large-scale local governance support programmes described in Section 3.2.2 have promoted local governance through community involvement and empowerment. Local governments also mobilise communities as user groups to plan, execute and monitor small infrastructure projects like rural roads, rural irrigation and rural water supply and sanitation.

#### 4.2.1 Case studies of community-driven development in Nepal

The community-driven development of local forests, irrigation schemes, schools, health facilities and drinking water and sanitation schemes has been successfully implemented in Nepal by making CBOs responsible for managing these resources and institutions. The community organisations established under the World Bank supported Poverty Alleviation Fund and the community awareness centres and ward citizen forums established under LGCDP are other examples of successful community-driven development in Nepal (see Chapter 5). In addition Nepal's thousands of rural and local cooperatives promote agriculture, rural marketing and savings and credit through local community organisations and groups.

- **Community forestry** – Since the 1980s, Nepal's community forestry development programme has handed over the management of about 25 % of the country's forest area into the hands of local communities. Community forestry has empowered many rural forest users economically, socially and politically (SDC 2011). Nepal has become a global leader in engaging communities in forest protection and management as its community forestry programme empowered local users and regenerated large areas of degraded forests (World Bank 2001b). This programme halted the large scale loss of forests in Nepal's Midhills and addressed the failure of state-controlled measures to conserve these forests. The concept of user group management was adopted in 1988 under the Master Plan for the Forestry Sector (MoFSC 1989). The Forest Act, 1993 gave user groups legal status as "autonomous and corporate institutions with perpetual succession," with the right to sell and acquire forest products. Under current arrangements, the government owns the land, but

user groups are entitled to all benefits flowing from their forests, which gives them a vested interest in caring for them. The community forestry development programme has stopped deforestation in the Midhills and strengthened the livelihood of many communities. From around the year 2000 more attention has gone to directing benefits to poorer forest users as the elite capture of many of the benefits of community forestry and its failure to address the needs of poor and marginalised groups became apparent (Yadav / Bigsby / MacDonald 2008).

- **Community managed irrigation** – Farmer-governed and managed irrigation systems in Nepal, especially those without any modern engineering infrastructure, often outperform agency-managed systems in all types of terrains and sizes in the country (Benjamin et al. 1994, xi). This is attributable to the extent the two types of governance structures promote cooperation among stakeholders. The governance structures of farmer-managed irrigation systems emphasise problem-solving, reciprocity, and active rule-crafting, which enables farmers to develop more appropriate rules to coordinate their activities and build social accountability and human artisanship. Such systems tend to have more productive working relationships with high degrees of mutual trust, active participation in the crafting and monitoring of rules, and high levels of conformity to rules. On the contrary, agency-managed irrigation systems are based upon a dominance-dependence relationship between irrigation officials and farmers. This creates the situation where farmers are discouraged, or in some instances disallowed, from taking initiatives to deal with problems while irrigation officials have to govern and manage systems that they have little expertise, resources or incentives to handle (Benjamin et al. 1994).
- **Community managed schools** – In 1972, the government took over the management of more than 8,000 schools in Nepal. However, the results were disastrous because of the remoteness of many areas, the country's diversity and weak government capacity. Many teachers failed to attend their classes, textbooks vanished, and quality plummeted. In 2001, Parliament transferred the oversight of school management to local communities. Many communities subsequently took over the management of their schools and efforts were made to transform the government's role from being a provider to a facilitator of education. Community-based organisations were at the heart of the transition at the local level (World Bank 2009). Partly as a result of this net primary enrolment rose from

84% in 2003 to 92% in 2008 and gender parity improved from 83% to 98% over the same period. At the current rate, the community management of all public schools should be achieved by 2015. Communities invest in their own schools and significant local resources have been unlocked, with every rupee of government grant leveraging 1.5 rupees in community funding. The decentralisation of teacher hiring has spurred accountability. Many communities are recruiting teachers locally and holding them accountable for their performance (World Bank 2009).

- **Community managed health facilities** – Since the 1980s local communities have been given oversight and management responsibilities over their local health facilities. This happened by the establishment of health facility management committees at primary health care centres, health posts and sub-health posts and hospital development committees. Community representatives play a leading role on these committees. The government provides doctors, staff and operational costs for the facilities, while communities provide oversight for day-to-day operations. The involvement of communities has been critical to the large achievements in the health sector, with Nepal on track to achieve all the health Millennium Development Goals (World Bank 2012d).
- **Water supply and sanitation** – The Rural Water Supply and Sanitation Development Fund (RWSSDF), which was established in 1996, has successfully improved access to drinking water and sanitation in Nepal. This initiative takes a community-driven approach as beneficiary communities, represented by water supply and sanitation users' committees (WSUCs) identify, design, build, operate and maintain schemes. The community ownership engendered by this approach has had all-round benefits with better functioning schemes providing water where it is needed (Rural Water Supply and Sanitation Fund Development Board 2012).

Although community-driven development in Nepal has realised many successes this approach has faced many challenges especially where it has challenged the authority and control over resources by local elites. The write-ups in Boxes 20 and 21 show how the elites can either resist or encourage reform and how community-driven development can empower previously highly marginalised groups such as Dalit women.

**Box 20: The role of politicians, elites and civil society in community-driven development**

Local political and ethnic leaders, members of civil society, school teachers and educated and rich people can influence community initiatives either negatively or positively. It is these members of the so-called elite who traditionally shape the direction of communities. CBOs are often made up of vulnerable and disadvantaged people. They may not function effectively if local elites and political and social leaders do not support them. The traditional elites may speak out against initiatives if they feel that their interests are not being served. Because of their connections at the district headquarters and central level, they can distort communication between an initiative and funding authorities that can lead to support being discontinued. They can also capture the decision theatre in community organisations by asserting that members do not have enough knowledge and should take their advice.

This scenario can derail community-driven development initiatives. As even successful CBOs will only command limited resources they must rely upon central and district authorities for many things. This dependency or subsidiary nature of community organisations makes them vulnerable and can force them to agree with conditionalities imposed by local elites.

Alternatively, local political leaders and other elites can help strengthen community empowerment for good governance. They can help build the capacity of vulnerable community members and organise the voices of the previously voiceless people into a force to be heard by higher level leaders and political and social elites.

On a related point, caste discrimination is still widespread in Nepal. Dalit study respondents in Doti told how they were still commonly denied access to drinking water taps and temples, although 'high caste' people did not discriminate against Dalits when it benefited their livelihoods or economic interests. In Mahottari, inter-caste tensions were said to exist between the so-called higher castes and Dalits.

**Box 21: The impact of social mobilisation on the Dalit women of Laxmi Tole**

The people of Laxmi Tole in Silgadhi, Doti have benefitted from social mobilisation programmes since the mid-1990s. Currently ward citizen forums and community awareness centres, PAF's community organisations, a non-formal education programme and a mediation programmes are empowering local Dalit women by increasing their knowledge of their rights and other issues, training them on peacebuilding, raising their literacy levels and providing them with livelihood support.

The resulting increased awareness and confidence of local Dalit women led them in August 2008 to begin a campaign against caste discrimination and against restrictions on entering the local temple. The political parties initially did not support the campaign as it threatened the status quo. The Dalit women's agitation persisted. Later, because of media coverage, social pressure and national debates during the April 2008 elections, the political parties were compelled to raise this issue with the local administration. The local administration also kept itself aloof until the Dalit women threatened to humiliate them. Ultimately a compromise was made and now Dalits are allowed to enter the temple.

Source: Focus group discussion with Dalit women in Laxmi Tole, Silgadhi, Doti

#### 4.2.2 Local conflict resolution

Community driven interventions are also playing a key role in conflict management in Nepal.

In Nepal local and domestic conflicts related to everyday life are becoming more politicised (Dahal / Bhatta 2008). Such conflicts are often initially minor, but if not resolved can easily escalate or become entrenched and seriously disturb communities. Such conflicts can destroy the 'connectors' of society by upsetting the equilibrium of local systems built on historically derived and understood rules, hierarchies, patriarchy and institutions. This happened in many places in Nepal during the armed conflict. In the past in Nepal, the political authority of the traditional elites made conflict resolution possible as elders, priests and other leaders helped resolve local disputes to maintain community harmony (Dahal / Bhatta (2008). These

systems are in decline although the Mahottari focus discussion group told of a traditional local form of mediation still in use where village elders decide local litigation cases.

Nowadays modern community mediation is increasingly being used to rectify local disputes (see Box 22). The traditional approaches are being complemented or replaced by this new approach that respects the rights of marginalised and disadvantaged people. Community mediation is mostly being introduced by NGOs with development partner support. An official at Janakpur municipality said that it also had a mediation programme supported by development partners. Pyuthan's local development officer said that paralegal committees are working in parts of the district against violence against women and children. These community groups are resolving domestic violence cases and other conflicts through participatory mediation. They facilitate both sides to meet and agree on common solutions. Local peace committees are also playing an important role in local dispute resolution (see Chapter 5).

**Box 22: Community mediation for local conflict resolution**

Community mediation is based on principles of social justice and equality and serves as an alternative dispute resolution mechanism. This has proved especially useful in the present transitional period where there are no elected local governments to help resolve local conflicts and the formal court systems are often inaccessible to poor and rural people. The Local Self-Governance Act, 1999 gave some judicial powers to local governments for arbitration and mediation (Dahal / Bhatta 2008). The introduction of community mediation in ten districts to resolve disputes through village level mediation and arbitration has reported positive results (Lederach / Thapa 2012). It increased participants' self-esteem by enabling them to participate in community decision making and to facilitate and lead the resolution of local conflicts with many women and low-caste participants growing in confidence to speak out. It also helped communities better understand the causes of conflict and how communities can resolve disputes. Having tools to analyse and respond to conflict diminished the feeling of helplessness many experienced prior to knowing about mediation.



### 4.3 Views on community-driven development in Nepal

The questionnaires and interviews found a range of opinions on the strengths and weaknesses of community-driven development in Nepal.

Many community-level people favour community-driven development as they have so often been let down by governing authorities. They agreed that most governance institutions and actors had not served them well. On the other hand they told how they had good experiences of working in their communities and wanted to build their social capital to become more empowered and to access resources to implement their own projects. They also said that district administrations tended to be exclusionary, elite based and disconnected from the general public.

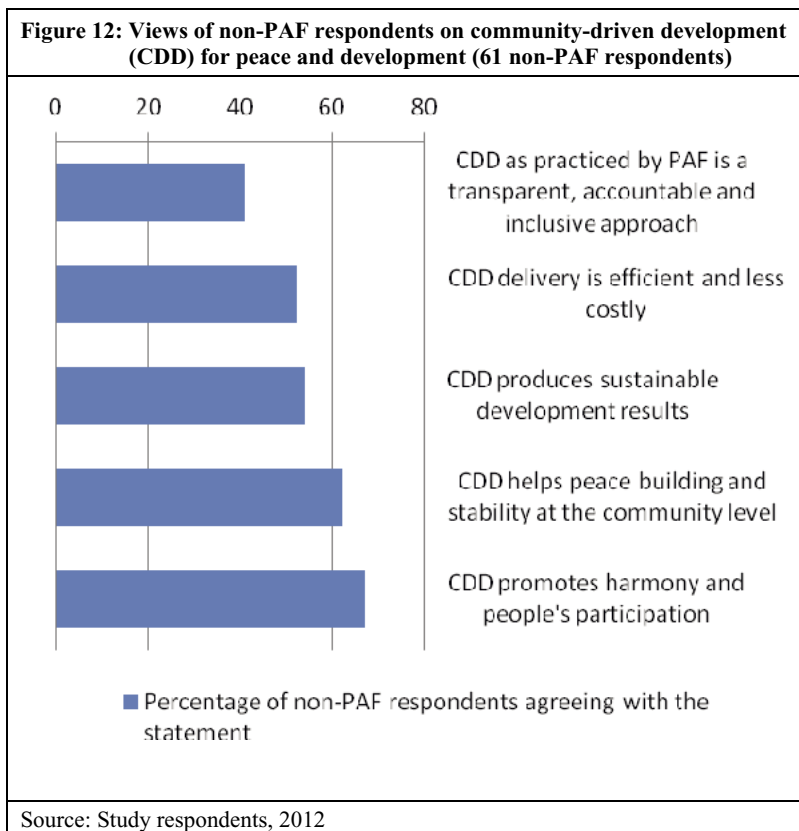
Several central level governance stakeholders said that CBOs have a great potential role to promote local democracy and that this role should be strengthened by officially recognising them and integrating them into local governance structures. There were differing views on the challenges faced by community-driven development although a common theme was the need to align such development and the work of CBOs with local government processes.

#### 4.3.1 The role and potential of community-driven development

There were mixed opinions among the non-Poverty Alleviation Programme (PAF) questionnaire respondents about the effectiveness of community-driven development programmes (Figure 12).<sup>3</sup> While 67% of them said it promoted harmony and people's participation and 62% said it promoted peace and stability, less than a half (41%) agreed that community-driven development as practised by PAF is a transparent, accountable and inclusive approach to development, with local and central government members agreeing the least and thus being the most distrustful of this approach. Only a half of respondents agreed that community-driven development produced sustainable development results in an efficient and cost-effective way.

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3 Note: The Poverty Alleviation Programme is a community-driven development programme and so, to maintain greater objectivity, only the questionnaire responses of non-PAF respondents are presented here.



Some respondents believed that community-driven development is a positive force that empowers local people and makes them independent of the often negative influences of politicians. Shri Krishna Upadhyaya, development practitioner and winner of the Alternative Livelihood Award, has considerable experience working with CBOs. He says that active CBOs make central and local governments perform more in the interests of local people (Box 23).

Sixty-four per cent of all respondents agreed that community groups are closer to the people and are therefore more likely to understand and solve their problems and needs. Once properly mobilised and organised such

groups act as conduits of development and agents of change. In line with this many respondents also believed that local government officials should be made more aware of the great potential of community-driven development.

**Box 23: Shri Krishna Upadhyaya on the potential of community-based organisations**

Shri Krishna Upadhyaya gave a wide ranging summary of his experiences of the positive and negative influences on local governance in Nepal

He believes that in Nepal individuals' rights and liberties need protecting from state intervention and the negative influences of politicians. Federalism should not be taken as one more state structure to suppress individual liberties. The principle of subsidiarity should be followed with communities and local governments getting more power and the federal provinces and the centre less power. Community organisations can pressurise local governments to improve their performance and be more transparent.

In Nepal many leaders feel threatened by aware and mobilised citizens. Many of these leaders behave like patrons by promising and giving projects to the people to attract votes. But they do not rationally choose projects. The leader–citizen relationship is mostly one of patronage. But mobilised communities can produce their own leaders and bring about change themselves and disregard the politicians.

The state should not organise the people: the people should organise the state. Social mobilisation should be an independent process. PAF carries out good social mobilisation while LGCDP is a part of local government and its social mobilisation gets entangled with political mobilisation by local leaders. As a result many user groups are politicised.

Tailored social mobilisation is essential for disadvantaged communities. The outcomes of mobilisation in community forestry user groups and PAF community organisations are the successful activities of these organisations. PAF does a good job as it provides both the institutions and the resources. The capabilities of communities can grow if they get resources to implement their projects.

Local governments should only provision and should not themselves produce public goods and services. CBOs should be the producers of public goods and services at the local level, such as for supplying drinking water and running schools. Local governments need to provide resources and support these institutions.

Source: Study interview (2012)

Many interviewees said that people's participation is essential for good local governance. Local people need to be involved in planning, implementing and monitoring local projects to feel they own them. Local ownership and participation is fundamental to successful decentralisation. Most of the 61 non-PAF questionnaire respondents said that community-driven development allows people to participate in the design, planning, implementation and monitoring of development projects and therefore promotes better resource allocation, cost effectiveness, sustainability, transparency and accountability. Former country director of the World Bank in Nepal, Kenichi Ohashi elaborated how community-driven development can promote a more democratic culture (see Box 24).

Krishna Sapkota, former chairperson of ADDCN said that social mobilisation should be tailored to different types of communities. For example, highly vulnerable groups such as Musahars (Terai Dalits) initially need a different type of social mobilisation to take into account their low capacity (they need more confidence building and backstopping). But as their socio-economic status grows they will start making their own decisions and the level of social mobilisation should increase their skills to climb the ladder of economic growth.

**Box 24: Views of Kenichi Ohashi on community-driven development**

A well designed community-driven development project will work like a micro-scale local government with community contributions being similar to local taxes, community-driven development projects being like a service provided by local government and the grants for community-driven development being equivalent to block grants that the national government gives to DDCs and VDCs.

The reason why local tax mobilisation is often ineffective in Nepal is because tax payers do not believe that local governments provide effective services. Community-driven development overcomes this gap as people feel they can hold the officers of such projects accountable; and hence will be more willing to pay 'local taxes'.

In a sense, well-functioning community-driven development is like an embryonic local government that performs (something Nepal has not seen much of). Letting people experience this kind of development will lay the foundations for good local governance and for people to understand how local government should function.

In the future, some functions should shift from community-driven development projects to formal local governments. But, the reality is that local elections are not yet in sight. Nepal can keep going with community-driven development and by the time elections happen, the electorate will be better able to make local governments work properly.

Source: Study interview (2012)

Several respondents said that it is necessary to have good coordination between VDCs and CBOs. Krishna Sapkota said that this existed in many places up to 2002 with community organisations serving as the lowest level of governance. There was a two-way communication system between local governments and communities for sharing information and for the exercise of direct democracy and effective service delivery. But this does not often happen now because of vested interests and corruption among local government officials. Jagadish Pokhrel, former vice-chairperson of the National Planning Commission, said that community development programmes, including PAF and community forestry, should be integrated in VDC planning and implemented through them. But at the same time VDC officials should not envy the budgets and money that community driven projects attract.

Officials of the Federation of Community Forestry Users, Nepal (FECO-FUN), said they wanted to see CBOs as the basic units of local governance and that their activities should be integrated into local government planning. They asserted that the role of CBOs should be spelt out in the new constitution; but there should not be a multiplicity of different types of CBOs in the same locality under different programmes. The organisations should be

integrated and all development programmes or interventions should work through them. If a particular focus within the group has to be maintained, it can be done by forming sub-groups. For example, if ultra-poor households are the focus of an intervention, then a subgroup of these households should be formed within the community based organisation. But in most cases the elites and the poor and vulnerable households should work together in a single organisation for the sake of better communication, participation and cohesion.

### 4.3.2 Challenges for community-driven development in Nepal

The main challenge was identified as the integration of the outcomes of community-driven development into local government while there were mixed views on the extent of corruption in this kind of development.

Some interviewed experts and former and present senior government officials said that, although directly funding communities to carry out their own development is a good thing, community-driven development initiatives should be integrated into local government planning. It is probably from this perspective that:

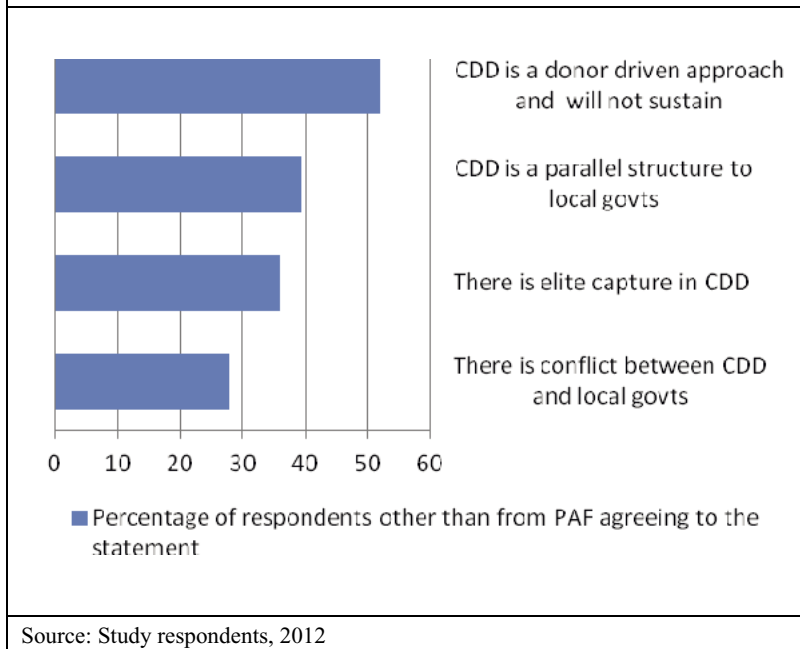
- 54% of non-PAF questionnaire respondents said that community-driven development programmes such as PAF are donor-driven and unlikely to sustain once donor resources dry-up;
- 39% of non-PAF respondents and 58% of non-local government respondents felt that community-driven development is a parallel structure to local government; and
- 39% of all respondents felt there is conflict between local governments and community-driven development (Figure 13).

Concerning the operations of community-driven development projects, 32% of all respondents, 36% of non-PAF respondents and a half of local government respondents agreed that there is elite capture of project activities.

Only 13% of non-PAF respondents said that community-driven development is fraught with corruption (Figure 13). However, the representatives of ADDCN had a different view saying that corruption had reached user

groups and is very difficult to root out. They said that many user group officials are appointed by political parties to fulfil their agendas and for political mobilisation. As a result many user groups focus on money-making by illicit means and are a large source of corruption. The director of LGCDP said that the results of the public expenditure tracking survey (PETS) on LGCDP top-up grants for fiscal years 2009/10 and 2010/11 (ASI 2011) found many faults in the use of funds by user groups. Many public audits are performed as mere rituals. Former chief secretary of the government, Bimal Koirala viewed user groups as the new means of elite capture and corruption. On this subject one respondent recommended that community-driven development needed strong monitoring and back-up support, otherwise funds are often misused, while bigger or more complex projects cannot be effectively handled by CBOs.

**Figure 13: Opinions of non-PAF respondents on the challenges to community-driven development (CDD) (61 non-PAF respondents)**



## 4.4 Conclusions

The large-scale community-driven development that has happened in Nepal has helped alleviate poverty, raised social awareness and provided an organised voice for many communities. However, despite the many success stories, there has generally been a lack of commitment by central government and the ruling elites to such programmes. Many communities still face challenges in mobilizing support, resources and commitments at the national level to strengthen and reform local and community governance and to support community empowerment. The credibility of political and bureaucratic leadership and their ownership of such programmes are low.

## 5 Four case study programmes

The study examined the achievements of four programmes on local governance, poverty alleviation and peacebuilding support in Nepal by gathering information from programme reports, evaluations, stakeholder consultations, interviews and focus group discussions. The following four programmes were chosen as major on-going initiatives that work through local communities:

- the Local Governance and Community Development Programme (LGCDP);
- GTZ/GIZ support to local governance in Nepal (PASRA, udle and SUNAG);
- the Poverty Alleviation Fund (PAF); and
- local peace committees.

Note that only two are actually programmes (LGCDP and PAF) while another is three-programmes-in-one (GTZ/GIZ support to local government) and another is an institution (local peace committees). Conclusions on the achievements and challenges faced by these programmes are given in Chapter 6.



## 5.1 Local Governance and Community Development Programme

### 5.1.1 Description

LGCDP is the main local governance and community development support programme in Nepal. It runs across all the country's 75 districts and is executed by the government agency responsible for local government, the Ministry of Federal Affairs and Local Development (MoFALD) (Box 25). Its activities are integrated into local bodies' plans with the executive heads of the districts, VDCs and municipalities coordinating local activities.

#### **Box 25: Information on LGCDP**

**Concerned ministry:** Ministry of Federal Affairs and Local Development (MoFALD)

**Development partners and donors:** ADB, DFID, Denmark, Canada, UN system (UNDP, UNICEF, UNCDF, UNFPA), Norway, Switzerland, Germany

**Type of donor support:** Financial and technical

**Periods:** Phase 1: 2008–2013. Phase 2: under preparation

**Coverage:** All 75 districts.

Source: MoLD (2008)

Whereas the predecessor programmes such as DLGSP (see Chapter 2) took more of a transactional approach by providing local communities with resources, LGCDP is said to be a transformational programme aimed at transforming local governance into a more participatory process through local people's empowerment via their participation in community awareness centres and ward citizen forums. In practice it seems that the two approaches overlap.

LGCDP combines large-scale government funding, mainly for block grants to local governments, with the funding from the development partners listed in Box 25. The programme's overarching objective is to contribute towards poverty reduction through inclusive, responsive and accountable local governance and participatory community-led development that ensures

the increased involvement of women, Dalits, Janajatis, Muslims, Madhesis and other disadvantaged groups in local governance (MoLD 2008, 23). The programme is introducing reforms in supply-side governance through better public financial management methods and formula based funding, and in demand-side governance through social mobilisation in ward citizen forums, community awareness centres and local infrastructure projects.

The programme aims to provide a framework for recovery following the armed conflict and improve the delivery of basic services (health, education, communication, water, sanitation) to communities. The government recognises that local government is the best means of providing these services (MoLD 2008).

LGCDP has the following three main areas of intervention:

1. *Empowering citizens and communities for active engagement with local governments and strengthening downward accountability.*

Enhancing the involvement of local communities in local governance is crucial in the absence of elected local governments. LGCDP is promoting CBOs as mechanisms through which all citizens, and especially those from marginalised groups, can interact with the local authorities and other service providers to have a say in prioritizing and overseeing the expenditure of local public funds and the implementation of local development programmes. LGCDP is institutionalizing community involvement in decision making on local planning, monitoring and programme implementation by developing ward citizen forums and community awareness centres as mechanisms for community participation. These and other mechanisms require local governments to seek community involvement and the endorsement of decisions on the use of their block grants. At the same time LGCDP is supporting social mobilisation to ensure that communities are furnished with the capacity to fulfil this role in an inclusive and accountable way. The intended outcome is that citizens and communities are empowered to exercise their voice; to engage actively with local governments and local government resource allocation and decision making; and that accountability processes enable greater citizen input and oversight.

2. *Increasing the capacity of local governments to manage resources and deliver basic services in an inclusive and equitable manner.*

LGCDP aims to build the capacity of local governments at all levels and support reform to promote the more effective delivery of basic infrastruc-

ture and services. The programme is in particular promoting demand-driven mechanisms. It is also working with local government to develop social protection funding and to improve local tax revenue administration. The intended outcome is that local governments are better able to manage resources and deliver basic services in an inclusive and equitable manner. A key aspect is strengthening local governments to use their annual block grants to provide goods and services. Substantially increased funding is being provided. LGCDP is also supporting the introduction of an annual evaluation of whether local governments meet minimum conditions (MC) and perform adequately (performance measures, PM). Successful local governments receive extra funding.

### 3. *Strengthening policy and the national institutional framework for decentralisation, devolution and community development.*

The programme is supporting enabling policies and a regulatory and support framework for local governance. One focus is to help prepare for the introduction of federal government and the adaptations needed to fit local government into a federal system (MoLD 2008).

## 5.1.2 Performance

### *Overall impacts*

There were mixed opinions on the overall achievements of LGCDP and in some cases it was difficult to tell whether the criticisms were about LGCDP in particular or local governance and local governments in general.

An evaluation of the first three years of LGCDP (2008 to 2011) reported its main successes of as being the setting up governance structures. The programme established 2,200 community awareness centres and 23,000 ward citizen forums for inclusive participatory planning at the community level and funded civil society organisations to review the performance of local governments. It helped introduce a system of performance-based top-up grants for local governments, which were used to implement 30,000 projects, mainly for road building, water supply and education. And in 2010, around 45% of funded projects were chosen by women and disadvantaged groups (MoLD 2011).

A later evaluation (Freedman et al. 2012) found that relatively little progress had been made on engaging citizens and communities with local governments and on holding local governments more accountable. It pointed out how the new structures needed to be made more equal, inclusive and participatory to overcome traditional social hierarchies. But it recognised that altering entrenched hierarchies, mainly by the intervention of young, local social activists was a challenging undertaking.

Central level interviewees said that the following three factors had most substantially limited the impacts of LGCDP:

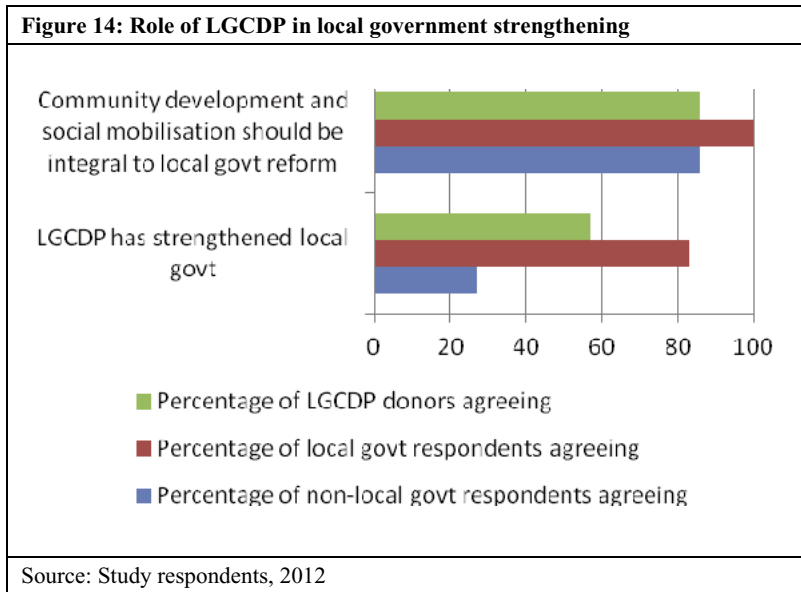
- The absence of elected local government had reduced effective service delivery and meant that the people's aspirations were not reflected in local government programmes.
- LGCDP's prescribed 14-step planning process was not being followed and village development plans were hardly ever referred to, meaning that the approval of local plans was based on individual interests rather than local peoples' identified needs.
- The lack of resources to fund projects prepared by ward citizen forums and community awareness centres.

However, many district interviewees said that the ward citizen forums and community awareness centres were performing well in targeting socially deprived and excluded groups and the members of these forums and centres who took part in the focus group discussion agreed that they had been empowered by LGCDP's support. However, some interviewees raised the concern about the lack of support for poor upper caste people as targeting is happening according to ethnicity more than levels of economic deprivation.

The evaluation by Freedman et al. (2012) found that a number of local governments had increased their capacity to manage resources and deliver basic services in a more inclusive and equitable way. It also reported that, as of mid-2012, there were 3,786 social mobilisers at work (50% female), covering almost all VDCs and municipalities. There was also large-scale participation in ward citizen forum meetings and 75% of forum members were found to have participated in VDC decision-making, including for approving local government funded projects.

Overall only 24% of non-local government questionnaire respondents agreed that LGCDP had strengthened local government (Figure 14). The

focus group discussion articulated the main challenges faced by LGCDP in particular and local governance in general as the apathy and corruption of politicians and the lack of commitment of many bureaucrats who headed local governments. However, most questionnaire respondents agreed that LGCDP was a sound model as 86% of all non-local government respondents said that community development and social mobilisation (as envisaged by LGCDP) should be an integral part of local governance. Many local people in the focus group discussions said that LGCDP had good potential to reduce corruption and make development programmes more people-oriented. The same proportion of respondents agreed that local governments should be mandated under the principle of subsidiarity.



Krishna Prasad Sapkota, former chairperson of ADDCN, said that LGCDP's underperformance was partly due to its failure to make use of the resources created under previous support programmes including the thousands of trained social mobilisers. Similarly, while LGCDP currently lacks resources to fund local projects, a huge fund is lying idle in the saving and credit co-operatives formed under earlier programmes.

One chief district officer highlighted the frequent transfers of staff, disturbances caused by employees' unions and the lack of support and resources district administrators receive from the centre as major problems. Another DDC official said that political leaders needed training as they do not understand many of the rules, planning process and policies of LGCDP and local government.

### *Accountability and transparency*

One of the main objectives of LGCDP is to increase the accountability and transparency of local governance processes to limit the misuse of local government funds. However, almost all study respondents said that there was widespread misuse of local government funds. Many participants in the focus group discussions highlighted the lack of transparency in local governments and charged local government staff with corruption (see Box 26).

#### **Box 26: Criticisms of local government from Doti and Mahottari**

The mostly Dalit participants of the Doti focus group discussions complained about the elite capture of local government and the lack of open consultations to select the members of ward citizen forums with local politicians selecting their supporters. One Dalit woman leader said she did not know anything about the VDC budget earmarked for disadvantaged group people while others complained about the misuse of funds by the Dalit elites. The generally poor delivery of VDC level service was blamed on many VDC secretaries not living in their working areas.

The discussions in Mahottari asserted that corruption was rampant in local government. Many VDC secretaries asked for bribes to provide citizenship certificate recommendations and failed to share information about their VDCs' budgets and programmes. They said that the ward citizen forums were unknown to many local people and that their municipality had not provided any programmes for voiceless disadvantaged people. Also hindering service delivery, many government service providers, including veterinarians, were often not available to attend emergencies and mostly provided services privately charging users.

Source: Focus group discussions, 2012

A number of central level interviewees mentioned the widespread reporting in the media of local government misuse of LGCDP funds. LGCDP's former programme coordinator, Teertha Dhakal, explained this as being due to several factors including the mistiming of programme activities. He said how the programme had helped produced guidelines to guide block grant funding and other reforms. However, the first round of increased block grant funding under LGCDP was released before these guidelines were in place and this led to many malpractices. The media thus painted the programme as causing the misuse of funds. He said that the widespread misuse also happened because initially LGCDP provided some non-earmarked funds for local governments, which were considerably misused. Also, social mobilisation only happened later on, resulting in the spending of much money on un-prioritised activities, especially road building where the chances of corruption and misuse of funds is high. Along the same lines the cluster manager of LGCDP for Mid-Western Nepal said that LGCDP's provision of grants to local governments before carrying out social mobilisation was a mistake. The funds were not so well used with poor targeting.

Most other respondents highlighted the corruption of many of the politicians, communities and local government staff who are involved in local government development funds and said how there is hardly any downward accountability.

- Bimal Koirala said that there had been widespread misuse of funds and this was at least partly due to LGCDP's shortcomings. His review of the public financial management functions of LGCDP had found that the accountability framework promoted by LGCDP was weak as the display boards, social audits, public disclosure and financial audits were mostly treated as rituals to pass the MC/PM tests and were often not properly used. He had also found that the budget earmarked for disadvantaged persons was usually spent on workshops and seldom on poverty alleviation for target groups. The actual priority of LGCDP in the field seemed to be building physical infrastructure and not governance and community development as per the programme's objectives.
- Other central level interviewees pointed to widespread corruption in user groups. This was said to happen where user group leaders were chosen by local politicians. Associated with this are the money-making schemes of inflating project budgets and compromising the quality and quantity of deliverables through underhand means. This can happen as

quality inspectors and auditors are often in on these scams and get their share. In competitive bidding, muscle men affiliated to local elites often physically only allow favoured bidders to file their bids.

- One chief district officer agreed that the formation of CBOs such as user groups is not enough to maintain good governance. Many of them are involved in corruption in collusion with politicians. He believed that the user groups formed by government agencies are mostly corrupt while the community organisations formed by UNDP and other donor agencies and functioning outside of government interference deliver results and only misuse a small part of their funds.
- Pyuthan's local development officer Bhuban Prakash Bista said that only those all-party mechanisms that were corrupt should have been dissolved in 2011 as local government needs a mechanism for consulting with local politicians to decide on development policies and projects. He told how his DDC informally consulted with party representatives. Freedman et al. (2012) pointed out that the disbanding of the all-party mechanisms had caused uncertainty on how the political parties were to be consulted in local planning and project implementation.
- One local development officer said that the political leaders blame the bureaucrats and the bureaucrats blame the politicians for corruption cases. But neither blames the other where they are in collusion with one another. Many speak out against corruption but the same people demand favours that can only be had through corrupt practices.
- Discussion group participants spoke out against the vested interests of political parties and the general apathy of the parties towards the common peoples' problems. The Pyuthan group said that there was elite capture as the local political leaders would only fund projects they personally approved of. The Doti group said that the politicians decided on everything and did not care about the people's views. There was no transparency and accountability and local people did not know about the funds the VDC received or how they were spent. The women in the Mahottari group discussion said that they kept struggling in their VDC council and with the VDC secretary and political leaders to access resources but the political leaders opposed them and did not help them. Most people in the Mahottari group discussions said that local governments were not transparent and usually did not tell community members



about resources and programmes they received. They also said that only elite and rich persons were invited to VDC council meetings.

The central level interviewees recognised that LGCDP has been affected by the absence of elected representatives. This has caused local governments to fail because the bureaucrats appointed by central government are not accountable to local people and have little incentive to provide services to local people. And the all-party mechanisms failed because they were not sufficiently regulated while many user committees fail because they are created by politicians and not the will of local people. The Mahottari discussion group said that better coordination was needed between different interventions within VDCs with VDCs acting as coordinators. But VDCs were in fact becoming weaker during the transition period.

A central strategy of LGCDP to improve governance and the use of local government funds is to introduce a system of rewarding local governments that perform well. Many central level officials, development partners, independent professionals and development practitioners believed that the system of evaluating local governments against minimum conditions and performance measures (the MC/PM system) needed reviewing so that local people weren't punished for the inefficiency of local government staff. The officials in one municipality said that the chief executive officers of municipalities are not penalised when a municipality fails the MC/PM test; rather it is the citizens who are penalised as their municipality receives less funding. But when the municipality passes the test, municipality chiefs are also rewarded. And they are frequently transferred so new office holders cannot be held responsible for the failures of their predecessors. It was reported that in recent years Mahottari district has had up to four local development officers in a year! However, one Mahottari DDC official stressed that the MC/PMs were helping to keep local governments on track.

A number of central level respondents said that formula based funding for local governments (with funding apportioned according to population and other factors) had helped bring more transparency and accountability. But they said that a much larger proportion of the government's budget should be channelled through local government using formula based funding.

### *Inclusive participation and social mobilisation*

The establishment of ward citizen forums and community awareness centres is LGCDP's main way of enabling citizens to influence and be involved in local decision making. These groups are formed by social mobilisation.

The focus group discussions in Pyuthan and Mahottari said that community awareness centres and ward citizen forums were performing well. They had raised the awareness of women, Dalits and disadvantaged people about their rights and locally available resources and were helping them identify their needs and apply for their sub-projects to be included in VDC plans (Box 27). Most interviewees agreed that these forums and centres had empowered local people in contrast to user committees, many of which were formed by elites, did political mobilisation and are not connected with ward citizen forums. The Doti discussion groups said that the ward citizen forums and community awareness centres had questionable financial sustainability.

Quite a few interviewees said that most of LGCDP's social mobilisers performed well as they lived in the communities and helped build peace by engaging with and making communities more aware. But the evaluation by Freedman et al. (2012) reported that LGCDP's social mobilisers needed better preparing to carry out their work and to understand how to foster transformative development in communities. Social mobilisation was also hindered by most district and municipal social mobilisation committees being inactive, by VDC staff being too busy with their service delivery responsibilities to respond to the demands of LGCDP and that participatory processes were often short-circuited in order to meet targets.

#### **Box 27: Praise for community awareness centres and ward citizen forums**

- The Pyuthan discussion group said that the ward citizen forums were connecting people and brought integrated planning to the VDC level. The forums and community awareness centres had empowered their members, but the role of citizens in decision making had increased only a little. They said that the ward citizen forums should be directly

funded to run livelihood and other community-based sub projects, as in PAF, after proper social mobilisation had been carried out. This group said that they received insufficient support from local government for local development. They wanted training on kitchen gardening, sanitation and improved stoves and support for river training, rehabilitation and employment.

- The Doti group said that ward citizen forums and community awareness centres were doing a very good job especially to make them aware of their rights. Community awareness centre members discuss their problems and seek solutions. The women members of these centres had become particularly aware of their rights and were successfully opposing violence against women, alcoholism in men, menstrual seclusion and the need to educate girls.
- Mahottari community awareness centre members praised LGCDP for its social mobilisation which had made them more aware of public health and other issues. This group said that they mostly needed support for flood control, sanitation, drinking water, jobs, irrigation pumps, community buildings and skill training.

Source: Focus group discussions, 2012

Several local government personnel said that LGCDP had done a good job in raising the awareness of local people. The mechanisms established under LGCDP informed the public about their VDCs' budget and the earmarking of funds for women and disadvantaged communities. They also pointed out that the ward citizen forums shouldn't be politicised and should operate as forums of citizens, civil society, ethnic groups and women.

Neupane (2011, 36-37) however, reported that effective social mobilisation was constrained in LGCDP by the lack of enthusiasm in the government to expedite demand-side strengthening, the reluctance by local governments to own the social mobilisation process, sluggish support from service providers for social mobilisation and interference by political parties. Jha et al., (2009, 134) says that LGCDP needs to learn from other programmes that have used the transformational approach of social mobilisation. In particular it needs to focus on the ultra-poor as they were left out by most previous

programmes. It also importantly needs to link the group processes of social mobilisation to local government processes while keeping social mobilisation outside the direct responsibility of local government.

### *Fiscal decentralisation and the role of central government*

In spite of efforts by LGCDP to provide more funds to local bodies, fiscal transfers to local bodies still make up only a small percentage of the national budget with most funding still going through central government. In 2009/10 local government expenditure was only 2.07% of GDP and 11.43% of total public expenditure, while revenues generated by local governments were only 1.84% of all national revenues. The increases in transfers to municipalities and VDCs in recent years have been particularly modest in the light of the large increases in allocations to sectoral line agencies. This has resulted in local governments having several unfunded mandates including for curbing environmental pollution, promoting tourism, and promoting cooperation amongst local people (Freedman et al. 2012). This situation is made worse by the fact that fund transfers are often delayed causing difficulties in planning and implementation.

Local government bureaucrats interviewed for the study said they found it difficult to collect taxes and local fees and so local governments remained dependent on transfers from central government. These transfers usually come with strings attached thus undermining the autonomy of local governments to choose programmes. These bureaucrats and focus group discussants complained that the central government's earmarking of funds for local government constrained local government autonomy and left them with little money for their chosen programmes. Pyuthan's local development officer said that the resources available to local governments are unpredictable and MoFALD often takes *ad hoc* decisions and gives instructions to local governments that hamper their autonomy.

On the other hand a Mahottari DDC official said that it was necessary to direct resources for social inclusion and uplifting marginalised communities, as this had been ignored by the all-party mechanisms. Officials from the Ministry of Local Development said that the frequent criticism of central government interference in local government was often unwarranted. Most of this so-called interference is actually legitimate interventions, for example to ensure that the stipulated 35% of block grants is spent on disadvantaged people as these funds are very susceptible to elite capture.

## 5.2 GTZ/GIZ Support to local governance in Nepal (PASRA, udle, SUNAG)

### 5.2.1 Description

German development aid has supported local governance in Nepal since 1987. Up until 2005 this support was mainly directed at developing the capacities of municipal local governments through the Urban Development through Local Efforts programme (udle). Between 2005 and 2011, alongside udle's continuing support to municipal governance, the Poverty Alleviation in Selected Rural Areas programme (PASRA) supported poverty alleviation by strengthening local governance. This involved building the capacity of local governments, social mobilisation, creating community groups, supporting small rural infrastructure projects and generating employment in five conflict-affected districts in the Mid-West Development Region.

GIZ's current governance support programme is the Sub-National Governance Programme, Nepal (SUNAG) (Table 6). Its current Phase 1 is strengthening local self-government with the participation of civil society (GIZ Nepal 2010). The planned second phase will support the new sub-national governance structures under a federal government. It is closely aligned

<b>Programme</b>	<b>Period</b>	<b>Concerned ministries</b>	<b>Coverage</b>
Urban Development through Local Efforts (udle)	1987–2011	MoLD and MPPH	All Nepal's municipalities
Poverty Alleviation in Selected Rural Areas (PASRA)	2005–2011	MoLD	Dailekh, Jajarkot, Pyuthan, Salyan and Surkhet districts in the Mid-West region
Sub National Governance Programme (SUNAG)	2011–2014 (Phase 1)	MoFALD (lead ministry) and MoUD	A corridor from Kalikot district in the north to Nepalgunj in the south
Source: own compilation			

with LGCDP and the World Bank's Urban Governance and Development Programme (UGDP) and provides technical assistance to LGCDP and both technical assistance and finance (through KfW) to some inputs of UGDP.

The major focus of SUNAG is to strengthen and enable sub-national actors, including local governments (and emerging provincial governments), civil society groups, citizens and business communities to make them more aware of their roles and to enable them to assume new tasks. It also aims to enhance interactions amongst them and to build an enabling environment for local economic development, public service delivery and poverty alleviation (GIZ 2010).

SUNAG has the following four components (GIZ 2010):

- **National policy reform**, by supporting national policy-making focussed on fiscal decentralisation, functional assignments, inter-governmental transfers, infrastructure financing, sub-national financial arrangements, and an auditing strategy for existing and emerging sub-national governments (GIZ 2010).
- **Sub-national institutional reform**, by addressing capacity constraints in selected sub-national governments focussing on financial management, planning, budgeting, human resource management and strengthening dialogue between sub-national governments and interest groups for poverty alleviation and business.
- **Civil society participation at sub-national level**, by strengthening civil society organisations and citizen organisations that work at the local level.
- **Sub-national service delivery and local infrastructure**, by 1) strengthening sub-national governance arrangements to provide key social services (particularly for the poor) and promoting private sector-led local economic development; 2) strengthening service departments within sub-national governments; and 3) coordinating with the World Bank financed Urban Governance and Development Programme (UGDP). The programme is also funding urban infrastructure projects with support from KfW (GIZ 2010).

Given the uncertainties about the future shape of Nepal's political-administrative structure, SUNAG is currently focussing on strengthening municipal governance as municipalities are the entities most likely to remain intact

whatever the shape of the future national governance structure. It is also working to strengthen urban-rural links with an important objective being to improve the district level coordination of ministries. It will also support the new emerging state structures and the inter-governmental relationships within the forthcoming federal system.

## 5.2.2 Performance of udle, PASRA and SUNAG

### *Overall impacts*

Evaluations of udle and PASRA report that these programmes played an important role in building the capacity of municipalities, VDCs and DDCs and helped institutionalised good governance practices like citizen report cards, participatory planning, participatory budgeting and downward accountability frameworks. Their main overall contribution has been to pilot good governance practices to promote and demonstrate their use.

The major achievements of udle (1987–2005) were to establish and strengthen the Urban Development Training Centre and the Town Development Fund (TDF) and support them to implement urban development projects. This led to more urban planning, land development and community-led urban conservation. Landmark urban development projects were supported in Bhaktapur and Patan. In the latter part of the programme municipalities were supported to improve revenue collection, develop integrated plans and implement peacebuilding activities. Support was also provided to design a revenue sharing and equalisation scheme between central government and the municipalities (GTZ Nepal 2006, 7-11). Chief of SUNAG Horst Mattheaus said that the performance measurement system adopted by the Ministry of Local Development (MoLD) around 2008/09 was first piloted by udle for its municipalities.

The major achievements of PASRA (2005–2011) were to increase food security and employment opportunities in the aftermath of the armed conflict and to build capacities for community development and self-governance. Eighty-seven per cent of beneficiaries of PASRA's food security, livelihood and consumption pattern programmes reported improved food security with 30% of beneficiary households reporting less outward migration (WFP Nepal 2009). District stakeholders in Pyuthan said that other programmes had not had as much of an impact as PASRA. The local communities wanted

PASRA to return as it had left just as local people started benefiting. They pointed to the example of how PASRA had benefitted the remote VDC of Udayapur Kot in a short time (see Box 28). The major contributions made by udle and PASRA for demand driven planning and giving citizens voice are detailed below.

**Box 28: Udayapur Kot VDC: a success story of local government reform**

Support from PASRA helped Udayapur Kot VDC in Pyuthan to become a model of good governance. The VDC has a committed secretary who disseminates information to everyone. He sensitises community groups for social awareness and demand mobilisation assisted by facilitators from PASRA and LGCDP.

PASRA was praised. It had helped form 20 volunteer groups, which now also serve as PAF community organisations. It also established participatory learning centres which made citizens more aware of issues, challenges and opportunities. Women's empowerment resulted and now women participate in VDC-level decision making. One local initiative was the requirement that all households build toilets. By a consensus decision those that don't build them are punished by withholding VDC services. The community and the VDC help poor households build toilets.

The VDC coordinates all local programmes including those of NGOs, INGOs and PAF. Although PAF data is included in overall VDC information, but coordination with PAF needs improving.

Source: Focus group discussion at Udayapur Kot VDC, Pyuthan

SUNAG is a new programme and so no evaluations or impact studies have been carried out yet. Concerning the design of SUNAG Jagadish Pokhrel said that SUNAG's approach of focussing governance and economic development support on a corridor from Kalikot district in the north to Nepalgunj in the south, including promoting public-private partnerships for regional economic growth, builds on the successes of PASRA and udle in that region. Horst Mattheaus said that SUNAG works with LGCDP as much as possi-



ble to reduce duplication. SUNAG has a few cluster offices that focus on networking and supporting municipalities to prepare capacity development plans.

### *Demand driven planning*

SUNAG's programme chief Horst Mattheaus and former vice-chairperson of the National Planning Commission Jagadish Pokhrel said that the udle/PASRA model provided funding to the ward level for small scale infrastructure projects and through this developed demand-driven local and district planning capacities and multi-sectoral development. SUNAG is now doing the same and is helping build the capacities of LGCDP and DDC staff.

Many interview respondents agreed that this approach was successful although the limited budgets and coverage and the brief periods of intervention were criticised. Janakpur municipal officials said that udle had served poor people and empowered them by giving them access to resources and involvement in decision making. But it had worked in Janakpur for only three years in a small area with limited funds like a pilot programme testing innovative practices. Jagadish Pokhrel made the same point saying that udle, PASRA and now SUNAG have been criticised for only working at the micro level, providing limited funding for limited times. He pointed out that this was a deliberate strategy to use the energy created in communities by infrastructure development and livelihood support to promote larger governance reforms through capacity development and training programmes.

### *Strengthening citizens' voices and self-governance*

Participants in focus group discussions in PASRA's working areas said that the programme had successfully promoted local government, governance reform and an inclusive participatory process during and after the Maoist conflict. It had strengthened citizen's voices, helped integrate them in local government planning and decision making and provided resources for local development:

- The employment generated through PASRA's infrastructure programme has had a sustainable impact as local governments and leaders were closely involved in identifying and implementing projects while community people learned how to plan, build and operate them (WFP 2008).

- Pashupati Nath Jha of SUNAG's Nepalgunj office pointed out how citizens' report cards were introduced in Pyuthan under PASRA for citizens to evaluate the performance of civil servants in forums of central and local government service providers, citizens groups and individuals.
- District level stakeholders in Pyuthan said that PASRA had set up participatory learning centres as citizens' forums that gave voice to local people and ran awareness raising programmes. They also provided the model for LGCDP's community awareness centres.
- The staff of Silgadhi municipality, Doti, said that udle had helped create revolving funds for community organisations to spend on livelihood improvements for poor people
- The staff of Janakpur municipality, Mahottari, said that udle had supported the preparation of poverty profiles in five wards of Janakpur municipality and supported sanitation, drainage, road gravelling, tube-well and community building works.

## 5.3 Poverty Alleviation Fund (PAF)

### 5.3.1 Description

The World Bank supported Poverty Alleviation Fund (PAF) began in 2004 as a new approach in Nepal for bringing households out of poverty (Box 29). PAF was designed against the background of previous poverty alleviation efforts that had been poorly targeted with tied funds, supply-driven investments, high administrative costs and complex procedures. They also tended to lack transparency and were dogged by corruption. Many poverty alleviation efforts had also suffered from elite capture.

The objective of the current phase of PAF (2008–2014) is to empower the rural poor and improve their living conditions and livelihoods, with particular attention to groups traditionally excluded because of their gender, ethnicity, caste and location. It aims to reach about a million households in 75 districts by:

- investing in community-selected and managed sub-projects that create access to socioeconomic infrastructure and services, increase assets,

generate employment and expand income-generating opportunities in poor villages;

- enhancing the capacity of local bodies, particularly VDCs, to provide better services for poor and socially excluded groups; and
- improving government efforts to coordinate support for poor and excluded groups.

**Box 29: Information on the Poverty Alleviation Fund (PAF)**

**Concerned ministry:** Office of the Prime Minister and Council of Ministers

**Donors:** World Bank, IFAD (financial support)

**Period:** Phase 1: 2004–2008. Extended phase 2: 2008–2014

**Coverage:** 40 districts, with on-going expansion to 15 more districts

Source: PAF (2011)

The programme targets the poor and promotes social inclusion through demand driven, participatory community planning, direct payments to community organisations, and the community implementation of projects (PAF 2011). It supports rural poverty alleviation through community-driven interventions, self-targeting by poor and excluded communities and community mobilisation that enhances voice, empowerment and social capital.

PAF implements its programmes through partner organisations, which carry out social mobilisation and capacity building at the community level. These organisations disseminate information about the project, mobilise community groups and build their capacity to develop and manage sub-project proposals. Partner organisations can be NGOs, CBOs, or local governments (VDCs and DDCs). They liaise with local governments to ensure that proposed infrastructure sub-projects are consistent with VDC and DDC plans and priorities. While partner organisations may be entrusted by community groups to submit sub-project proposals to PAF, grant funds flow directly to communities (World Bank 2007, 11-14).

PAF supports sub-projects for small-scale village infrastructure and services, and for income generation. The rules that apply to these projects and the

project cycle are given in Box 30. Support is directed through community organisations which are expected to engage in participatory decision making. These community organisations are formed under an inclusion formula and all executive positions have to be filled by disadvantaged people.

**Box 30: The rules and project cycle for PAF sub-projects**

**The rules:**

1. Project proposals are identified by groups of poor people who come together as community organisations.
2. Decisions regarding sub-projects must be participatory and inclusive.
3. Community groups make cash contributions.
4. There are ceilings on the investments per household and the size of each sub-project.
5. Funds for implementing sub-projects and technical assistance are deposited into community organisations' bank accounts.

**The project cycle:**

- (a) Community mobilisation and organisation formation.
- (b) Sub-project preparation including developing operation and maintenance plans.
- (c) Appraisal by PAF technical team and partner organisation.
- (d) Approval by PAF technical appraisal committee.
- (e) Endorsement by DDC and VDC (infrastructure sub-projects only)
- (f) Project implementation.

Source: World Bank (2007)

PAF seeks to avoid the potential drawback of undermining local government by striving to work in collaboration with local governments. In this respect, all infrastructure sub-projects it finances have to be a part of local VDC and DDC annual plans. Also, PAF provides capacity building support for local governments (World Bank 2007). Note that PAF only gives money to community organisations for tangible projects and very little for organisational strengthening and for raising awareness.

### 5.3.2 Programme performance

#### *Overall impacts of PAF*

Evaluations of PAF and the questionnaire responses pointed to it having improved the standard of living of many poor and vulnerable communities and has helped many of them escape the poverty trap. It has created small infrastructures to support poor people's livelihoods and has helped bring about improvements in education, health and sanitation.

After three years of implementation, it was reported that PAF was successfully targeting the extreme poor, including traditionally marginalised and excluded groups (World Bank 2007, 3-4). This evaluation found that 70% of PAF beneficiaries were hard core poor people. There was said to be strong local support for the programme due to this focus and its emphasis on local priority setting and decision-making. There had also been good rates of return on the total investment of 20-25% in the first three years. Annual per capita incomes of beneficiary families had increased by 10-15%. The success of Phase 1 led to the World Bank going ahead with a Phase 2 across all Nepal's 75 districts (World Bank 2007). The achievements of Phase 2 between 2008 and 2011 (see Box 31) led to the World Bank agreeing to further fund PAF.

Participants in the focus group discussions agreed that the living standards of many PAF participants had improved. They said that PAF had helped the poor access affordable finance while its social mobilisation had improved awareness among women, Dalits and other disadvantaged people. Focus group discussants in Pyuthan and Doti agreed that the living standards of community organisation members had improved. They also said how more children were going to school and costly loans from local lenders were no longer necessary as PAF had made funds available to them at a low cost.

Raj Babu Shrestha, executive director of PAF, emphasised the role of PAF in local peacebuilding. He said that the livelihood support for community organisations of disadvantaged people has helped bring about less unequal communities. This has helped build peace, although initially it can bring conflict by threatening the status of rich people.

There was, however, less praise from some central and district level interviewees who said that PAF was donor-driven, unsustainable and worked in parallel to local governments, and some community organisations made ineffective use of their funds. Bimal Koirala said that PAF functioned on

inputs rather than outputs and that the recorded improvements in economic well-being could well have been due to remittance incomes more than PAF. He also said that PAF has made some mistakes as its portfolio managers do not spend enough time in the districts and act like tourists when they travel to the field. A Maoist party member in Pyuthan said that PAF was not as effective as PASRA as it was not effectively distributing resources.

### **Box 31: Achievements of PAF**

#### **1. Achievements between 2008 and 2011**

- It covered Nepal's 40 poorest districts, directly supporting 14,831 community organisations and 418,000 poor households, and benefiting more than 529,000 households.
- 57% of households supported were Dalit or Janajati – the most marginalised groups.
- There was a 10 percentage point decrease in food insufficiency and a 6 percentage point increase in school enrolment for children aged 5-15 years.
- There were significant positive impacts on food sufficiency, child schooling, women's empowerment and access to services

Source: World Bank (2011b)

#### **2. Achievements between 2007 and 2009**

- Programme interventions led to a 31% increase in real per capita consumption growth and a more than 42% increase in the real per capita consumption of households six or more months after they had received grants to support livelihoods activities. In the absence of the PAF programme these households would have recorded a negative growth in their consumption of about 2%.
- The programme was successful in targeting benefits to marginalised caste and ethnic groups as the real per capita consumption increase for Dalits and the Janajatis was 30% while the increase amongst the poorest quintile of participants, including all ethnic and caste groups, was only about 16%.

Source: CEDA (2010).

*Accountability, transparency and coordination*

Interviews with central level stakeholders confirmed that PAF's model of directly funding local communities makes for more transparency and accountability in funding local development, but that there had been inadequate coordination with local governments.

Raj Babu Shrestha of PAF said the inadequate support and cooperation PAF was receiving from local governments, government line agencies and local politicians was a strong justification for directly funding community organisations. He pointed out how most local governments did not coordinate their activities with PAF and did not recognise PAF's efforts, while the political leaders did not involve themselves much with PAF as its money does not flow through them. He also said that government livestock offices did not cater to PAF members' needs for livestock care.

PAF community organisation members in Doti and Mahottari agreed that livestock care and agricultural advice services were often not available from government service providers who were often not available to attend emergencies meaning that local people had to pay private service providers. There was said to be a general lack of support from government officials.

Mr Shrestha went on to say that, in this context PAF's direct funding modality has high levels of transparency and accountability. PAF insists on social and financial audits, the public display of accounts, consensus decision making and sharing of information with all group members. Every household knows about the funds received by their community organisation. PAF's community-driven development model has put pressure on other interventions to become more transparent and accountable. And networks of community organisations are exerting pressure on VDCs to be more transparent.

The district interviewees said that most PAF community organisations carry out social audits, display their accounts in public, and engage in consensus decision making and information sharing on sub-projects. PAF community group members in Doti asserted that all group members knew how much funding their community organisations had received from PAF. They made loan decisions by consensus and observed downward accountability. Mahottari community organisation members said that their organisations operated transparently and exerted group pressure for accountability. Some discussants said that there was however some corruption, fund mismanagement, elite capture, and lack of information sharing.

There were differing views on the levels of coordination between PAF's community organisations and other agencies. Some district interview respondents reported good linkages between the community organisations and local governments and ward citizen forums. They said that ward citizen forums and PAF community organisations worked together in some places and the social mobilisation done by PAF was helping LGCDP. A social development officer from Mahottari DDC said that the present success of LGCDP social mobilisation was because of the previous achievements of PAF and other programmes. A number of PAF community organisation members disagreed pointing to the lack of coordination between their groups and local government and other agencies' programmes.

Two senior governance experts called for closer links between PAF and local governments. Jagadish Pokhrel said that the armed conflict had weakened local governments, which created the need for direct interventions like PAF; but he strongly believed that PAF should now be run through local governments. Former senior MoLD official Ganga Dutta Awasthi said that PAF's direct funding and community-driven development approach is good; but planning and coordination needed integrating with local government processes.

### *Inclusive participation and social mobilisation*

Many interview respondents said that PAF had empowered local disadvantaged people. The focus groups in all three districts noted the inclusive participation of disadvantaged people and poor households in PAF community organisation meetings. They agreed that PAF's social mobilisation has raised awareness on livelihood issues and group dynamics for selecting and implementing small infrastructure projects. PAF community organisations exert group pressure for accountability and conformity to group rules. The story in Box 32 is one example of how PAF has enabled poor women out of the poverty trap.

In Mahottari, the community awareness centres, ward citizen forums and PAF were praised for raising the awareness of women, Dalits and disadvantaged communities about their rights and locally available resources. These initiatives had provided training and financial resources to these communities for implementing community-owned projects. However, the members of the PAF community organisations in Mahottari and some district interviewees said that PAF's targeting of the ultra-poor was compromised by the programme



using a standard one-size-fits-all social mobilisation model that did not address the low levels of confidence and capacity of the poorest communities.

### **Box 32: PAF support for women's empowerment**

Pasupatinagar is a remote VDC in Mahottari inhabited by Madhesi and hill Janajati people. In 2008 the women-only Ratu Community Organisation was formed under PAF. PAF gave the group NPR 520,000 for livelihood development. They used the money to set up livestock enterprises, shops and a football making factory. The group provides loans of up to NPR 30,000 to its members, which have been used to boost members' incomes. The group invests its interest income in a local cooperative and uses this income for further investments among members including to build toilets.

They have become much more aware of the issues and priorities in their VDC and about women's issues. They now send their daughters to good schools as they earlier did with their sons and campaign against child marriage. They also run a mediation programme that resolves household and local conflicts.

Source: Focus group discussion with members of Ratu community organisation, Pasupatinagar, Mahottari (2012)

### *Challenges*

In addition to the challenges mentioned above, the vested interests of politicians, resource overlaps with other programmes, the lack of integration of PAF support into VDC planning and the inadequate performance of some community mobilisers have all lessened the impacts of PAF.

The focus group discussions with members of community organisations highlighted a number of challenges to the effective implementation of PAF. The foremost was said to be the vested interests of political parties and their apathy towards the common peoples' problems. PAF community organisation members in Pyuthan said that the political leaders only brought resources to their favoured VDCs. In Mahottari, women PAF members said they kept struggling with and within their VDC councils and with their VDC secretary and political leaders; but still got very little support. On the contrary

the participants in the discussions in Ratbara, Mahottari said that the local politicians had supported them. Pyuthan community organisation members related how VDC officials had said that they (the officials) were reluctant to direct support to them as they were already being supported by PAF.

Some respondents said that there is an overlap with local government programmes as PAF is not well-coordinated with local government planning and programme implementation. Raj Babu Shrestha, executive director of PAF, said that there is a need for joint social mobilisation by PAF and LG-CDP to integrate citizen level initiatives to avoid gaps and overlaps. Some Pyuthan community organisation members agreed there was a duplication of resources because of a lack of coordination between different interventions, probably because PAF's planning and choice of projects has not been coordinated by VDCs.

Community organisation members in Pyuthan and Doti said that PAF and LGCDP had achieved mixed results. PAF was praised for directly funding communities and social mobilisation was said to be most successful where social mobilisers were committed. In the many places where the mobilisers were not committed PAF funding has not been so well used and has had less of an impact. These respondents also said that many of PAF's livelihood schemes were not production oriented and PAF had not empowered people where social mobilisation was weak.

Raj Babu Shrestha of PAF said that sustainability is a major issue for PAF's community organisations. A new statute is needed to officially recognise, regulate and facilitate them. The community organisations need to build linkages with cooperatives, micro-credit institutions, local governments and other service providers. PAF community organisation members should automatically be members of ward citizen forums. PAF has reached an understanding with LGCDP and linkages between PAF and LGCDP have been established in 27 districts.

## 5.4 Local peace committees

### 5.4.1 Description

The Comprehensive Peace Accord (CPA) of November 2006 brought a formal end to the ten years of conflict between the government and the

Communist Party of Nepal (Maoist). In early 2007 the government set about forming local peace committees to help implement the CPA and other agreements (Box 33). The committees are supposed to have inclusive participation and work in line with the spirit of the CPA and other peace agreements (MoPR 2009, section 9). District local peace committees have operated in Nepal since July 2007 and are operational in all 75 districts at varied levels of effectiveness.

**Box 33: Information on local peace committees**

**Concerned ministry:** Ministry of Peace and Reconstruction

**Donors:** Nepal Peace Trust Fund (NPTF), a donor trust fund supported by Finland, Germany, Norway, Switzerland, UK and the European Commission

**Type of donor support:** Financial and technical

**Period:** 2007 and on-going

**Coverage:** All 75 districts

Source: MoPR (2009)

The district committees were formed at consultation meetings with representatives of local political parties, conflict-affected people, civil society, the media, human rights organisations, local businesses, ethnic communities and Dalits. District local peace committees can have a maximum of 23 members and must have at least one-third women membership. They can form VDC and municipality peace committees. The committees nominate a coordinator from their members with this job rotating every six months. Village (VDC) committees have nine member secretariats including the major political parties and at least two women. An officer appointed by the Ministry of Peace and Reconstruction (MOPR) is the secretary of district committees (MoPR 2009, section 3). The major responsibilities of local peace committees are listed in Box 34.

The terms of reference of the committees (MoPR 2009) say they can use local or national-level facilitators and monitors to help eliminate violence and prevent crisis situations. They should also work with local governments

and where they cannot resolve conflicts should seek the advice of the central level Peace and Reconstruction Consultative Committee.

**Box 34: The major responsibilities of district level local peace committees**

- Help implement the Comprehensive Peace Accord.
- Facilitate local peace negotiations, peacebuilding and conflict transformation.
- Monitor relief and reconstruction programmes.
- Assist MoPR to collect data on conflict affected individuals, families, and infrastructures.
- Emphasise reconciliation, healing, and mutual trust.
- Observe political and social developments at the local level.
- Use conflict prevention to overcome political obstacles and violent situations.

Source: MoPR (2009)

## 5.4.2 Programme performance

Note that the following findings need to be set against the time they were reporting on.

### *Positive impact and potential of local peace committees*

The study found the widespread view that local peace committees are relevant in the current transition period by providing district forums for the peace process that involve all stakeholders.

The study by Prasai et al. (2008), carried out soon after their initial formation, found a widespread view that local peace committees could serve an important purpose in the transition period as district level forums for peacebuilding. They reported that chief district officers believed that functional local peace committees helped them deal with political conflicts that

could not be dealt with through administrative and legal procedures. Local politicians said that the committees could deal with issues that the all-party mechanisms of the time could not deal with and the participation of civil society representatives added to their legitimacy.

The same study found some active local peace committees and reported that they had helped prevent election-related inter-party violence at the 2008 elections by holding all-party interactions, calling for the implementation of the code of conduct, and mediating disputes. Gross and Rajbhandari (2009) also found that some local peace committees had been effective. The committee in the highly conflict affected district of Rolpa had membership from all major political parties, civil society and marginalised groups who were working together on peacebuilding. The coordinator of Rolpa's local peace committee was changing every six months (as it should) and the committee was working with the chief district officer to ensure that conflict-affected families received their due compensation.

ICG (2009b) said that local peace committees could be a crucial part of the peace process especially in the absence of elected local government. It said that the committees could promote inter-party cooperation, deal with local disputes, facilitate the provision of relief and rehabilitation funds and support district administrators to maintain law and order. Nevertheless, local peace committees were only a stop-gap solution. However, a number of district and central level interviewees said that the committees will be needed even after local government elections as they can complement local governments by sharing mediation responsibilities. Most study respondents agreed that local peace committees could become alternative dispute resolution mechanisms if properly institutionalised.

Many people were in favour of the committees because they were (and are) the only autonomous government-mandated body to bring political and civil society leadership together at district level to work for peace (Prasai et al. 2008). On the other hand, although civil society representation is more than that of political parties, the political alignment of most civil society actors creates interesting dynamics. It tends to be the three main political parties who negotiate among themselves and decide which civil society representatives, women, Dalits and Janajatis are included on the committees. The civil society members however claimed that they were professionally independent.

A year later TAF and MoPR (2010) found a significant number of local peace committees to be active. Secretariats had been established in almost all district and VDC-level committees; but there was a large gap between the high expectations of MoPR and what the committees were actually delivering.

### *Challenges faced*

The main challenges faced by local peace committees have been limited resources, capacity constraints, lack of transparency and inclusiveness, politicisation, lack of guidance from MoPR and the lack of clear terms of reference.

The 2008 evaluation, carried out a year after the initiation of the committees found that only a few local peace committees were active (Prasai et al. 2008). Some non-civil society members said that that the committees were redundant as local politicians and the district administration and district councils wielded all the decision making power. They also pointed out that the committees would work best if there was a consensus central government. In 2012, John Paul Lederach of the Kroc Institute said that many local peace committees were failing because they were led by politicians (Box 35).

#### **Box 35: Most politicians only know how to compete for power**

John Paul Lederach, who is engaged with peacebuilding and mediation at the local level in Nepal, said that the success of local peace committees depends upon the capacity of politicians to work together and mediate disputes. However, they find this difficult as they are only used to competing for power and so most local peace committees are unsuccessful. The committees' remit of mediating conflicts should be handled by civil society and independent members. Only then will communities trust these committees. He also felt that the committees can play an important role working with future elected local governments to share mediation responsibilities. He pointed out that most politicians are creating rather than resolving local conflicts because of the competition for power.

Source: Study interview, 2012

In 2009, Gross and Rajbhandari reported the many challenges faced by local peace committees. Many have lacked vital information on the peace process, guidance and training from the government, and a clear vision of their mandate. Many have failed to reach outside the district capitals to address the localised grievances that threaten Nepal's fragile peace at the village level. And as sporadic acts of violence, both criminal and political, continue to afflict the countryside, many committees have yet to reach a consensus on how to build peace.

One challenge was the lack of terms of reference. Even after the introduction of one in 2009 (MoPR 2009) MoPR is not providing adequate support for the committees to carry out their responsibilities and is mainly using them to collect data on conflict damage and victims. Many local peace committees felt that their other work was not appreciated by MoPR (Gross / Rajbhandari 2009). Prasai et al. (2008) said that political and policy complications at the central level had prevented MoPR from providing the committees with initial logistical and budgetary support. This 2008 study also found women and Dalits to be grossly under-represented with the proportion of civil society representation almost double that of politicians. In 2012, one local administrator said that many of the decisions of local peace committees are based on political considerations and there is often intense bargaining for distributing compensation to conflict-affected people.

Santosh Bisht of the NPTF support programme said that local governments should be involved in resolving local and domestic conflicts although the local peace committees could play a role in resolving local political conflicts that could lead to violence. He said that there is elite capture of these committees in some places.

The members of Mahottari and Doti local peace committees said that confusion over their mandate and the political bias of central government and lack of resources hindered their work (see Box 36). VDC level peace committees were being formed in all three study districts, but lacked adequate resources to carry out their mandates (Box 37).

**Box 36: Lack of resources and authority for local peace committees**

**Mahottari:** The members of Mahottari local peace committee said that it lacked adequate resources, there was confusion over its role and almost every time the minister changed at MoPR the committee's secretary also changed to match the minister's political affiliation. And the agencies involved in peacebuilding in the district did not coordinate with the local peace committee. The complaint was heard that members' transport expenses were often not reimbursed. The coordinator said he lacked the authority or resources to select peacebuilding projects and these were mostly imposed by MoPR. He also said that some genuine conflict victims have not been compensated after the committee recommended them to MoPR while others have received compensation because of their political connections.

**Doti:** The members of Doti's local peace committees said that they had been prevented from doing their job. They complained that the committee had been politicised with the secretary appointed on a political basis. They said that a number of people who were not conflict victims had received compensation because of their political connections while genuine victims had not been compensated because of the mishandling of data and interference by MoPR. Also, a number of conflict victims had not received compensation because of lack of funds, because they live in remote villages, and for lack of knowledge on the availability of compensation. Costs have gone up and the rate of compensation has become inadequate. They also said that few of their recommendations are taken seriously by MoPR and it just keeps on asking for more proofs. They also pointed out that none of the property seized during the conflict has been returned and that they had received data on disappeared people from the Nepal Army but not from the Maoists.

Source: Discussion with Mahottari and Doti local peace committee members (2012)



**Box 37: VDC level peace committees**

**Pyuthan:** 19 VDC level peace committees have been established and 13 more were under formation. However they lacked adequate budgets and personnel. These committees were helping resolve household level and other small conflicts including domestic and gender violence. The district peace committee was said to be mostly collecting data on conflict victims and physical infrastructure damage, although it had helped manage some inter-group conflicts. Pyuthan's local development officer said that they were visiting remote areas to mediate conflicts.

**Doti:** The local peace committee was mainly engaged in collecting and verifying data on conflict victims. VDC level committees had settled domestic violence cases and conflicts between Dalits and non-Dalits.

**Mahottari:** 22 VDC level peace committees had been formed recently. Conflict affected people said they valued these committees as the only venue where they could communicate with the government and seek help. But their effectiveness was said to be limited by most committee coordinators, the VDC secretaries, living outside their VDCs.

Source: Study focus group discussions, 2012

*Mixed impacts*

A number of the respondents and evaluations had mixed opinions on local peace committees. The Carter Center (2011) said that by 2011 there had been a clear positive shift across the country in terms of local peace committee formation and functioning; but despite all the support, funds, and training provided, in 12 of the 33 districts visited local peace committees had either not been formed or were inactive. Nineteen of them were active and meeting regularly, but their effectiveness and impact was unclear, and most were not living up to their broad mandates. Only 2 of the 33 committees were very functional. The conclusion was that local peace committees would continue to be challenged by a lack of relevance, politicisation and limited resources.

Christoph Feyen of the Nepal Peace Trust Fund (NPTF) support programme pointed to the design and mandate faults that were holding back the performance of local peace committees. He said that the allegations of politicisa-

tion were irrelevant as some committee members have to be politicians and they are needed to tackle political conflicts. He also said that local peace committees have been criticised for not helping local peacebuilding activities. He said this is true and happens because they lack a clear mandate, political support and adequate resources. Ganga Dutta Awasthi, who has reviewed the Nepal Peace Trust Fund, said in 2012 that local peace committees lacked clear mandates, political support and the resources to perform effectively. It is difficult for the committees to do a proper job as MoPR does not adequately support them for peacebuilding and alternative dispute resolution.

Durga Nidhi Sharma, who was previously an MoPR official and director of the Nepal Peace Trust Fund, said that there had been tensions in the appointment of local peace committee coordinators and some district officials see these committees as externally imposed. He said that the committees have not had much impact on building peace, but have played an important role in collecting and verifying data on conflict-affected people and damage to physical infrastructure.

A number of study respondents suggested how their performance could be improved (Box 38).

**Box 38: Suggestions for improving the impact of local peace committees**

Many questionnaire respondents said that local peace committees needed providing with more resources and capacity building opportunities. They needed more personnel with longer term tenure and local peace committee secretaries should be appointed on merit and not political affiliation. They also said that the committees should be managed by independent civil society representatives. Another widespread opinion was that MoPR should stop interfering in the committees' business while one respondent said that the committees' mandate should be enshrined in law.

Some respondents said that local peace committees should be integrated with local government and closed down once the official peace process ended. In the meantime they should work only on larger political conflicts while local government handled micro-level conflicts. But other respondents said that local peace committees were well-suited to mediate household and community level conflicts.

The focus group discussions with local peace committee members said that the committees should be granted tenure of at least three years to cover the period until after the next parliamentary and local government elections. The transition may continue for longer and so staff should be appointed on longer term contracts.

Doti peace committee members said that they needed to be trained on carrying out their mandate while VDC secretaries should coordinate the work of VDC peace committees but not interfere in their daily operations.

Source: Study respondents, 2012

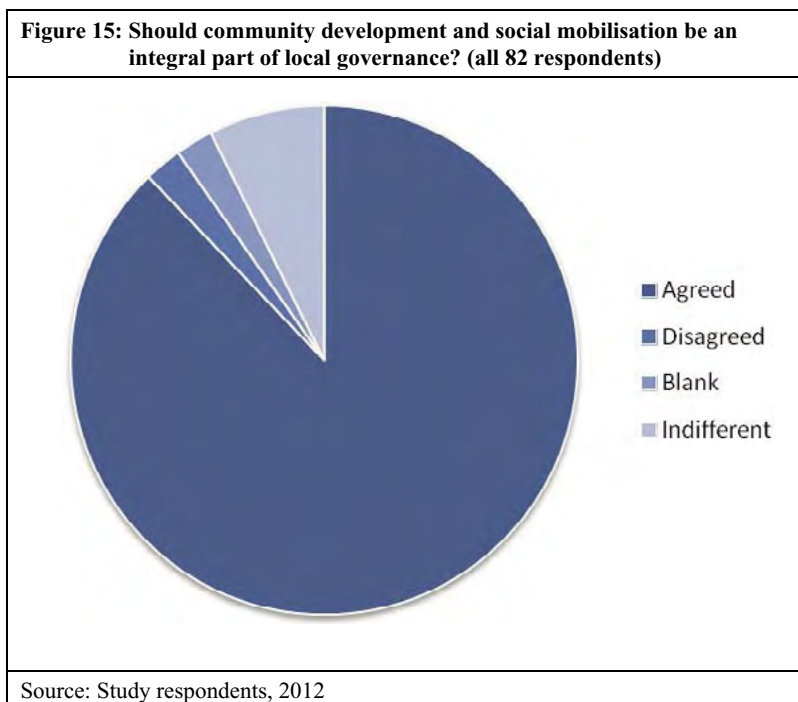
## 6 Conclusions and overall findings

This chapter presents the overall findings and conclusions of key issues investigated and summarises the performance of the four case study governance and peace support programmes and the many challenges they face.

### 6.1 Local and community governance for peace and development

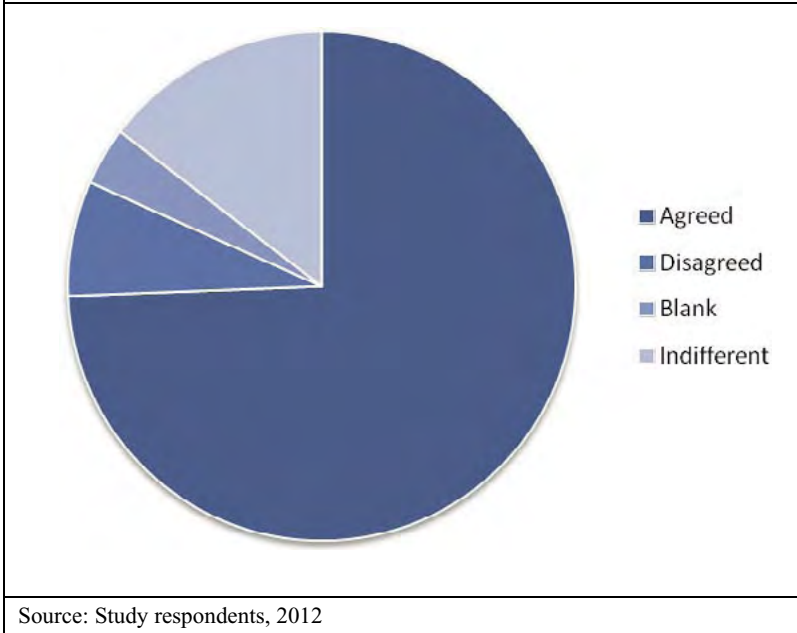
The study found that community and local governance structures can benefit each other. The community awareness centres, PAF's community organisations and other types of CBOs are having a large positive impact on development and peace. Most questionnaire respondents agreed that social mobilisation and community development should be an integral part of local governance reform (86%) (Figure 15) and that local government and community-driven development (as practiced by PAF) can be complementary and provide more benefits if they work together (74%) (Figure 16).

But local government and community-driven development are seen by some as incompatible either for community organisations usurping local government functions or local governments hindering the functioning of



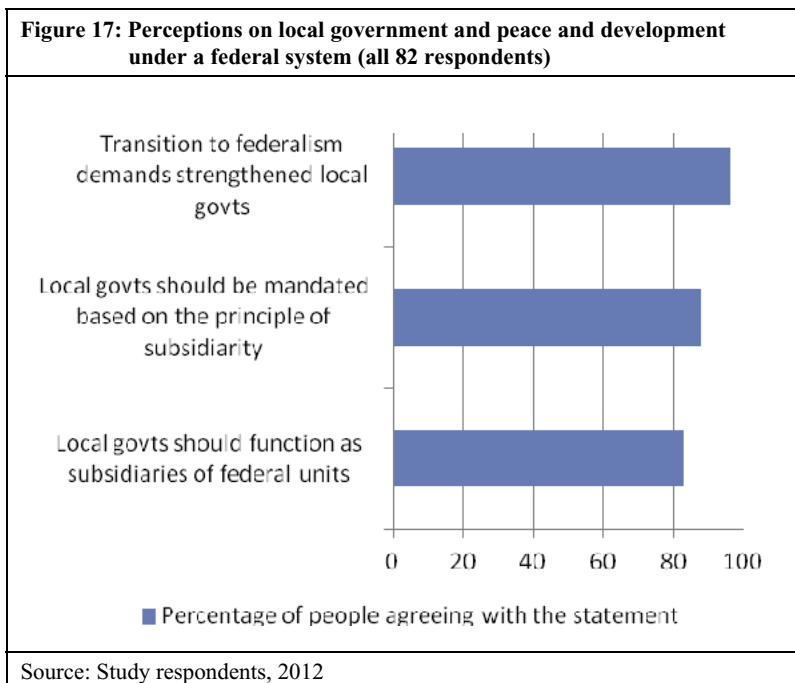
CBOs. Many of these institutions compete for resources and power. Many members of community groups and associations feel that central level politicians and bureaucrats do not support them and are indifferent towards their concerns. They also perceive that such politicians envy their growing collective power as it can transform into political strength. At the same time the people at the helm in local government and central government give confusing signals as their words favour community development and empowerment but their deeds show little commitment to community initiatives.

**Figure 16: Opinions on whether local government and community-driven development are complementary (all 82 respondents)**



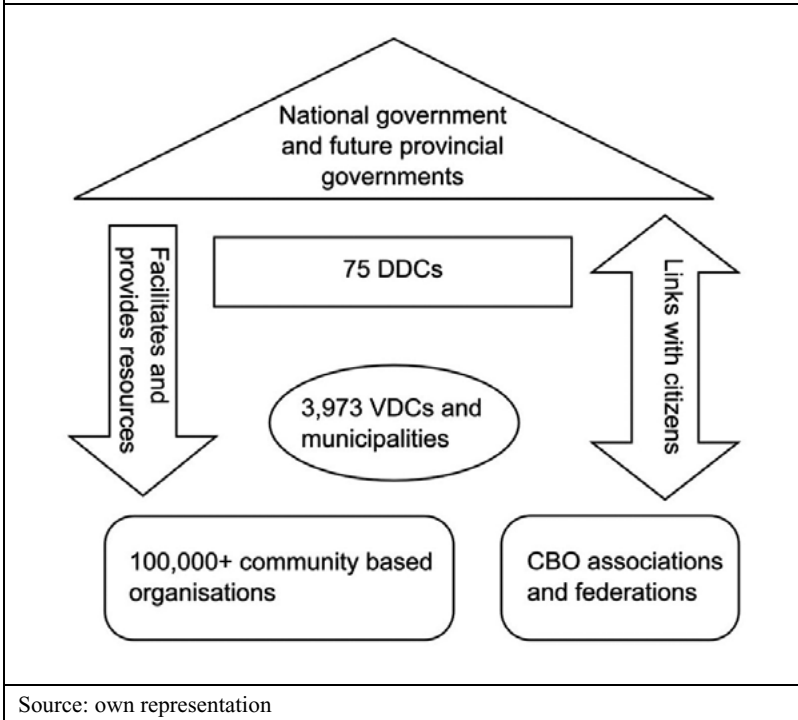
## 6.2 Local and community governance and the transition to federalism

The study's findings suggest that strengthened local and community governance will smooth the transition to a federal system of government in Nepal and help bring about peace by promoting good governance at all levels and helping resolve local conflicts. Good local and community governance can be the shock absorber of the vagaries and uncertainties of the transition to full-fledged federalism. It is desirable both to help manage the transition to a federal state and for longer term peacebuilding and sustainable development by incorporating local and community voices in local governance.



The majority of questionnaire respondents agreed that local governments should be the subsidiary units of the federal provinces and that strengthened local governance and governments will help the transition to a federal system (Figure 17).

Nepal has an estimated 100,000 CBOs (see Box 19) formed mostly under different development programmes. These institutions can help manage the transition and build peace and development if treated as outreach mechanisms and a bridge between the government and citizens as shown in Figure 18.

**Figure 18: Nepal's community and local level governance institutions (2012)**

### 6.3 Performance of the four case study programmes

The four case studies programmes have empowered communities and strengthened local governments and communities to contribute to development and peace. Many targeted individuals and groups have benefitted. The impacts of some social mobilisation efforts have gone deeper and have been transformational while others have concentrated on limited objectives, as with PAF's livelihoods programme. A number of challenges have dampened the impact of these programmes.

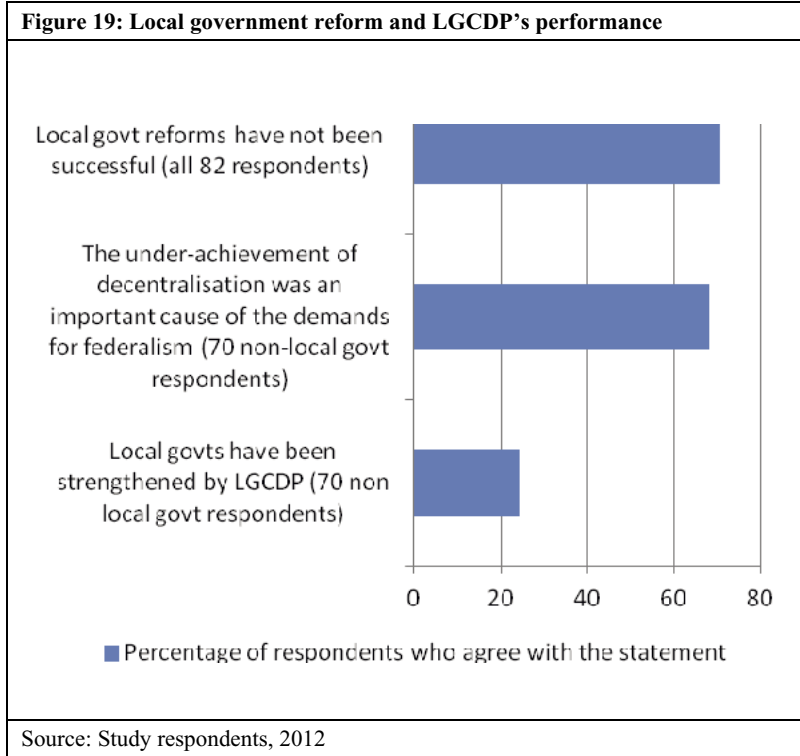
### 6.3.1 LGCDP

LGCDP has successfully enabled demand-side mobilisation. The community awareness centres and ward citizen forums set up by committed social mobilisers and with good local commitment have helped raise the awareness of disadvantaged communities and enabled them to demand their rights and funding for local projects. These results have been achieved in a short time and should lead to improved community and local governance and better transparency, accountability and resource management. The programme's promotion of formula-based grants and performance-based top-up funding was praised by most stakeholders.

The study also found that LGCDP's impact has been hindered in a number of ways. The community awareness centres and ward citizen forums face many challenges including unpredictable resources, and inadequate capacity. They lack terms of reference and many are too politicised. They also lack funding to execute community-led projects. LGCDP now faces a situation where the forums and centres are raising the demands of citizens, but the lack of capacity of elected local government and funding makes it difficult to fulfil these demands. Also, a number of respondents believed that women and people from disadvantaged groups had little influence on user committees, monitoring committees, integrated planning committees and ward citizen forums and their attendance at meetings is often a formality to fulfil quotas.

Overall the lack of elected local government and the resulting low credibility of the political and bureaucratic leadership have resulted in a lack of transparency and accountability in local government and poor coordination between local governments, central government and community institutions. This is the main reason why only 24% of questionnaire respondents said that local governments had been strengthened by LGCDP (Figure 19). The generally poor performance of local governments was said by 68% of respondents to be a major reason behind the demands for federalism while 71% of them felt that local government reforms have not been successful. The programme has also suffered from inadequate financial, technical and manpower resources including the fact that local governments are not mobilizing sufficient financial resources on their own.





### 6.3.2 GTZ/GIZ support to local governance

The main overall impact of GTZ/GIZ support to local governance in Nepal has been to demonstrate good governance practices and to inform later innovations in local governance including LGCDP's community awareness centres, ward citizen forums and the MC/PMs. Whilst doing this it has strengthened many municipalities, VDCs and DDCs and the ability of citizens to participate in local governance.

PASRA and udle successfully supported the planning and implementation of local infrastructure and livelihood improvements to demonstrate good governance, community development, and social mobilisation practices to local governments. PASRA had a much appreciated social mobilisation pro-

cess and had good coordination with local governments and communities. The local governments where PASRA and udle worked praise these programmes' support for social mobilisation, public hearings, citizen report cards, and social mobilisation. The main shortcomings of these programmes were said to be their limited geographical coverage, limited resources and short periods of operation. The new GTZ local governance programme (SUNAG) is learning from these experiences. It is supporting LGCDP to strengthen community awareness centres, ward citizen forums and local governments and provides a vehicle to support the forthcoming federal structures.

### 6.3.3 The Poverty Alleviation Fund

PAF's interventions have lifted many poor people out of poverty although one high level respondent said that it was difficult to directly attribute this effect only to PAF as it was likely also caused by the large increases in remittance incomes. But the overall impact on targeted communities has been positive with many empowered women and disadvantaged people and other impacts such as increased school attendance and better access to services.

PAF's model of directly funding groups of disadvantaged people was widely praised for ensuring that more benefits reach target groups compared to programmes run by local governments and line agencies. This approach has led to transparent community governance and demand-driven, community-owned development. Social capital formation and the direct provision of resources to communities to execute projects have brought many poor Nepalis out of poverty. It is not only resources that have brought this change as per capita funding by PAF is minimal at around \$40 per person. The credit must also go to the community empowerment and community governance practices that have helped bring peaceful development and group insurance for rainy days.

The main challenges to the continuing success of PAF's community organisations are uncertainties about future funding, their limited connectivity with local government and line agencies and the limited support from politicians, the national government and development partners as many of them see PAF as carrying out functions that should be carried out by local government. And the programme is yet to reach certain ultra-poor and highly vulnerable communities.

### 6.3.4 Local peace committees

Since 2007 local peace committees have been established in all Nepal's 75 districts and in many VDCs for local peace and transitional justice. They have contributed to the national peace process by collecting data on conflict victims and other damage and by helping conflict victims receive compensation. They are helping build peace at the local level by mediating local disputes. The participation of civil society representatives gives these committees legitimacy. Many respondents said that peace committees have great potential for resolving local conflicts but their impacts have been limited by a lack of resources, capacity, proper mandate and limited central level support.

## 6.4 Shortcomings and gaps in the four programmes

The study identified a number of shortcomings and seven types of gaps in the four case study programmes.

### 6.4.1 Planning and implementation shortcomings

**LGCDP's** long gestation period resulted in the late establishment of community awareness centres and ward citizen forums, the programme's main strategy for promoting demand side governance. This happened because the programme made inadequate use of the savings and credit groups, community organisations and skilled social mobilisers built by its predecessor programmes; because it took longer than expected to write the manuals for operating these and other grassroots institutions and because the NGOs for supporting social mobilisation were appointed late and were accused in places of being selected on a political basis. LGCDP thus spent its initial one and a half years identifying structures to work with and writing manuals while funding mostly went on the secondary objective of infrastructure improvements. This brought it a bad reputation because of the corrupt practices of politicians and bureaucrats. The whole programme fell prey to focusing on infrastructure projects with its large scope for corruption as a sound foundation for this work had yet to be put in place by carrying out demand mobilisation. The programme has also been challenged by the apathy of politicians and central government officials in supporting decentralisation and

community development and by failing to provide adequate incentives for programme implementers in the local development and finance ministries.

**PAF** has failed to produce timely procurement plans, to properly sequence management decisions and to mobilise human and financial resources on time to support and strengthen community organisations and their sub-projects. Lack of proper planning and the timely implementation of activities and sub-projects meant that the programme has achieved less on its core objectives of targeting the ultra-poor and building links with local governments. The targeting of the ultra-poor by PAF has been compromised by the programme using a one-size-fits-all type of social mobilisation that does not fit the different situation of the poorest communities. It has not built strong linkages with local governments and other agencies. PAF has also failed to properly organise at regional and district levels as it expanded to new districts and has not made exit and sustainability plans for its community organisations. It did not hire staff on time, did not restructure for its expanded coverage, and in many instances did not disburse funds to community organisations on time. It has also been accused of a top-down approach that inhibits the autonomy of community organisations and bypasses group decision making. Its limited lesson learning has meant that at many times PAF has looked like a regular government programme that dies because of its failure to learn from experience.

**The local peace committees** have not formed adequate links with local government and other agencies and lack staff, resources and capacity to operate effectively. Initially they did not have clear terms of reference, and lacked commitment from MoPR and have often been politicised. Despite their fit for purpose institutional structures, they have been pushed aside by the petty interests of national level actors.

#### 6.4.2 Commitment gaps

Many development programmes have had reduced impacts because of the lack of commitment of central government officials, politicians and bureaucrats. These people voice their commitment, but their actions show otherwise. LGCDP, PAF and local peace committees have all suffered in this way. The support of local and community people is not enough; they need the support of central government. LGCDP has lacked the commitment of ministers and top bureaucrats in the line ministries. These central agencies have

acted more as controllers than facilitators of the devolution of authority. On the other hand, district level politicians are cognisant of the peoples' power and hence speak for decentralisation and federalism while finding ways of protecting their sources of power. The politicians try to win over the NGOs, community organisations and user groups by placing their own people in them and by promising community organisations favours. LGCDP, PAF and the local peace committees, have got stuck time and again in the nexus of the elites.

### 6.4.3 Incentive gaps

The above lack of commitment is partly explained by programmes providing inadequate incentives to their key actors to 'walk the talk'. There is a large gap between what is said, preached or agreed to and what is actually done. The resulting bad governance is not the result of innocent omissions, but mostly the deliberate commission of actors who know they will not be held to account for their double speak and empty promises.

Politicians, bureaucrats, development partners and elite class people are four of the most influential actors for development programmes in Nepal. Their actual incentives to act often prevent programmes from achieving their objectives (Table 7).

<b>Table 7: The real incentives for four types of actors in development programme in Nepal</b>	
<b>Actors</b>	<b>The real incentives</b>
Politicians	Power, corruption, political support
Bureaucrats and technocrats	Power, corruption, centralising authority
Elite class people	Connectedness to the power base
Development partners	Quick and visible impacts, their visibility and implementing headquarters' policies and theories
Source: own compilation	

**Nepal's politicians** face the electorate infrequently and there is no mechanism for making them answerable to the people in-between elections. Pol-

iticians cling to power by serving their elite clients who reinforce these networks for mutual benefit. The nexus between politicians and the elites opposes inclusive institutions and the achievement of equity and justice for all. The elites view the extension of the power base as a threat to their power. This nexus was smart enough to maintain the balance in its favour even when threatened by the Maoist conflict. It proved its strength by killing off the constituent assembly out of fear of having to share power with the masses and expanding the elite base through the federal restructuring of the state.

**Nepal's bureaucrats** are mostly driven by money-making and maintaining their centralised authority. They are only evaluated in a ritual way by higher level bureaucrats. They tend to ignore citizens' concerns and seek to serve the elites and political leaders. The nexus of politicians and bureaucrats enrich each other by fooling the people or managing the peoples' expectations. They put in place arcane bureaucratic and formalistic structures, create loopholes and delay the introduction of reforms to deny the rights of the general people (see Box 39). The bureaucrats protest against new requirements to make them more accountable to the people and revolt when a minister threatens their power. When ministers accuse bureaucrats of corruption, the bureaucrats' unions, opposition politicians and parts of the media come out to support the corrupt bureaucrats. On the other hand honest bureaucrats are punished to stop them threatening the status quo, often by being transferred to remote or low status postings.

**Box 39: Delaying tactics to prevent the reserved places bill becoming law**

Nepal's bureaucracy and security forces are dominated by people from the Midhills higher castes. A debate on the inclusion of disadvantaged and less represented people in the civil service, police, army and other state organs has been on-going for more than decade. A draft law was pending in the legislature for reserved places for disadvantaged groups. But delaying tactics meant that the bill was still pending when the Constituent Assembly was dissolved in May 2012. Most parties say they favour this legislation; but the fear of losing their power stopped the politicians from seeing this bill into law.

**The elite class** in Nepalese society strive to connect or stay connected to the power centres. This leaves disadvantaged communities and the masses of voiceless people with little option but to take to the streets to protest.

**The development partners** assign high priority to the visibility of their brand and are little concerned with adapting their approaches to conditions in the countries they work in. They preach what their headquarters tell them to say. Nepal's development partners fail to follow the declarations they signed in Paris, Accra and Busan. They still take a fragmented approach in key sectors such as governance and community development with the World Bank promoting the PAF approach and most other development partners supporting the LGCDP approach. They are not concerned about the burden they impose on national actors by their standard operating procedures, and prefer to support programmes that achieve quick results. They care less for empathetic, long and deeper engagement with stakeholders. Their impatience has helped the government elites serve its narrow client base. This happens as the development partners impose rigorous formal monitoring structures on programmes and insists on quick results. Quick results can be realised more easily by people allied to the elites. The ultra-poor or hard core disadvantaged communities are left behind.

#### 6.4.4 Credibility gaps

The lack of credibility of Nepal's political and bureaucratic leadership poses serious challenges to LGCDP and PAF. The development partners are fed false promises by many national actors, the CBOs do not trust the authorities and this undermines their sense of commitment as they doubt that the pledged resources and support will materialise.

The very poor credibility of Nepal's politicians, bureaucrats and technocrats is due to them so often failing to deliver on their promises. Local politicians have not had to face the electorate since 1997 to prove their worth. The 2008 Constituent Assembly elections brought back competitive politics, but about a half of members were elected through the proportional system. And many of the new representatives soon lost contact with the concerns of their constituents. Acemoglu (2002, 37-39) says that societies and political parties in power may choose not only wrong policies but also disastrous courses of action that only benefit the people in power. In such cases they do not

care for their credibility as any contract between such powerful groups and society is effectively non-enforceable.

The bureaucrats also feel safe in politicking and serving their masters at the centre and there is no elected local government to force them to prove their accountability towards the citizens and their CBOs. Many covertly oppose community initiatives and do not support poverty alleviation, good governance, decentralisation nor the modalities of LGCDP, PAF and local peace committees.

#### 6.4.5 Coordination gaps

LGCDP, PAF and the local peace committees suffer coordination gaps with local government and district line agencies and other organisations that work at the district level. At first many of the projects proposed by LGCDP's community awareness centres and ward citizen forums were not able to source funding from their VDCs; but the situation is improving as these new institutions become more integrated with village and municipal level planning. PAF's community organisations suffer more from lack of coordination with local government and the line agencies. The district local peace committees have inadequate coordination with local government and other agencies working for peace, human rights promotion and dispute resolution in the districts.

Coordination gaps also arise as the Government of Nepal and its development partners do not share the same commitment to programmes and use *ad hoc* instruments to cope with the prolonged transition. The peace and development strategy prepared by UNDP and other development partners for 2011–13 was not prepared in full consultation thus undermining joint ownership (UNDP 2011b). A major challenge facing the development partners is maintaining coordination amidst the frequent changes in political and bureaucratic leadership.

#### 6.4.6 Resource gaps

All four programmes lack resources, largely as a result of the incentive, linkage and coordination gaps explained above.

- For **LGCDP** the absence of elected local government has made it very difficult for its technocratic leadership to mobilise more internal re-



sources from local taxes and fees and so they continue to mostly depend on the block grants from central government. These civil servants are frequently transferred and mostly absent from the field. And LGCDP support for local government capacity building and technical backstopping is limited and its social mobilisers underpaid. The resource gap is limiting the work of the community awareness centres and ward citizen forums as they foster demand side pressure on local governments, but only about one of six projects demanded by the centres and forums are funded.

- **PAF** suffers a large resource gap. Its expansion to many new districts has resulted in the under-funding of community organisations' livelihood and small infrastructure projects. The community organisations were established with the expectation that PAF would fund their projects. But the lack of funding has meant that PAF is now being viewed as a programme that does not fulfil its promises. The situation is worsening as, after being told by PAF staff that they would be given funding, a number of community organisations took high interest loans for their counterpart funding. But many of them have not been provided with funding and still have to pay back the loans. PAF is also challenged by technical and capacity gaps among its staff, partner organisations and community organisations.
- **Local peace committees** have been seriously affected by a lack of resources personnel, mandate and other support. They were set up to run for short periods but the peace process lingers on and the tenure of the committee secretaries is extended year-by-year.
- **SUNAG** has a lower level of funding and coverage than its predecessor programmes PASRA and udle in spite of the success of these two programmes and strong local demands for their continuation.

#### 6.4.7 Outreach gaps

LGCDP, PAF and local peace committees suffer from significant outreach gaps.

- **LGCDP's** outreach to communities is limited by the fact that community awareness centres and ward citizen forums have yet to be established in all VDCs and municipalities and by inadequate financial and techni-

cal resources. Elite and political capture of local institutions also pose challenges for expanding the programme into needier, less visible and voiceless disadvantaged groups. Also, poor people from ‘non-disadvantaged’ identity groups are not covered. The outreach to the ultra-poor is hindered by the lack of safety net programmes for these kinds of people.

- **PAF** has inadequately targeted the ultra-poor and disadvantaged communities. In some cases it has failed to expand its outreach as the programme sought to meet its targets for lifting people out of poverty and by-passed the ultra-poor where much more effort is needed to achieve the same results. The programme has also failed to expand its outreach because of lack of resources, its more general and less intensive social mobilisation efforts and lack of organisational capacity.
- **The local peace committees** are only just beginning to extend their outreach to village and community levels for peacebuilding. But they lack resources and face other challenges that constrain them from expanding their working areas.

#### 6.4.8 Empathy gaps

Working with disadvantaged communities demands particular ways of working and great empathy to engage them and build trust. Longer gestation periods are needed. A lack of understanding of the limited capabilities of disadvantaged communities has undermined the effectiveness of LGCDP and PAF. Their one-size-fits-all approach to social mobilisation has only achieved limited results with highly disadvantaged communities. These programmes demand formal reporting, monitoring and follow rigorous result indicators, and it is often difficult for CBOs to meet these demands. The local peace committees do not have an empathy gap as they are made up of local stakeholders.

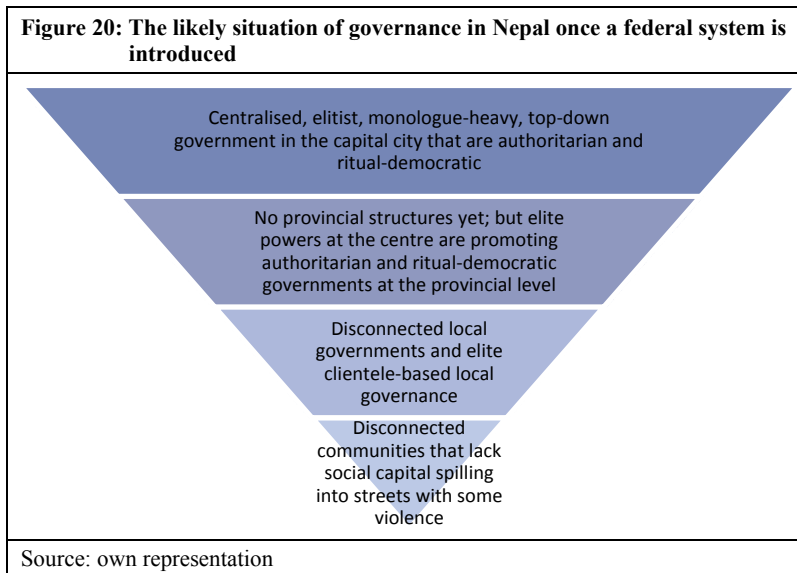
### 6.5 The outlook for Nepal

Focussing on the many identified gaps and the more critical views of study respondents would give a pretty negative picture of governance in Nepal with citizens and local governments disconnected from power and democratic channels, and an authoritarian central government in power. Given

current trends the introduction of a federal system may not improve things if the powers continue to strive to maintain their autocratic control and just make an outward ritual show of democracy (see Figure 20). Indeed, the debate around federalism has not engaged the general public and has been confined to the elite class who want to centralise power and not institute genuine democracy. The experience of many people in Nepal leads them to believe that this will be the future reality.

The unpredictability of political developments means that over the next few years Nepal could face a number of scenarios.

**The best case** would see Nepal experiencing moderate to high economic growth based on inclusive development within the next two years. For this to come about the political parties would have to soon agree on a new constitution with the leaders responding to pressure from the general public for fear of being totally discredited. At the same time the integration of the combatants into the Nepal Army would be completed and the other ex- Maoist combatants would re-join society. In this scenario Constituent



Assembly elections would take place in 2013, the new constitution would be adopted in 2014 and the assembly would work as a regular legislative parliament from 2015. These developments would cause Nepal's friends and development partners to provide more support and growth and inclusive economic development would gain pace. At the same time local government and provincial elections would be held and strengthened and empowered CBOs would help advance the good governance agenda.

**The medium case** would see the stalemate of 2012/13 continue to the end of 2014, with progress coming within the following year by holding elections for a new Constituent Assembly. The constitution would be produced in another two years, by 2017. The delay in adopting a new constitution and concluding the peace process would lead to continued slow economic growth and inept governance. As a result mistrust would grow among the parties, ethnic divisions would increase and the frustrations of the general public would grow resulting in more strikes and demonstrations. The growing divisions within the political parties would lead to the emergence of new parties and regional and ethnic-based political forces. The transition would become more painful and debilitating, although there would be no serious violence or guerrilla warfare against the state. Deteriorating law and order, rule by ordinance, *ad hoc* limited annual budgets, the fragmented control of state power by powerful political and ethnic groups, rising corruption and a failure to deliver basic services would retard economic growth.

**The worst case** would see civil war restarting leading Nepal to become a failed state with zero economic growth. This could happen if either the ultra-left or right wing hardliners came to power. The former would seek to form a people's republic while the latter would push for reinstating the monarchy and the powers of the traditional elites. Either scenario would lead Nepal into a dark tunnel of no growth, no democracy, no popular participation, no community involvement, weak governance and no fundamental human rights. This would cause development partners to withdraw most of their development aid through government. The government would be unable to handle the violence, frustrations and protests and killings and mass violence would result within one or two years. Local government would be unable to function and CBOs would have to show wisdom to survive and help direct humanitarian support to the people.

## 7 Recommendations and suggestions

The following suggestions for improving governance in Nepal lead on from the findings of the study. They provide general and specific recommendations for the Government of Nepal, local governments, community organisations and Nepal's development partners.

The overarching need as of February 2013 is to write the new constitution and conclude state restructuring to establish a federal government for a more inclusively governed Nepal.

Beyond this the foremost recommendations of this study are directed mostly at the government:

- to institute a compact with its people and its development partners;
- to bring about more inclusive institutions and development;
- to develop a new peace and development strategy;
- to make local governments more accountable in a number of ways including by holding transitional local government elections; and
- to strengthen the role of community organisations in local governance.

These initiatives will need considerable support from local stakeholders and external development partners to be successful.

### 7.1 Compact with the people and the development partners

**Recommendation 1:** The central government should make a compact with the people and implement it at all levels of government.

The absence of elected local government has meant that in most places local people have had no way of participating in local governance. The government needs to make a compact with its people to listen to and respond to their opinions. A key part of this compact would be providing a framework for discourses on major public issues to engage the people in peacebuilding and development. In the absence of elected local government this could happen by setting up formal dialogue structures between the government

and civil society or through existing structures such as ward citizen forums, community awareness centres, PAF community organisations or VDC level peace committees. Peace and development can result even during the present precarious transition in Nepal if the choices and preferences of the people are addressed.

**Recommendation 2:** The government should institute a compact with its development partners.

Many of Nepal's development partners are disillusioned with the delays in producing the new constitution and the deteriorating governance situation. The government needs to also make a compact with its development partners to spell out the action it will take to improve the governance situation. This will involve taking a do-no-harm and conflict sensitive approach to development and, where appropriate, working through civil society and CBOs without compromising country ownership and the use of country governance systems. A joint government–development partner 'Nepal Development Forum' should be organised once there is some measure of political stability to deliberate on and adopt such a compact.

## 7.2 Inclusive institutions and inclusive development

**Recommendation 3:** Make Nepal's institutions more inclusive.

A major reason why the debate on 'identity based federalism' has gained prominence is because Nepal lacks inclusive institutions (for a discussion on inclusive and extractive institutions, see Acemoglu / Robinson 2012). More inclusive institutions that provide open access to all segments of the population will help bring about stability, peace and prosperity for all Nepal's citizens (for a discussion on open access and limited access institutions, see North et al. 2007). Many communities and ethnicities are now demanding that their identities are officially recognised with proportional political representation. The government needs to introduce programmes to promote inclusive institutions and inclusive development, which cater to the needs of the diverse groups within Nepalese society (for discussions on inclusive development, see UNDP 2012) at all levels of governance, including in the discourse on transitional governance, the peace process and constitution writing.

Recommendation 4: The government should encourage more diversity in its workforce by introducing affirmative action legislation and training civil servants from disadvantaged groups for higher level jobs.

Recommendation 5: The government should institute local languages as working languages in local government.

The government needs to especially encourage more diversity in higher level decision making positions in national and local government and the bureaucracy to facilitate more empathy with the needs of Nepal's many disadvantaged and marginalised people. It should also use local languages in local government to facilitate the involvement of all those (especially women) with limited Nepali language skills. Another key recommendation for promoting diversity and social inclusion is to strengthen the role of CBOs by ensuring their formal representation in local government (see later recommendation).

### 7.3 Accountability in local government

The current lack of accountability in local governance and government is one of the main challenges to good governance in Nepal. Under the present system the back door influence of politicians serves only *their* partisan interests. The urgent need is to have peoples' representatives in power at the local level and to bring the bureaucrats who run local government under the control of the citizenry. These positions need to be filled on the basis of some kind of political competition.

Recommendation 6: Hold elections for temporary local governments until the new federal structures are in place.

The recommendation is to elect temporary transitional local governments with limited powers to fill the accountability vacuum. This is appropriate as the introduction of a new constitution is still a distant prospect and many parties do not want full-fledged local elections until a new federal provincial structure is in place for fear of weakening the new federal structures. Such elections will involve amending the Local Self-governance Act to make it compatible with the Interim Constitution (especially for more inclusive representation). The elected politicians should have well-defined responsibilities and VDC and municipal government should be linked to the citizen

awareness centres and ward citizen forums. Should elections not be possible before a new constitution is in place, a minimum solution should be to explicitly mandate local politicians and other stakeholders to form inclusive local governments instead of the current practice whereby political parties wield influence but carry no formal accountability.

**Recommendation 7:** Make the public sharing of information and decisions mandatory by local governments and CBOs particularly on financial matters and project selection.

Small gestures for improved accountability, transparency and people's participation could pave the way for larger reforms and make politicians and bureaucrats look more credible and trustworthy. Suggested interventions would include civil servants wearing a badge saying "I am the people's servant"; putting displays in easily understood language to describe the procedures for citizens to access services and their rights (citizen charters) and ensuring that citizens are compensated if officials fail to deliver quality services on time. Other measures that could be easily introduced are those piloted by LGCDP, PASRA, udle, and PAF including citizen report cards, the public disclosure of information, engagement with the media, citizens' evaluations of officials and public hearings and public audits.

Other important means of promoting accountability in local government are to give CBOs a strong and defined role in local government, to appoint more local people as heads of government offices and to promote community-driven development:

**Recommendation 8:** Integrate project identification by CBOs into VDC and municipal planning and fund and provide technical support for locally prioritised and approved projects.

**Recommendation 9:** Appoint more local people as local government chiefs and secretaries to make them more responsive.

## 7.4 Strengthen demand side governance

**Recommendation 10:** Strengthen support for demand mobilisation and community empowerment, especially for disadvantaged groups.



It is claimed that the widespread social mobilisation programmes rolled out in Nepal have created spiralling demands among Nepal's disadvantaged communities (including for identity-based federalism), many of which cannot be satisfied because of the limited capacity of the state. Such critics see the need to focus on building the capacity of bureaucrats and the state machinery rather than strengthening demand-side governance. However, few would disagree that social mobilisation is a positive force for inclusive democracy. Both demand and supply side strengthening are needed.

## 7.5 Institutionalise the role of CBOs in local governance

One of the best ways of making governance more inclusive and strengthening demand side governance is to strengthen the role of CBOs. The following recommendations would officially recognise these organisations as the base level of governance to link the general population with the central government and the future provincial governments via VDC and municipal governments.

Recommendation 11: Mention community level governance institutions in the new constitution.

Recommendation 12: Introduce a statute to regulate, empower, monitor and facilitate CBOs and to institute formal links between CBOs and local and central governments.

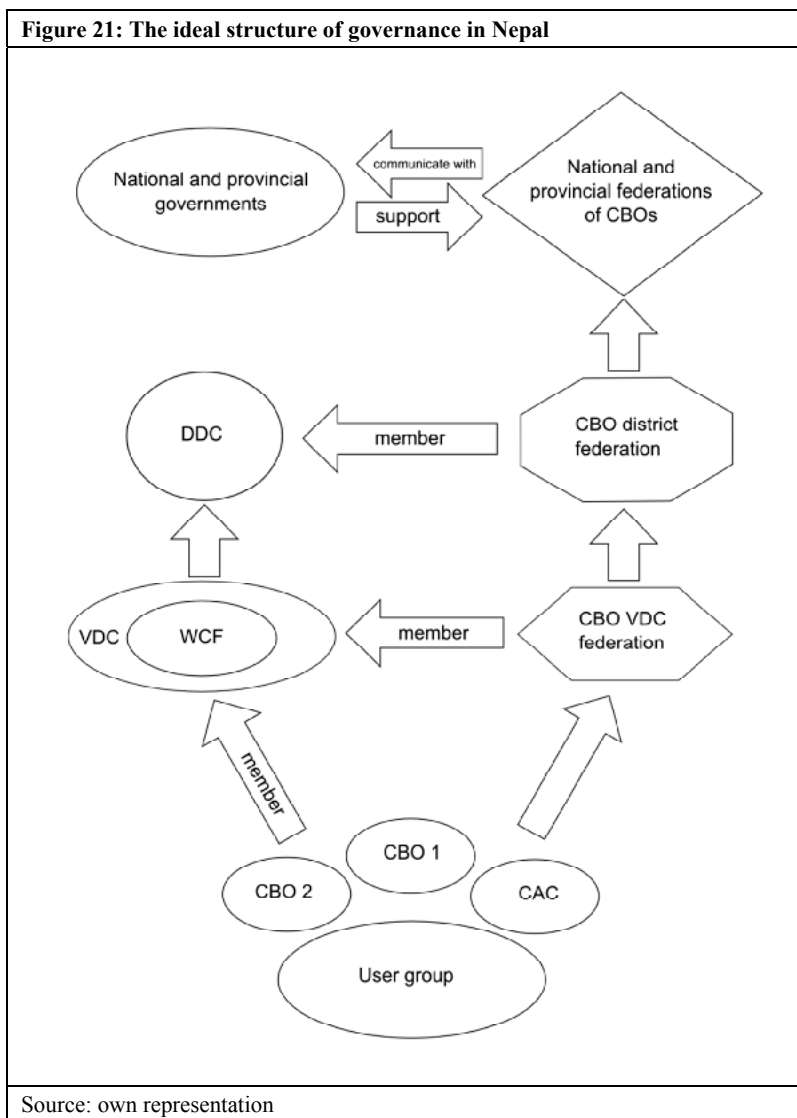
Such a statute would require CBOs to register with local government and would empower them to play an official role in local governance. It would specify the role, rights, responsibilities of the various types of CBOs.

Recommendation 13: Amend the Local Self-governance Act to recognise CBOs and their federations as formal institutions for community governance.

Recommendation 14: Provide citizen awareness centres and ward citizen forums with clear terms of references and integrate their functions into local government planning, monitoring, oversight and decision making related to them.

Recommendation 15: Give the associations and federations of CBOs a role in local government planning.

In the ideal governance framework, ward citizen forums (or another type of CBO) would act as the means of linking local communities with local government processes. The proposed structure of governance (see Figure 21),



would see CBOs represented on ward citizen forums to forward citizens' views to VDCs. Their views would also be represented at VDC level by federations of CBOs. The resulting VDC level issues and concerns would then be presented at the DDC level. Thus there would be a direct channel for local concerns to reach the DDC level with district level federations further advocating the interests of CBOs (see Figure 21).

## 7.6 Strengthen social mobilisation

A key part of promoting demand side governance is to carry out social mobilisation that empowers communities to demand governance-for-the-people and improved service delivery. The following measures will strengthen social mobilisation in governance support programmes.

Recommendation 16: As far as possible select social mobilisers from target communities. Train them as village social workers, encourage them to stay and work in their communities and compensate them adequately.

Recommendation 17: Select local service provider NGOs at the regional level via a competitive process.

Recommendation 18: Encourage CBOs to act in a politically neutral way.

One way of achieving the difficult outcome of political neutrality is to disallow the appointment of political activists as heads of these organisations.

Recommendation 19: Tailor social mobilisation to suit differing types of communities according to their level of development with special attention to building the confidence of ultra-poor communities.

This recommendation for better reaching the ultra-poor is based on the experiences of PAF.

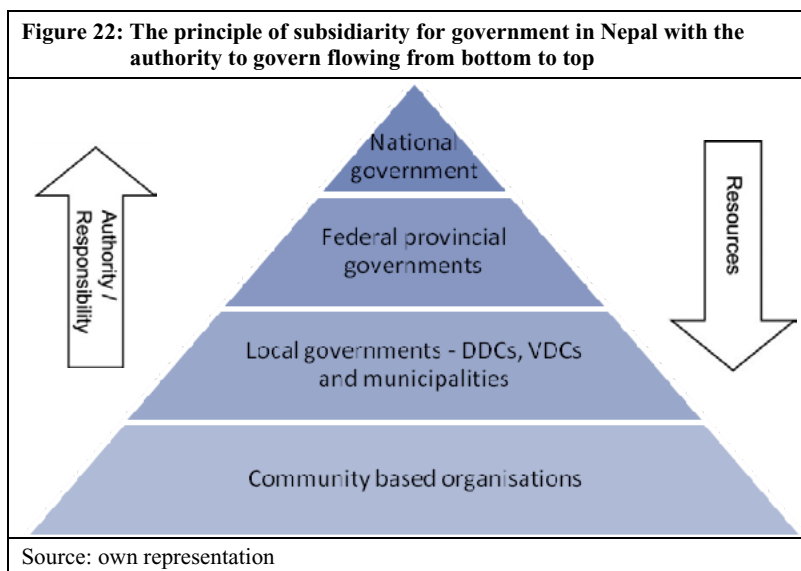
## 7.7 Decentralisation and federalism for good governance, peace and development

Recommendation 20: Conclude state restructuring as soon as possible and strengthen decentralised governance for effective federal government.

The time has come to decide on federalism, federal structuring, justice for all and the many demands for ethnic and other identities. Delaying the federalism project and state restructuring will only complicate the political situation and weaken the credibility of the state and the political parties. The identity agenda is an agreed agenda of the parties for introducing federalism, but debate is still raging on what kinds of identities need to be taken into account. The need is to conclude the debate on federalism through a compromise between the ‘ethnic identity’ and ‘non-ethnic identity’ based models with adequate attention given to other political and economic considerations. Federalism should be seen as a larger project to establish decentralisation and make it irrevocable. The division into provinces and the full decentralisation of authority to local governments is needed to bring the state closer to its citizens (Figure 22).

Recommendation 21: Develop an action plan for the decentralisation of sectoral functions to local governments.

Recommendation 22: Make MoFALD act as a facilitating rather than a controlling body for decentralised governance.



The Government should show more commitment to and ownership of the decentralisation agenda. In particular MoFALD should encourage other sectoral line ministries, central agencies and the development partners to promote decentralisation. MoFALD needs to transform itself into a ministry that facilitates the decentralisation process rather than a controlling central ministry. It needs to act as a liaison agency that helps build up local governments.

Genuine decentralisation must be a cornerstone of governance reform. Grassroots participatory democracy will help stabilise the volatile political environment at the local level. But fundamental reforms are needed at higher levels. The majority demand for a federal state did not emerge only because of identity demands and equity concerns. It also arose from the widespread desire for better service delivery and easier access to the state. Governance reform at the grassroots, community and local levels must be matched with the larger structural reforms promised in the Interim Constitution. The answer to the poor implementation of decentralisation is deeper and wider decentralisation.

**Recommendation 23:** Restructure DDCs, VDCs and municipalities by redrawing their boundaries to make them more efficient, effective and homogeneous and consider reducing the number of levels of local governments.

The redrawing of local government boundaries will facilitate federal restructuring at the provincial level. A restructuring plan is under consideration by MoFALD. The aim should be to make local government units more homogeneous in terms of geography, ethnicity, language and access.

## 7.8 Strengthen supply side government

**Recommendation 24:** Strengthen the supply side of government to deliver public goods and services by building the capacity of state and non-state service providers.

The supply side of government and governance needs strengthening to enable it to respond to the growing demands for improved governance and service delivery.

**Recommendation 25:** Make bureaucrats' standard operating practices more responsive to the needs of service receivers.

Recommendation 26: Make bureaucrats' jobs performance-based by rewarding them when they perform well and punishing them when they do not, with citizens evaluating their performance.

Recommendation 27: Lessen the power of bureaucrats by putting the delivery of some services into the hands of civil society and the private sector.

Recommendation 28: Do not punish local people for the failings of local government staff on the MC/PM test or the inept behaviour of MoFALD including the too frequent transfer of local development officers.

Note that, related to the recommendation for performance evaluations by citizens, reforms have already been introduced by handing over school management to communities with the authority to hire and fire teachers. This practice needs rolling out to other sectors.

The incomplete implementation of the Local Self-governance Act, 1999 means that there is some confusion over responsibilities for service delivery at the local level.

Recommendation 29: Improve coordination between local government and line agencies by clarifying the roles, mandates and terms of references of line agencies and local governments and propagating coordination and team working between line agencies and local government.

## 7.9 Peace and development strategy

Recommendation 30: With government leadership support the production of a new peace and development strategy for 2013/14 to 2015/16.

Nepal needs an agenda for peace and social justice. The government feels insufficient ownership of the peace and development strategy for 2010–2015 (UNDP 2011b). A new strategy is needed that focuses on community-led peacebuilding and conflict-sensitive development to stabilise the nation and achieve a peace dividend for Nepal's people and the national economy. This

document would provide the basis for national planning, governance reform and mobilizing donor support.

## 7.10 Nepal's development partners

Recommendation 31: The external development partners should provide more predictable aid including for the conclusion of the peace process. They need to remain engaged for a sustained period with adequate amounts of support and widespread geographical coverage.

Recommendation 32: The support provided by Nepal's development partners should be balanced between supporting system strengthening and supporting system change.

Recommendation 33: Nepal's development partners should promote community-driven development as a core part of their support for local governance. They should engage with non-state actors and CBOs in designing, planning, implementing and delivering interventions and encourage the government to do the same.

Nepal's development partners have a crucial role to play in supporting the transition to a better governed and more inclusive Nepal. They need to maintain a balance between:

- engaging with the government and other stakeholders to help conclude the peace process and supporting the empowerment of the traditionally marginalised and disadvantaged groups; and
- changing the mind-set of the bureaucracy and other actors and building the capacity of the state machinery and key actors for implementing development programmes.

## 7.11 Improve political party governance

Recommendation 34: Reform the internal governance of political parties and make politicians more responsive to the general public.

**Recommendation 35: Educate politicians about community based development and community organisations.**

The internal governance of the political parties needs reforming. They need internal democracy and inclusive participation. The cadres and party officials should not be recruited on the basis of nepotism and loyalties, but through competitive politics, inclusion and merit. Party officials should be open to scrutiny from party members. The parties should also practice financial transparency. The CIAA and Election Commission have failed to make the parties audit their accounts and investigate financial irregularities. Election finances should be provided by the state. Suri et al. (2007) give a number of other practical suggestions to improve the financial transparency and internal democracy of political parties in South Asia.





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## **Annexes**



## **Annex 1: Questionnaire respondents**

Note: the following are the designations at the time the questionnaire was administered.

### **A. Respondents associated with local government at the time of the study (LGCDP, local government and MoLD) (12)**

1. Bharat Dhungana, MoLD
2. Dhruva Bahadur Khadka, MoLD
3. Ganga Dutta Awasthi, former Secretary and Joint Secretary, MoLD (included in this category as maintains close links with LGCDP)
4. Gopal Adhikari, MoLD
5. Hari Prasad Dahal, MoLD
6. Hem Raj Lamichhane, ADDCN
7. Krishna Babu Joshi, central LGCDP official
8. Ramesh Chandra Joshi, LGCDP
9. Reshami Raj Pande, Joint Secretary, MoLD
10. Shiba Ram Pokhrel, MoLD
11. Teertha Dhakal, Joint Secretary, NPC, programme director of LGCDP
12. Yam Nath Sharma, Under Secretary, MoLD

### **B. Respondents associated with the Poverty Alleviation Fund at time of the study (21)**

13. Akhilesh Chandra Dass, PAF
14. Bhupananda BK, Portfolio Manager, Doti, PAF
15. Binod Pokhrel, development practitioner and member of PAF partner organisation, Pyuthan
16. Bishnu Bhatta, development practitioner and member of PAF partner organisation, Dadeldhura

17. Kiran KC, development practitioner and member of PAF partner organisation, Pyuthan
18. Lav Dev Joshi, development practitioner and member of PAF partner organisation, Baitadi
19. Lokendra Badal, PAF
20. Mahendra Shahi, development practitioner and member of PAF partner organisation, Dadeldhura
21. Manoj Chipalu, PAF
22. Manoj Gupta, PAF
23. Murari Lal Chaudhari, PAF
24. Nirak Sunar, PAF
25. Padam Singh Thagunna, portfolio manager, Pyuthan, PAF
26. Pradeep Paudel, portfolio manager, Mahottari, PAF
27. Raj Babu Shrestha, executive director, PAF
28. Ram Prasad Dhakal, PAF
29. Ramesh Lama, PAF
30. Sanjay Jha, PAF
31. Sanjay Rijal, development practitioner and member of PAF partner organisation, Pyuthan
32. Shriram Subedi, PAF
33. Tara Prasad Joshi, PAF

**C. *Other respondents (civil society, academia, development partners, other) (49)***

34. Arun Regmi, Sub National Governance Programme
35. Avanimdra Kumar Shrestha, Secretary, Government of Nepal
36. Bal Gopal Baidya, Former member of NPC and PAF board, development practitioner
37. Bhanu Acharya, former Finance Secretary, Government of Nepal

38. Bharat Prasad Poudel, Joint Secretary, MoPR
39. Bhoj Raj Pokhrel, former Chief Election Commissioner and former secretary, Government of Nepal
40. Bimal Wagle, former Secretary, Government of Nepal
41. Bishnu Sapkota, Nepal Transition to Peace and The Asia Foundation
42. Christoph Feyen, GIZ and Nepal Peace Trust Fund
43. Deependra Nath Sharma, Joint Secretary, MoPR
44. Deven Lawoti, UNDP Nepal
45. Dilli Raj Khanal, former member of NPC, macro-economist and member of UCPN(M)
46. Ganesh Adhikari, Associate Professor, Public Administration Campus, Tribhuvan University
47. Ganesh Upadhyaya, Chief, Relief and Rehabilitation Unit, MoPR
48. Govinda Narayan Mallik, development practitioner (SIDEF)
49. Hare Ram Shrestha, development practitioner (SIDEF)
50. Hari Krishna Upadhyaya, former NPC member and development practitioner (CEAPRED)
51. Horst Matthaues, GIZ and Sub National Governance Programme
52. Indira Koirala, UNICEF Nepal
53. Jagadish Pokhrel, former Vice Chairperson of NPC and development practitioner
54. Jaya Dev Shrestha, Joint Secretary, MoPR
55. Kedar Bahadur Adhikari, Joint Secretary and CEO, Kathmandu Metropolitan
56. Ken Ohashi, Former country director, World Bank, Nepal
57. Khem Raj Nepal, former Secretary, MLD and development practitioner



58. Kiran Bhandari, journalist on governance and political editor of Nagarik daily
59. Krishna Gyawali, secretary, Government of Nepal and former secretary of MoLD
60. Lava Dev Awasthi, Joint Secretary, MoE
61. Laxmi Kanta Paudel, Faculty member of Public Administration Campus, Tribhuvan University
62. Laxmi Kumari Basnet, Joint Secretary, MoPR
63. Madhab Gautam, professor of biochemistry and development practitioner
64. Min Bahadur BK, member of civil society and development practitioner, Doti
65. Narendra Paudel, member of faculty, Public Administration Campus, Tribhuvan University
66. Pashupati Nath Jha, GIZ and Sub National Governance Programme, Nepalgunj
67. Prem Bahadur BK, development practitioner and member of civil society, Doti
68. Prithwi Raj Ligal, former Vice Chairperson of NPC and development practitioner
69. Punya Prasad Neupane, Executive Director, Nepal Administrative Staff College, and former Secretary, MoLD
70. Purushottam Subedi, professor of public administration, KASPAM, Purbanchal University
71. Rajendra Dhoj Joshi, World Bank Ethiopia, formerly World Bank Nepal
72. Rita Thapa, member of civil society (Tewa and Nagarik Aawaz) and development practitioner
73. Sadhu Ram Sapkota, Joint Secretary, MoPR
74. Sajana Maharjan, Nepal Transition to Peace and The Asia Foundation

75. Santosh Bisht, GIZ and Nepal Peace Trust Fund
76. Shankar Pathak, Joint Secretary, Ministry of Peace and Reconstruction
77. Shri Krishna Shresta, professor, Public Administration Campus, Tribhuvan University
78. Shri Krishna Upadhyaya, former member of NPC, development practitioner (SAPPROS)
79. Shyam Krishna Upadhyaya, development practitioner
80. Yagya Raj Awasthi, development practitioner, Dadeldhura
81. Yagya Raj Joshi, GIZ and Sub National Governance Programme, Nepalgunj
82. Yashoda Kafle, faculty member, Public Administration campus, Tribhuvan University

## **Annex 2: Interviewees**

### **Central level interviews (interview date in brackets)**

1. ADDCN officials (17 February 2012)
2. Arun Regmi, GIZ and SUNAG (23 February 2012)
3. Bimal Koirala, former Chief Secretary (19 February 2012)
4. Christoph Feyen, GIZ and NPTF (13 March 2012)
5. Durga Nidhi Sharma, Regional Administrator, Far West Regional Administration Office, formerly in NPTF/MoPR (2 March 2012)
6. FECOFUN officials (20 March 2012)
7. Ganga Dutta Awasthi, former Secretary, MoLD (26 February 2012)
8. George Varughese, the Asia Foundation (28 March 2012)
9. Gopi Khanal, LGCDP (11 March 2012)
10. Horst Matthaeus, GIZ and SUNAG (23 February 2012)
11. Jagadish Pokharel, former Vice Chairperson, NPC (5 Apr. 2012)

12. John Paul Lederach, Kroc Institute for International Peace Studies, US (22 March 2012)
13. Khem Raj Nepal, former Secretary, MoLD (9 March 2012)
14. Krishna Prasad Sapkota, formerly with ADDCN (19 March 2012)
15. Raj Babu Shrestha, PAF (17 February 2012)
16. Ram Prasad Dhakal, PAF (17 February 2012)
17. Santosh Bishta, GIZ and NPTF (13 March 2012)
18. Shri Krishna Upadhyaya, SAPPROS Nepal and recipient of Right Livelihood Award (14 March 2012)
19. Teertha Prasad Dhakal, formerly LGCDP (11 March 2012)

### **District level interviews**

1. Bhuvan Prakash Bishta, LDO, Pyuthan and DDC officials (29 February 2012)
2. Bir Bahadur Balayar, Nepali Congress, Doti (3 March 2012)
3. Jaleswor municipality officials (1 Apr. 2012)
4. Janakpur municipality officials (1 Apr. 2012)
5. Local peace committee members, Doti (4 March 2012)
6. Local peace committee members, Mahottari (30 March 2012)
7. Local peace committee members, Pyuthan (29 February 2012)
8. Luk Bahadur Khatri, CDO, Pyuthan and other officials of district administration office (29 February 2012)
9. Pasupati Nath Jha, SUNAG Regional Office (1 March 2012)
10. Pradip Raj Kadel, CDO, Mahottari (30 March 2012)
11. Prem Khapung, CDO, Doti (4 March 2012)
12. Raghu Nath Wosti, Rastriya Jan Morcha, Doti (3 March 2012)
13. Sharati Kumari Dhami, social mobiliser, CAC and LGCDP, Doti (3 March 2012)
14. Shree Krishna Bhatta, Public Health Office, Doti (4 March 2012)

15. Silgadhi municipality officials, Doti (4 March 2012)
16. Tika Ram Panthi, Coordinator, LGCDP Cluster Office, Nepalgunj (1 March 2012)
17. Tuba Raj Pokhrel, LDO and DDC officials, Mahottari (1 Apr. 2012)
18. Usha Rokai, WCF Facilitator, Pyuthan (27 February 2012)

### **Annex 3: Participants in focus group discussions**

1. CAC members of Banlek VDC, ward 8, Doti, (3 March 2012)
2. CAC , PAF community organisation and mother group members, Barpata VDC, wards 2, 3, 4, Doti, (3 March 2012)
3. PAF community organisation members, Bhingri VDC, ward 1, Pyuthan, (27 February 2012)
4. WCF and CAC members, Bindhi VDC ward 6 , Dhanusha (close to Mahottari) (31 March 2012)
5. PAF community organisation members, Dhirapur ward 9, Mahottari (31 March 2012)
6. PAF community organisation members, Jaleswor municipality, ward number 8, Ratbara, Mahottari (30 March 2012)
7. WCF and PAF community organisation members, Kochibang VDC, ward 9, Mirsing, Pyuthan (28 February 2012)
8. PAF community organisation members, Pashupati Nagar ward number 8, Mahottari (31 March 2012)
9. PAF community organisation and WCF members, Silgadhi Municipality ward 4 Laxmi Tole, Doti (4 March 2012)
10. PAF community organisation members, Silgadhi Municipality ward 6 Gholtada, Doti (3 March 2012)
11. CAC and PAF members Swargadwari Khala VDC, wards 1, 2 and 7, Pyuthan (28 February 2012)
12. WCF members, Udayapurkot VDC, ward number 4, Pyuthan (29 February 2012).



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