Experiences from Nepal: Opportunities and Challenges

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Flow of Presentation

- General Country Context
- Administrative Division of the Country
- Legislative Framework of the Local Bodies
- Key Features of Local Self-Governance Act
- Major Initiatives Following the Act
- Some Achievements
- What could have been done for better?
- Opportunities and challenges
General Country Context

- Interim Constitution, 2007
- Constituent Assembly (CA), 2008-12
- Election for the Second CA, November 2013
- Local bodies without elected representatives since 2002
  - Different models tried, but mainly led by the civil servants deputed by the central government
- LBs’ election in April, 2014?
Administrative Division of the Country

- Central government
  - Regions (5)
    - Zones (14)
      - Districts (75)
        - VDCs (3915)
        - Municipalities (58)

- Deconcentrated units
  - Combination of deconcentrated units and local government units
  - Local government units
Legal Framework of the Local Bodies

- Interim Constitution, 2007: Constitutional recognition
- Local Self-governance Act, 1999 and subsequent regulations
- Cross-cutting laws, including Good Governance Act, Right to Information Act, Audit Act etc.
Key Features of Local Self-Governance Act, 1999 (LSGA)

- Introduced following the Constitution of 1990
- Local bodies regarded as autonomous and corporate bodies with perpetual succession.
- Clear political decentralization, (but is not new)
  - Inclusive electoral procedures
- Elements of fiscal decentralization
- Enough space for administrative decentralization: staffing, planning, budgeting
- Decentralization Implementation and Monitoring Committee
- Partnership with civil society and private sector
- District line agencies under the local bodies
Major Initiatives towards Devolution Following the Act

- Decentralization Implementation Plan, 2002
- ‘Devolution’ of primary health, education, agriculture/livestock extension
- Devolution of local infrastructures (roads, irrigation, water supply, sanitation, etc.) to DDCs
- Reorganization of deconcentrated units of some sectors (roads, drinking water, irrigation etc.)
- Considerable revenue sharing (electricity, tourism, forest, land registration)
- Formula-and performance-based grants system
Some Achievements

- Continuity of the structures and practices: LMs and DPs
- Trust and ownership by the local people
- More expenditure and revenue with the LBs
  - 9% and 3% of general government
- Participatory planning
- Social and physical capital formation
- Downward accountability
- Formula -and performance-based transfer
What could have been Done for Better Devolution?

- **Policy and political:**
  - Introduction of the Act immediately after the constitution in 1990,
  - Continuation of the elected LBs after 2002
  - Restructuring of LBs

- **Fiscal**
  - Clear assignment of expenditures following LSGA
  - Better definition of ‘devolution’
  - Better transition plan: function, space and time
  - Resources followed by responsibilities, R&R matched with accountability and capacity

- **Administrative:**
  - Placing of the LBs: devolved vs. deconcentrated units
  - Reorganization of the line ministries: LSGA compatible laws and redefinition of their scope
Opportunities and Challenges

- Interim constitution: do away with unitary and centralized system
- New constitution: Lessons from Nepal and elsewhere
- Reports from the first CA committees
- Increasing realization of the importance of the LGs as an independent tier of federal system
  - Federalization and decentralization are not antagonistic
- Fear that the LGs will undermine provinces
- Reorganization of the sub-national units
  - creation of provinces, tiers of local governments, number of local bodies
- Transition management