

**Federal Democratic Republic of Nepal
Data Collection Survey on
Federalism and Decentralization in Nepal
Final Report**

July 2021

Japan International Cooperation Agency (JICA)

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Errata

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Page	Table	【Error】	【Correction】
27	Table 3-23 Trends of budget by province 2018-2021	Unit: NPR in ten million	Unit: NPR in billion
28	Table 3-25 Budget and actual expenditures in FY 2018/19	※	Unit: NPR in billion
28	Table 3-26 Budget and actual expenditures in FY 2019/20	※	Unit: NPR in billion

Note: ※ No unit is listed.

Table of contents

1 Introduction	1
1.1 Background	1
1.2 Objectives	1
1.3 Scope of the survey	1
2 Transition of policies and institutions in Nepal	3
2.1 Socio-economic development in Nepal	3
2.2 Brief history of decentralization in Nepal	5
2.3 Transition to federalism	5
3 Policies and institutions under the federal system in Nepal	10
3.1 Structures, functions and roles of three levels of governments	10
3.2 Development planning	15
3.3 Budget management	22
3.4 Project management	29
3.5 Human resource management	38
3.6 Legislature	43
3.7 Judiciary	47
3.8 Gender equality and social inclusion	50
3.9 Citizen participation	54
4 Service delivery under the federal system in Nepal	57
4.1 Rural road sector	57
4.2 Agriculture sector	67
5 Governance programs and development partners under federalism	76
5.1 Foreign assistance policies of the Government of Nepal	76
5.2 Overview of Provincial and Local Government Support Program	77
5.3 Governance projects outside the framework of PLGSP	81
5.4 Donor mapping of governance support	83
6 Governance projects supported by JICA	85
6.1 Outputs and outcomes of governance projects supported by JICA	85
6.2 Lessons learned from governance projects supported by JICA	89
7 Situation analysis of sub-national governments under the federal system	93
7.1 Provincial Government in Province 1	93
7.2 Rangelı Municipality	99
7.3 Gaurıgunj Rural Municipality	103
7.4 Bagmati Provincial Government	109
7.5 Budanilkantha Municipality	115
7.6 Sunkoshi Rural Municipality	123
8 Effects of COVID-19 and government responses	128
8.1 Effects of COVID-19 on economy and society	128
8.2 Government responses to COVID-19	132
8.3 Effects of COVID-19 and government responses	135
9 Directions of JICA cooperation	139
9.1 Current situation and issues of transition under the federal system	139
9.2 Directions of JICA cooperation	144
9.3 Others	154
References	155

List of tables

Table 2-1 Socio-economic development of Nepal 1990-2018	3
Table 2-2 Key events on local governance and decentralization in Nepal	5
Table 2-3 Overall structure of the Constitution	6
Table 2-4 Key laws to support the Constitution	7
Table 3-1 Administrative division under the Constitution.....	10
Table 3-2 Three branches of governments at federal, provincial and local levels.....	10
Table 3-3 List of federal powers (exclusive).....	12
Table 3-4 List of provincial powers (exclusive).....	13
Table 3-5 List of local powers (exclusive)	13
Table 3-6 List of concurrent powers of federal and provincial governments.....	14
Table 3-7 List of concurrent powers of federal, provincial and local governments	14
Table 3-8 Steps of periodic planning at the federal level*	18
Table 3-9 Steps and schedule of periodic planning at the provincial level	18
Table 3-10 Steps and schedule of periodic planning at the local level.....	19
Table 3-11 Steps and schedule of annual planning at the federal level	20
Table 3-12 Steps and schedule of annual planning at the provincial level.....	20
Table 3-13 Steps and schedule of annual planning at the local level	21
Table 3-14 Revenue sources of provincial governments in FY 2018/19.....	22
Table 3-15 Distribution of tax powers among three levels of governments.....	23
Table 3-16 Rates, collection and revenue sharing between provincial and local governments.....	23
Table 3-17 Revenue sharing of VAT and excise duty	23
Table 3-18 Distribution of powers on non-tax revenues among three levels of governments	24
Table 3-19 FY 2019-20 amount of grant for provincial and local governments	24
Table 3-20 Basis of formula-based distribution under Equalization Grant	25
Table 3-21 Budget calendar of the federal government.....	26
Table 3-22 Budget calendar of provincial governments.....	26
Table 3-23 Trends of budget by province 2018-2021.....	27
Table 3-24 Trends of federal budget deficit.....	28
Table 3-25 Budget and actual expenditures in FY 2018/19.....	28
Table 3-26 Budget and actual expenditures in FY 2019/20.....	28
Table 3-27 Roles and responsibilities of actors in project management	31
Table 3-28 Members of committees on M&E.....	32
Table 3-29 Members of provincial committees for M&E	33
Table 3-30 Members of monitoring and supervision committee at the local and ward levels	33
Table 3-31 Criteria for project prioritization	35
Table 3-32 Criteria for project readiness assessment	36
Table 3-33 Meeting schedule of federal M&E committees.....	36
Table 3-34 Meeting schedule of provincial M&E committees.....	37
Table 3-35 Status of personnel adjustment as of 28 March 2019.....	41
Table 3-36 Parliamentary committees	44
Table 3-37 Number of bills passed by Provincial Assembly.....	46
Table 3-38 Jurisdiction of Judicial Committee.....	49
Table 3-39 Constitutional commissions under Part 27 of the Constitution	52
Table 3-40 Status of appointment for other constitutional organs.....	52
Table 4-1 Cost sharing mechanism for provincial and local road construction	57
Table 4-2 Local Road Network by Province (Unit: km)	59
Table 4-3 Human resources of the MoPID and TID at the provincial level.....	60
Table 4-4 Provincial budget for roads and other infrastructure in FY 2018/2019 and 2019/2020	60

Table 4-5 Progress and achievements in Bagmati Province 2018–2021	61
Table 4-6 Major achievements in the rural road sector at the provincial level.....	61
Table 4-7 Human resources of Lalitpur IDO in Bagmati Province	62
Table 4-8 Lalitpur IDO budget in FY 2019/2020	62
Table 4-9 Human resources of rural road and other infrastructure development	63
Table 4-10 Budget for roads and other infrastructure development projects: FY 2018/2019-FY 2019/20.....	64
Table 4-11 Achievements in rural roads reported by local governments.....	65
Table 4-12 Human resources of MoLMAC/ADD in Province 1 and Bagmati Province	69
Table 4-13 MoLMAC budget execution rates in Province 1 and Bagmati Province	70
Table 4-14 Major achievements in the agriculture sector in Province 1 and Bagmati Province ..	70
Table 4-15 Human resources of the AKCs in Province 1 and Bagmati Province	71
Table 4-16 AKC budget in FY 2019/2020 in Province 1 and Bagmati Province	71
Table 4-17 Human resources of the Agriculture Section or Sub-section at the local level	72
Table 4-18 Budget for agricultural development in FY 2018/2019 at the local level	73
Table 4-19 Achievements in agricultural development reported by local governments.....	73
Table 5-1 Key points of the GoN policy on aid instruments	76
Table 5-2 Program summary of LGCDP and LGCDP II.....	77
Table 5-3 Program summary of PLGSP	79
Table 5-4 Progress of PLGSP priority activities FY 2020-2021	80
Table 5-5 Provincial local governance projects with DP support.....	81
Table 5-6 Matrix of DP-supported programs and projects	84
Table 7-1 Profile of Province 1	94
Table 7-2 Laws adopted by the Provincial Assembly in Province 1	97
Table 7-3 Profile of Rangeli Municipality.....	99
Table 7-4 Status of committees to ensure citizen participation in Rangeli Municipality	103
Table 7-5 Profile of Gaurigunj Rural Municipality	103
Table 7-6 Composition of budget in Gaurigunj Rural Municipality	105
Table 7-7 Laws enacted by Gaurigunj Rural Municipal Assembly.....	107
Table 7-8 Performance of the Judicial Committee of Gaurigunj Rural Municipality	107
Table 7-9 Status of establishment of committees to ensure citizen participation.....	108
Table 7-10 Profile of Bagmati Province.....	109
Table 7-11 Laws enacted by the Bagmati Provincial Assembly.....	113
Table 7-12 Profile of Budhanilkantha Municipality.....	115
Table 7-13 Trend of financial resources in Budhanilkantha Municipality	116
Table 7-14 Collected amount of tax in Budhanilkantha Municipality FY 2019/20	117
Table 7-15 Collected amount of non-tax in Budhanilkantha Municipality FY 2019/20	117
Table 7-16 Collected amount of grant in Budhanilkantha Municipality FY 2019/20	117
Table 7-17 Budget and expenditure in Budhanilkantha Municipality FY 2017/18-FY 2020/21 ...	118
Table 7-18 Laws enacted by the Budhanilkantha Municipal Assembly.....	119
Table 7-19 Performance of the Judicial Committee of Budhanilkantha Municipality	120
Table 7-20 Status of committees for citizen participation in Budhanilkantha Municipality	122
Table 7-21 Profile of Sunkoshi Rural Municipality	123
Table 7-22 Laws developed by Sunkoshi Rural Municipal Assembly	125
Table 7-23 Status of establishment of committees to ensure citizen participation.....	127
Table 8-1 Support measures for individuals and firms affected by COVID-19	134
Table 8-2 COVID-19 cases, deaths, and transmission by province (April 20, 2021)	136
Table 8-3 Development of public health infrastructure after COVID-19 by province.....	137
Table 9-1 Key issues on governance and service delivery	142
Table 9-2 Direction of JICA cooperation	144
Table 9-3 Direction of JICA cooperation, key issues, other DP support, and strength of JICA..	146

List of figures

Figure 3-1 Three stages of project identification, appraisal, selection, and prioritization	35
Figure 6-1 Technical cooperation projects in the governance sector supported by JICA	85
Figure 6-2 Analytical framework for lessons on project management and local governance	89
Figure 8-1 Daily new confirmed COVID-19 cases per million people.....	128
Figure 8-2 GDP growth in Nepal 2007–2026.....	129
Figure 8-3 Losses in effective employment (% of economically active population) in 2020	129
Figure 8-4 International tourist arrivals in Nepal	130
Figure 8-5 Trends in government revenue, expenditure, and debt	130
Figure 8-6 Income of households with children May 2020–January 2021	131
Figure 8-7 Where and how children study: October 2020 to January 2021	132
Figure 8-8 Food insufficiency by income group	132
Figure 8-9 Changes in mobility patterns of people in Nepal in 2020.....	133
Figure 8-10 COVID-19 stringency index in Nepal and neighboring countries.....	133
Figure 8-11 People who received at least one dose of COVID-19 vaccine	135
Figure 8-12 Cumulative confirmed COVID-19 cases in Nepal	136

List of local terms

Gaunpalika	Rural municipality
Jaat	Endogamous groups in caste system
Janandolan	People’s movement
Mahanagarपालिका	Metropolitan city
Muluki Ain	General code
Muluki Samhita	General and civil code
Nagarपालिका	Municipality
Panchayat	Village council (a local governance system that prevailed for about 30 years in Nepal). It is also called “ <i>Gaunsabha</i> .”
Samudayik Bikas Tatha Hariyali Ayojana (SABIHAA)	Community Development and Forest/Watershed Conservation Project
Upamahanagarपालिका	Sub-metropolitan city

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Abbreviations and acronyms

ADB	Asian Development Bank
ADD	Agriculture Development Directorate
ADS	Agricultural Development Strategy
A2J	Enhancing Access to Justice through Institutional Reform Project
AKC	Agriculture Knowledge Center
AUD	Australian dollar
AusAID	Australian Agency for International Development
BMIS	Budget Management Information System
CDF	Constituency Development Fund
CEHRD	Center for Education and Human Resource Development
CIDA	Canadian International Development Agency
COMCAP2	Strengthening Community Mediation Capacity for Peaceful and Harmonious Society Project Phase 2
COVID-19	coronavirus disease 2019
C/P	Counterpart
CPN-UML	Communist Party of Nepal -Unified Marxist-Leninist
CSO	Civil Society Organization
DANIDA	Danish International Development Agency
DAO	District Agriculture Office
DCC	District Coordination Committee
DFAT	Department of Foreign Affairs and Trade (of the Australian Government)
DFID	Department for International Development (of the government of the United Kingdom)
DoA	Department of Agriculture
DOLI	Department of Local Infrastructure
DOLIDAR	Department of Local Infrastructure Development and Agricultural Roads
DPs	Development Partners
EU	European Union
FCNA	Federalism Capacity Needs Assessment
FCSA	Federal Civil Service Act
FDO	Forest Directorate Office
FG	Federal Government

FMIS	Financial Management Information System
FY	Fiscal Year
GeMSIP	Gender Mainstreaming and Social Inclusion Project
GESI	Gender Equality and Social Inclusion
GIZ	<i>Deutsche Gesellschaft für Internationale Zusammenarbeit</i> (German Federal Enterprise for International Cooperation)
GoN	Government of Nepal
GTZ	<i>Deutsche Gesellschaft für Technische Zusammenarbeit</i> (German Federal Enterprise for Technical Cooperation; merged into GIZ on January 1, 2011)
HR	House of Representatives
HRM	Human Resource Management
IDO	Infrastructure Development Office
ILGT-CERA	Improving Local Governance Training through Capacity Enhancement on Research and Analysis
IPF	Innovative Partnership Fund
IPFMRP	Integrated PFM Reform Project
JA	Japan Agriculture Cooperatives
JT	Junior Technician
JICA	Japan International Cooperation Agency
JTA	Junior Technical Assistant
LCSA	Local Civil Service Act
LDTA	Local Development Training Academy
LG	Local Government
LGCDP	Local Governance and Community Development Program
LGOA	Local Government Operation Act
LISA	Local Government Institutional Systems Assessment
LM	Line Ministry
LMBIS	Line Ministry Budget Information System
M&E	Monitoring and evaluation
MDAC	Ministry Level Development Action Committee
MoALD	Ministry of Agriculture and Livestock Development
MoEAP	Ministry of Economic Affairs and Planning (of Provincial Government)
MoEST	Ministry of Education, Science and Technology
MoF	Ministry of Finance

MoFAGA	Ministry of Federal Affairs and General Administration
MoFALD	Ministry of Federal Affairs and Local Development
MoFE	Ministry of Forests and Environment
MoITFE	Ministry of Industry, Tourism, Forest and Environment
MoLMAC	Ministry of Land Management, Agriculture and Cooperative
MoPID	Ministry of Physical Infrastructure Development
MoSD	Ministry of Social Development
MoUD	Ministry of Urban Development
MoWCSC	Ministry of Women, Children and Senior Citizen
MTEF	Medium Term Expenditure Framework
NA	National Assembly
NASC	Nepal Administrative Staff College
NDAC	National Development Action Committee
NEC	National Executive Committee (of the PGLSP)
NPC	National Planning Commission
NPB	National Project Bank
NPR	Nepalese rupee
NUGIP	Nepal Urban Governance and Infrastructure Project
OCMCM	Office of Chief Minister and Council of Ministers
O&M	Organization and Management
OPMCM	Office of the Prime Minister and Council of Ministers
PCGG	Provincial Center for Good Governance
PCSA	Provincial Civil Service Act
PCU	Program Coordination Unit
PDAC	Provincial Development Action Committee
PDM	Project Design Matrix
PFCO	Provincial Financial Comptroller Office
PFMRP	Public Financial Management Reform Plan
PG	Provincial Government
PIIU	Provincial Program Implementation Unit
PLG	Provincial and Local Government
PLGSP	Provincial and Local Governance Support Program
PLMBIS	Provincial Line Ministry Budget Information System
PMAMP	Prime Minister Agriculture Modernization Project
PPA	Public Procurement Act
PPB	Provincial Project Bank

PPC	Provincial Planning Commission
PPR	Public Procurement Regulation
PPSC	Provincial Public Service Commission
PSC	Public Service Commission
PSP	Parliamentary Support Project
PSP	Provincial Support Program
PTMP	Provincial Transport Master Plan
PWMLGP	Participatory Watershed Management and Local Governance Project
RUDP	Regional Urban Development Project
SCC	Strengthening the Capacity of Court for Expeditious and Reliable Dispute Settlement Project
SDC	Swiss Agency for Development and Cooperation
SDGs	Sustainable Development Goals
SEMES 2	Strengthening the Monitoring and Evaluation System Project Phase 2
SHEP	Smallholder Horticulture Empowerment and Promotion
SNGP	Subnational Governance Program in Nepal
SSDP	School Sector Development Program
SuTRA	Sub-National Treasury Regulatory Application
SWAp	Sector-Wide Approaches
SWM	Solid Waste Management
SWMO	Soil and Watershed Management Office
TA	Technical Assistance
TID	Transport Infrastructure Directorate
TSA	Treasury Single Account
UNAIDS	United Nations Programme on HIV and AIDS
UNCDF	United Nations Capital Development Fund
UNDP	United Nations Development Program
UNFPA	United Nations Population Fund
UNICEF	United Nations Children's Fund
UNV	United Nations Volunteers
USAID	United States Agency for International Development
USD	United States dollar
VDC	Village Development Committee

1 Introduction

1.1 Background

The Federal Democratic Republic of Nepal is a multi-ethnic nation comprising more than 120 ethnic groups called “*jaat*”. In the period of the civil war in 1996–2006, Maoist groups strategically extended a sense of ethnicity among the general populace in Nepal. After prolonged dialogues and political negotiations, the Constitution of Nepal 2015 (hereinafter “the Constitution”) was promulgated in September 2015, and the country embarked on a transition from a unitary to a federal state under the new Constitution. The general elections of the governments were held at the local, provincial, and federal levels in 2017, and the newly elected governments at all the three levels have started operation under the federal system since then.

A key objective of the government of Nepal is to improve public service delivery under the federal system. However, the government faces major challenges, for instance, unclear relationships between the three levels of governments and the division of roles and functions among them, and insufficient administrative capacity of provincial and local governments to deliver public services as envisaged. The outbreak of the COVID-19 pandemic since early 2020 has been forcing all levels of governments to face up to a new set of challenges as well.

The Japan International Cooperation Agency (JICA) has been supporting Nepal with various projects in the governance and service delivery sectors. Looking at the future, JICA needs to gain a better understanding of the current situations and future directions of federalism and decentralization and identify key issues to address to consider the direction of JICA’s future assistance in Nepal.

1.2 Objectives

The current survey aims at collecting and analyzing basic information on federalism and decentralization in Nepal – where they stand, what the key issues are, and which areas of capacity development are needed to improve governance and public service delivery under federalism. The findings of the survey will provide information for the programming of JICA’s future assistance in Nepal.

1.3 Scope of the survey

The current survey started in May 2019 and was to be completed by December 2020. However, JICA decided to extend its completion until June 2021 because of an inevitable delay in the survey caused by the COVID-19 pandemic. JICA also had to restrict data collection method only through online after the outbreak of the COVID-19 pandemic to the end of the survey.

The scope of the survey is summarized as follows.

Capacity assessment: This survey assesses three levels of capacity: 1) institutions – the progress of new legislation to realize a federal governance system envisaged under the Constitution; 2) organizations – the extent to which provincial and local governments are organized to perform the roles and responsibilities under new legislation; and 3) individuals – capacity of public officials at the provincial and local governments to perform their duties under the federal system. Key issues to address are identified in the respective levels of capacity.

Governance functions: This survey assesses the situations of the following governance functions: 1) development planning; 2) budget management; 3) project management; 4) human resource management; 5) legislature; 6) judiciary; 7) gender equality and social inclusion; and 8) citizen participation. Those functions cut across service delivery sectors in government.

Service delivery functions: This survey started the initial phase of data collection and situation analysis in the following sectors of interest to JICA: 1) roads and rural infrastructure; 2) agriculture and rural development; 3) education; 4) forestry and soil conservation; and 5) waste management. The results from the initial stage were reported in the Interim Report. After the initial phase, JICA decided to conduct a more detailed assessment in two sectors: 1) rural road; and 2) agriculture.

Donor assistance: Besides the topics above, JICA's completed and ongoing assistance projects in those sectors are studied to assess the extent of the impact that the transition to federalism has had and identify the key issues to be addressed by JICA. In addition, governance programs and projects supported development partners (DPs) are reviewed to shed light on the positioning of potential future governance assistance by JICA.

Research methods: This survey reviews and analyzes legislative documents, studies, and reports published by the government of Nepal, development partners, academics, and international and national NGOs. It uses the knowledge already generated and avoids any duplication of research. In addition, the survey conducts interviews with key informants to deepen, and confirm relevance and accuracy of, their understanding on respective topics.

Three phases of the survey: This survey is being undertaken in three phases: (1) review of the legislation of the federal government and the literature on federalism and decentralization; (2) situational assessment of provincial and local governments; and (3) synthesis of findings and recommendations. Regarding the situational analysis in (2), provincial governments of Province 1 and Bagmati Province and two local governments from each province have been selected as case studies.

The situational assessments of provincial and local governments were conducted twice; the first in September-October 2019 and the second in March-April 2021. The first assessment was undertaken through in-person interviews of officials in all target governments. Unfortunately, the second assessment was carried out only through online, because the COVID-19 pandemic did not allow the survey team to visit target governments and conduct interviews in person.

This report is structured as follows.

Chapter 2 provides background information to understand the context in which Nepal embarked on the transition to federalism. It summarizes the socio-economic development of Nepal, history of decentralization and local governance in Nepal, an overview of the Constitution, and the status of supporting legislations. Chapter 3 presents the federal governance structure and key institutions under the Constitution, namely, the executive, legislative, and judicial branches at the three levels of governments. Chapter 4 presents the impacts that federalism has had on service delivery in the rural roads and agriculture sectors and the key issues identified in the current survey. Chapter 5 presents an overview of governance programs and projects supported by DPs, and Chapter 6 presents the review of governance projects supported by JICA. Chapter 7 presents the findings of the situational analysis in Province 1 and Bagmati Province as case studies. These case studies were undertaken on the provincial government, an urban municipality, and a rural municipality in each province. Chapter 8 presents the effects of COVID-19 in Nepal and the responses of the governments. Finally, Chapter 9 offers some directions of JICA support under the federal system that has emerged from the current survey.

2 Transition of policies and institutions in Nepal

2.1 Socio-economic development in Nepal

Nepal's transition to democratic governance started in the mid-twentieth century. The People's Movement (*Janandolan*) in 1990 marked a notable progress toward a multi-party democracy, and the 1990 Constitution paved the way toward a multiparty parliamentary system under a constitutional monarchy. However, this development was far from satisfactory for many Nepali people since political and economic powers continued to be concentrated in the hands of ruling elites, whereas a vast majority of the Nepali people could not feel any improvements in meeting their basic needs. Marginalized groups, such as women, *Dalit* (untouchables), indigenous people, *madhesi* people (Indian descendants living in *Terai* (lowland) areas), Muslims, and people in remote areas, continued to be excluded from receiving the fruit of progress. This led the country into a civil war in the mid-1990s. After nearly a decade of civil war, major conflicting parties reached a Comprehensive Peace Agreement on November 21, 2006. Although it took another decade of strife and negotiations after the civil war, the country finally adopted the Constitution of Nepal in 2015. The country held general elections in 2017 to elect representatives for the federal, provincial, and local governments.¹

Despite the prolonged political conflicts and social unrest since the 1990s, Nepal has been progressing steadily in its socio-economic development in the last three decades (see Table 2-1). The number of the poor living below USD 1.90 a day declined from 46% of the total population in 2003 to 25% of the total population in 2010. Gross National Income per capita increased nearly five times between 1990 and 2018. Life expectancy at birth increased considerably from 54 years in 1990 to 70 years in 2018. The mortality rate of under-5 years old declined sharply from 140 per thousand live births in 1990 to 32 per thousand in 2018. Secondary school enrollment nearly doubled between 1990 and 2010. The industrial structure has been moving away gradually from traditional toward modern sectors, as indicated by the declining value added of the agriculture, forestry, and fishery sectors from 49 percent of GDP in 1990 to only 26 percent in 2018.

Table 2-1 Socio-economic development of Nepal 1990-2018

	1990	2000	2010	2018
Overview				
Population, total (millions)	18.91	23.94	27.01	28.09
Population growth (annual %)	2.5	1.8	0.5	1.7
Surface area (sq. km) (thousands)	147.2	147.2	147.2	147.2
Population density (people per sq. km of land area)	132.2	167	188.4	195.9
Poverty headcount ratio at national poverty lines (% of population)	..	..	25.2	..
Poverty headcount ratio at USD 1.90 a day (2011 PPP) (% of population)	..	46.1	25	..
GNI, Atlas method (current USD) (billions)	3.92	5.41	14.61	27.25
GNI per capita, Atlas method (current USD)	210	230	540	970
People				
Life expectancy at birth, total (years)	54	62	68	70
Fertility rate, total (births per woman)	5.2	4	2.5	1.9
Births attended by skilled health staff (% of total)	..	12	..	..

¹ See Jha (2014).

Final Report

	1990	2000	2010	2018
Mortality rate, under-5 (per 1,000 live births)	140	81	47	32
Prevalence of underweight, weight for age (% of children under 5)	..	42.8	28.9	24.4
Immunization, measles (% of children ages 12-23 months)	57	71	86	91
Primary completion rate, total (% of relevant age group)	..	67	..	..
School enrollment, primary (% gross)	111	119.4	144.5	142.1
School enrollment, secondary (% gross)	33	36	58	..
School enrollment, primary and secondary (gross), gender parity index (GPI)	1	1	1	..
Environment				
Forest area (sq. km) (thousands)	56.7	57.8	59.6	59.6
Annual freshwater withdrawals, total (% of internal resources)	..	4.8	4.8	4.8
Urban population growth (annual %)	6.1	5.9	2.5	3.7
Energy use (kg of oil equivalent per capita)	306	339	378	..
CO2 emissions (metric tons per capita)	0.04	0.13	0.19	..
Electric power consumption (kWh per capita)	35	59	103	..
Economy				
GDP (current USD) (billions)	3.63	5.49	16	29.17
GDP growth (annual %)	4.6	6.2	4.8	6.7
Inflation, GDP deflator (annual %)	10.7	4.5	15.1	6.7
Agriculture, forestry, and fishing, value added (% of GDP)	49	38	33	26
Industry (including construction), value added (% of GDP)	15	21	14	13
Exports of goods and services (% of GDP)	11	23	10	9
Imports of goods and services (% of GDP)	22	32	36	46
Gross capital formation (% of GDP)	18	24	38	52
Revenue, excluding grants (% of GDP)	8.4	10.6	14.9	23.2
Net lending (+) / net borrowing (-) (% of GDP)	..	..	-1.4	-3.1
States and markets				
Time required to start a business (days)	..	..	31	19
Tax revenue (% of GDP)	7	8.7	13.4	21.7
Military expenditure (% of GDP)	1.1	1	1.6	1.6
Mobile cellular subscriptions (per 100 people)	0	0	34	139.4
Individuals using the Internet (% of population)	0	0.2	7.9	21.4
Global links				
Merchandise trade (% of GDP)	24	43	37	46
External debt stocks, total (DOD, current USD) (millions)	1,627	2,874	3,787	5,511
Total debt service (% of exports of goods, services and primary income)	15	7.6	10.6	7.2
Personal remittances, received (current USD) (millions)	..	111	3,464	8,294
Foreign direct investment, net inflows (Balance of Payment, current USD) (millions)	6	0	88	68
Net official development assistance received (current USD) (millions)	357.2	311.2	767.3	1452.3

Source: World Development Indicators database (as of April 2021).

2.2 Brief history of decentralization in Nepal

Decentralization and local governance in Nepal date back to the 1950s. The country experienced a turbulent history with progress and setbacks over the last seven decades (Table 2-2).

The formal institutionalization of *panchayats* as a community governance system started after the introduction of democracy in the 1950s. However, the monarchy quickly reinstated an autocratic regime in 1961 and used the *panchayat* system as a state apparatus to control the nation in the 1960s-1980s. The People's Movement in 1990 and the subsequent establishment of a democratically elected parliament inspired renewed interest in local governance through decentralization. The parliament enacted the Local Self-Governance Act in 1999 to provide a legal basis for grassroots democracy. However, again, Nepal experienced a major setback in local governance because of the Maoist insurgency and civil war during 1996–2006. However, the Constituent Assembly was elected under the Interim Constitution in 2007 after a landmark Comprehensive Peace Agreement in 2006. Over the course of a decade of negotiations in the Constituent Assembly, the vision of the Constituent Assembly for a federal democratic republic bore fruit, and the Constituent Assembly finally promulgated the Constitution of Nepal 2015. The next section provides an overview of the Constitution.

Table 2-2 Key events on local governance and decentralization in Nepal

Years	Events related to local governance and decentralization
1950s	King Tribhuvan promulgated the first interim Constitution of Nepal in 1951. This was followed by the formation of the first democratically elected government under the 1959 Constitution.
1960s-1980s	King Mahendra dismissed democratically elected government in 1961 and established an autocratic, party-less <i>panchayat</i> system under the 1962 Constitution. He used the <i>panchayat</i> system to rule the nation with no involvement of political party.
1990s	People's Movement in 1990 led to the restoration of representative multi-party democracy under the 1990 Constitution. <i>Panchayats</i> were renamed as Village Development Committees (VDCs for rural bodies), <i>nagarपालिकास</i> (urban bodies), and District Development Committees (DDCs). The government enacted Local Self-Governance Act in 1999 to provide a legal basis for decentralization and strengthen local level democracy.
1996-2006	Maoist insurgency targeted elected local representatives with violent threat, whereas monarchy reasserted direct rule and ended the tenure of the elected representatives in 2002. Local governance system experienced malfunction due to security problems and the absence of local representatives.
2006-2015	Comprehensive Peace Agreement in 2006 ended the civil war, and the Constituent Assembly promulgated the 2007 Interim Constitution. Renewed interest emerged under this constitution to reactivate the local governance system. The government implemented Local Government and Community Development Program (LGCDP) 2008-2016 with support of development partners.

Sources. Whelpton (2005), Jha (2014), AusAid and Asia Foundation (2017).

2.3 Transition to federalism

2.3.1 Constitution of Nepal 2015

The Constitution consists of a Preamble, 35 Parts, 308 Articles, and 9 Schedules. Table 2-3 presents the structure of the Constitution.

Article 2 of the Constitution states, “The sovereignty and state authority of Nepal shall be vested in the

Nepalese people.” The long-lasting monarchy became officially a thing of the past, and the Constitution declared that sovereignty rests in the Nepali people. Then, Article 4 declares the State of Nepal as “an independent, indivisible, sovereign, inclusive, democratic, socialism-oriented, federal democratic republican state.”

Part 3 of the Constitution states the fundamental rights and duties of citizens of Nepal. The rights specified in Articles 16-48 include the rights to live with dignity, freedom, equality, justice, property, religion, education, clean environment, health, and to be free from any forms of untouchability and discrimination.

Part 4 of the Constitution stipulates the directive principles, policies, and obligations of the State of Nepal. The directive principles in Article 50 stipulate that the State shall: 1) establish a public welfare system of governance; 2) build a civilized and egalitarian society; 3) achieve sustainable economic development; and 4) direct international relations towards enhancing the dignity of the nation in the world community.

Article 51 of Part 4 states the various policies that the State shall pursue. Those policies relate to: 1) national unity and security; 2) the political and governance system; 3) social and cultural transformation; 4) economy, industry, and commerce; 5) agriculture and land reforms; 6) development; 7) protection, promotion and use of natural resources; 8) the basic needs of citizens; 9) labor and employment; 10) social justice and inclusion; 11) the justice and penal system; 12) tourism; and 13) international relations.

Part 5 of the Constitution is dedicated to the structure of the State and the distribution of state power. Article 56 of the Constitution states, “The main structure of the Federal Democratic Republic of Nepal shall be of three levels, namely the Federation, the State and the Local level.” Here, it should be noted that the Constitution uses the term “State” rather than “Province” as commonly called. In this report, the term “State” is used to indicate the State of Nepal only, and “Province” is used to indicate sub-national territory or government below the federal level.

The rest of Part 5 to Part 27 of the Constitution (i.e., Articles 57-265) stipulate the powers, structures, and procedures of State institutions that are to be established under the Constitution, including several constitutional bodies called “commissions.” The Schedules at the end of the Constitution provide the lists of Districts to be included in respective States (Schedule 4) and the lists of powers of the Federation, State (Province), and Local level (Schedules 5-9). The following sections discuss these in detail.

Table 2-3 Overall structure of the Constitution

Preamble		
Parts		Articles
1	Preliminary	1-9
2	Citizenship	10-15
3	Fundamental rights and duties	16-48
4	Directive Principles, Policies and Obligations of the State	49-55
5	Structure of State and Distribution of Power	56-60
6	President and Vice-President	61-73
7	Federal Executive	74-82
8	Federal Legislature	83-108
9	Federal Legislative Procedures	109-114
10	Federal Financial Procedures	115-125
11	Judiciary	126-156
12	Attorney General	157-161
13	State (Provincial) Executive	162-174
14	State (Provincial) Legislature	175-196
15	State (Provincial) Legislative Procedures	197-202

16	State (Provincial) Financial Procedures	203-213
17	Local Executive	214-220
18	Local Legislature	221-227
19	Local Financial Procedures	228-230
20	Interrelations between Federation, State (Provincial) and Local Level	231-237
21	Commission for the Investigation of Abuse of Authority	238-239
22	Auditor General	240-241
23	Public Service Commission	242-244
24	Election Commission	245-247
25	National Human Rights Commission	248-249
26	National Natural Resources and Fiscal Commission	250-251
27	Other Commissions	252-265
28	Provisions relating to National Security	266-268
29	Provisions Relating to Political Parties	269-272
30	Emergency Power	273
31	Amendment to the Constitution	274
32	Miscellaneous	275-294
33	Transitional Provisions	295-305
34	Definitions and Interpretations	306
35	Short Title, Commencement and Repeal	307-308
Schedule		
1	National Flag of Nepal	
2	National Anthem of Nepal	
3	Coat of Arms of Nepal	
4	States (Provinces) and Districts to be included in the concerned States (Provinces)	
5	List of Federal Power	
6	List of State (Provincial) Power	
7	List of Concurrent Powers of Federation and State (Province)	
8	List of Local Level Power	
9	List of Concurrent Powers of Federation, State (Provincial) and Local Level	

Source: Constitution of Nepal 2015.

Note: The brackets in the table are added by the authors.

2.3.2 Overview of legislation under the federal system

The promulgation of the Constitution requires massive restructuring of government institutions and organizations to adapt to the three-level structure of the government. One of the critical tasks is to enact approximately 110 new laws and amend 300 existing laws.² Besides these laws, numerous policies, rules, regulations, and guidelines need to be enacted or amended to operationalize the Constitution and laws. This daunting task has been falling mostly on the shoulders of the federal government. Table 2-4 presents the key laws to support the Constitution and the status of these laws.

Table 2-4 Key laws to support the Constitution

No	Name	Description of laws and their current status (as of March 2021)
1	Local Government Operation Act (2017)	Description. Roles and responsibilities of local governments, e.g., functional responsibilities, planning and budgeting process, treasury management, revenue raising, intergovernmental fiscal transfers, borrowings, and the role of

² World Bank (2018).

No	Name	Description of laws and their current status (as of March 2021)
		District Coordination Committee. Current status. Effective
2	Intergovernmental Financial Management Act (2017)	Description. Revenue sharing and intergovernmental fiscal transfers. The percentage is given for different types of fund transfers to state (provincial) and local governments, from states to local governments (horizontal, upward and downward). Current status. Effective
3	Personal Adjustment Act (2019)	Description. Adjustment of personnel of the existing civil service, health service and the then local bodies to the three levels of governments through transfers of central personnel (around 79,000) and personnel of local bodies (18,000). Current status. Effective. The new Civil Service Act currently under discussion in the parliament will replace this Act.
4	National Natural Resource and Finance Commission Act (2017)	Description. Roles and responsibilities of the commission, including organizational and individuals, allocation of equalization, conditional, special and complimentary grants, borrowings, revenue sharing and management of natural resources. Current status. Effective. The Chairperson and the other members have been appointed and the Secretariat has been established.
5	Financial Procedure and Fiscal Accountability Act (2019)	Description. An act made for the systematization of financial procedures. Current status. Effective. This Act has replaced Financial Procedures Act (1999).
6	The Public Procurement Act (2007)	Description. To manage the public procurement of goods and services and applicable to all government/semi government entities at all levels Current status. Amendment bill is under discussion in parliament.
7	Civil Service Act (1993)	Description. Operation and conditions of civil service. It elaborates procedures related to recruitment, posting, transfer, promotion, disciplinary actions, facilities, code of conduct of civil servants and retirement procedures. Current status. The new Civil Service Act currently under discussion in parliament will replace this Act.
8	Town Development Act (1988)	Description. An act made for creation of regional planning authorities to respond to planning needs and manage growth of small towns and market centers. Current status. Bill is under discussion in parliament.
9	Town Development Act (1997)	Description. To mandate Town Development Fund to issue loans to municipalities, and urbanize villages, town development committees, and organizations working for city development. Current status. Bill is under discussion in parliament.
10	Right to Information Act (2007)	Description. To gives all citizens the rights to ask for information on the activities of government institutions and impose all government institutions the obligation to disclose such information. Current status. Effective.
11	Education Act (1971)	Description. To provide quality education across the country by improving management of educational institutions for overall development of human resources. Current status. The new high-level commission has submitted its report to the government. The government will submit a new educational bill.
12	Local Development Training Academy Act (1993)	Description. An act made for establishment of an autonomous institution to enhance administrative and management capacity of the local government institutions. Current status. Some clauses have been amended and approved to handover the property of Regional Centers of LDITA to the respective provincial

No	Name	Description of laws and their current status (as of March 2021)
		governments so that they can manage training centers by issuing the provincial rules.
13	Mediation Act (2011)	Description. To resolve conflicting issues through mediation committees. It is supportive to formal courts such as District, High and Supreme Court as well as judicial committees formed at local level. Current status. Effective. Guidelines under this act for local judicial committees are ready.
14	House and Land Tax Act (1962)	Description. Local governments collect house and land taxes by using the provisions of this act. Current status. Finance bill under discussion in the parliament may compliment this act.
15	Audit Act (2019)	Description. Under this act, the Auditor General Office audits all the entities of the government at all three levels and submits its reports to the President of Nepal. Current status. Effective. This Act replaced Audit Act (1991)
16	Administrative Procedure Regulation Act (1956)	Description. Under this act, all the government offices have to simplify their working procedures. The government also issues its work division rules and work performance rules. Current status. Effective.
17	Solid Waste Management Act (2011)	Description. To arrange for the management of solid waste by minimizing it at source and reusing, processing or properly disposing solid waste. The act mandates local bodies for constructing landfill sites, monitoring the compliance of specified standards and carrying out environmental protection activities. Current status. This act has recently been amended. MoFAGA is responsible to guide local governments on solid waste management-related matters.
18	Disaster Management Act (2018)	Description. It provisions institutional arrangements at three levels and specifies roles of concerned actors. Current status. Policy, guidelines and an action plan have been developed.
19	Federal, Provincial and Local Level Coordination and Interrelations Act (2020)	Description. This act stipulates the provisions to manage intergovernmental relations among three levels of governments while exercising their constitutional powers in the spirit of cooperation, coexistence, and coordination. Current status. Effective.
20	Financial Procedures and Fiscal Accountability Rules (2021)	Description. This Rules elaborate the provisions of the Financial Procedures and Fiscal Accountability Act 2019 in detail. Different accounting formats are given to synthesize the system. This will be applicable for all three levels of governments. Current status. Effective.

3 Policies and institutions under the federal system in Nepal

3.1 Structures, functions and roles of three levels of governments

3.1.1 Basic structure of the federal system under the Constitution

Table 3-1 below summarizes the administrative divisions and sub-divisions of Nepal under the federal system of the Constitution.

Table 3-1 Administrative division under the Constitution

Administrative Division	Total number	Sub-divisions	Number
Federal government	1		
Provincial government	7	District	77
Local government	753	Metropolitan city (<i>Mahanagarpalika</i>)	6
		Sub-metropolitan city (<i>Upamahanagarpalika</i>)	11
		Municipality (<i>Nagarpalika</i>)	276
		Rural municipality (<i>Gaunpalika</i>)	460

Nepal's governments consist of the three levels of governments – federal, provincial, and local. Under the new Constitution, seven provincial governments have been newly created as the middle-tier, regional governments in which 77 districts are included. Besides the provincial governments, 753 local governments were established. The local governments consist of 6 metropolitan cities, 11 sub-metropolitan cities, 276 municipalities, and 460 rural municipalities.

Nepal held provincial and local elections in 2017, and all the provincial and local governments started their operations in 2018 with newly elected representatives by those elections. This is a remarkable event since all the levels of governments were elected democratically and inclusively for the first time in Nepali history.

Within the respective levels of governments, the Constitution also establishes three branches of power – executive, legislature, and judiciary. Table 3-2 summarizes the names of the respective institutions at the three levels of governments.

The legislature at the federal level is a bicameral system consisting of the House of Representatives and the National Assembly. By contrast, the legislatures at the provincial and local levels are unicameral. The executive branch of governments is established at all the three levels of governments, whereas the judicial branch of the federal government, consisting of the Supreme Court, High Court, and District Courts, and Attorney Generals, has jurisdiction over the whole nation.

Table 3-2 Three branches of governments at federal, provincial and local levels

Level	Legislature	Executive	Judiciary
Federal			
President/Vice President (Head of State of Nepal)	Federal Parliament: <ul style="list-style-type: none"> House of Representatives (275 representatives; 5-year term) National Assembly (59 representatives; 6-year term; one third elected in 	Council of Ministers: <ul style="list-style-type: none"> Headed by Prime Minister Maximum of 25 ministers including Prime Minister 	Courts: <ul style="list-style-type: none"> Supreme Court High Court District Court Specialized courts Attorney General:

Level	Legislature (every two years)	Executive	Judiciary
Provincial <i>Chief of Province</i> (Head of State)	Provincial Assembly: <ul style="list-style-type: none"> Number of representatives is twice as many as that of House of Representatives from the concerned State; 5-year term) 	Provincial Council of Ministers: <ul style="list-style-type: none"> Headed by Chief Minister Maximum 20% of the total number of members of Provincial Assembly 	
Local	Village (Municipal) Assembly: <ul style="list-style-type: none"> Consist of: Chairperson (Mayor) and Vice-Chairperson (Deputy Mayor) of Village (Municipal) Executives; Ward Chairpersons; four members elected from each Ward; members of Village (Municipality) Executives elected from Dalit or minority communities 5-year term 	Village (Municipal) Executive: <ul style="list-style-type: none"> Headed by Chairperson (Mayor) and Vice-Chairperson (Deputy Mayor) Consist of: Chairperson (Mayor); Vice Chairperson (Deputy Mayor); Ward Chairpersons; four (five) women members; two (three) members from <i>Dalit</i> or minority communities 5-year term District Assembly and District Coordination Committee:	

Source: Constitution of Nepal 2015

3.1.2 Powers, functions and roles of three levels of governments

Schedules 5 to 9 of the Constitution stipulate the powers of the three levels of governments.³ Those powers are divided into three categories – exclusive, concurrent, and residual.

Schedules 5, 6 and 8 of the Constitution list up the matters in which exclusive powers are vested in federal, provincial and local governments, respectively (see Table 3-3, Table 3-4, Table 3-5).

Schedule 7 of the Constitution presents the matters in which the federal and provincial governments hold concurrent powers, and Article 57(3) stipulates that the concurrent powers shall be exercised pursuant to the Constitution, federal law, and provincial law (Table 3-6). Similarly, Schedule 9 of the Constitution presents the matters in which the federal, provincial, and local governments hold concurrent powers, and Article 57(5) of the Constitution stipulates that the concurrent powers shall be exercised pursuant to the Constitution, federal law, provincial law, and any law made by the Village Assembly or Municipal Assembly (Table 3-7).

Regarding residual power, according to Article 58 of the Constitution, the federal government shall have

³ “Schedule” means the tables appended at the end of the Constitution.

power on any matters not in Schedules 5 to 9.

Comparing Schedules 5 to 9 of the Constitution, a couple of observations can be made. First, the powers vested exclusively in the federal government are limited to a few, such as defense and military, central banking, monetary policies, international affairs, federal civil service, and atomic energy. Second, a general characteristic of the distribution of powers among the three levels of governments is that the federal government tends to hold powers on policy formulation and standard setting, provincial governments on vertical and horizontal coordination among three levels of governments, and local governments on basic service delivery. However, there appears to be considerable overlaps between exclusive and concurrent powers among all the levels of governments, implying that the distribution of powers needs to be clarified further with the drafting or amendment of various laws at the sector level.

Table 3-3 List of federal powers (exclusive)

Serial Number (S.N.)	Matters
1	Defense and military a) Protection of national unity and territorial integrity b) Relating to nation security
2	War and defense
3	Arms and ammunitions factories and production thereof
4	Central police, armed police force, national intelligence and investigation, peace, security
5	Central planning, central bank, finance policies, monetary and banking, monetary policies, foreign grants, aid and loans
6	Foreign and diplomatic affairs, international relations and United Nations related matters
7	International treaties or agreements, extradition, mutual legal assistance and international borders, international boundary rivers
8	Telecommunications, allocation of radio frequency, radio, television and postal matters
9	Customs, excise duty, value-added taxes, corporate income tax, individual income tax, remuneration tax, passport fee, visa fee, tourism fee, service charge and fee, penalty
10	Federal civil service, judicial service and other government services
11	Policies relating to conservation and multiple uses of water resources
12	Inland and inter-state electricity transmission lines
13	Central statistics (national and international standards and quality)
14	Central level large electricity, irrigation and other projects
15	Central universities, central level academies, universities standards and regulation, central libraries
16	Health policies, health services, health standards, quality and monitoring, national or specialized service providing hospitals, traditional treatment services and communicable disease control
17	Federal Parliament, Federal Executive, Local Level related affairs, special structure
18	International trade, exchange, port, quarantine
19	Civil aviation, international airports
20	National transportation policies, management of railways and national railways
21	Laws relating to the Supreme Courts, High Courts, District Courts and administration of justice
22	Citizenship, passport, visa, immigration
23	Atomic energy, air space and astronomy
24	Intellectual property (including patents, designs, trademarks and copyrights)
25	Measurement
26	Mines excavation
27	National and international environment management, national parks, wildlife reserves and wetlands, national forest policies, carbon services
28	Insurance policies, securities, cooperatives regulation
29	Land use policies, human settlement development policies, tourism policies, environment adaptation
30	Criminal and civil laws making
31	Security printing

Serial Number (S.N.)	Matters
32	Social security and poverty alleviation
33	Constitutional bodies, commissions of national importance
34	Sites of archaeological importance and ancient monuments
35	Any matter not enumerated in the List of Federal Powers, State Powers and Local Level Powers or in the Concurrent List and any matters not specified in this Constitution and in the Federal laws

Source: The Constitution, Schedule 5.

Table 3-4 List of provincial powers (exclusive)

S.N.	Matters
1	State police and administration
2	Operation of banks and financial institutions in accordance with the policies of Nepal Rastra Bank, cooperative institutions, foreign grants and assistance with the consent of the Center
3	Operation of Radio, FM, television
4	House and land registration fee, motor vehicle tax, entertainment tax, advertisement tax, tourism, agro-income tax, service charge, fee, penalty
5	State civil service and other government services
6	State statistics
7	State level electricity, irrigation and water supply services, navigation
8	State universities, higher education, libraries, museums
9	Health services
10	Matters relating to State Assembly, State Council of Ministers
11	Intra-State trade
12	State highways
13	State bureau of investigation
14	Physical management and other necessary matters of State governmental offices
15	State Public Service Commission
16	Management of lands, land records
17	Exploration and management of mines
18	Protection and use of languages, scripts, cultures, fine arts and religions
19	Use of forests and waters and management of environment within the State
20	Agriculture and livestock development, factories, industrialization, trade, business, transportation
21	Management of trusts (<i>Guthi</i>)

Source: The Constitution, Schedule 6.

Table 3-5 List of local powers (exclusive)

S.N.	Matters
1	Town police
2	Cooperative institutions
3	Operation of FM
4	Local taxes (wealth tax, house rent tax, land and building registration fee, motor vehicle tax), service charge, fee, tourism fee, advertisement tax, business tax, land tax (land revenue), penalty, entertainment tax, land revenue collection
5	Management of local services
6	Collection of local statistics and records
7	Local level development plans and projects
8	Basic and secondary education
9	Basic health and sanitation
10	Local market management, environment protection and biodiversity
11	Local roads, rural roads, agro-roads, irrigation
12	Management of Village Assembly, Municipal Assembly, District Assembly, local courts, mediation and arbitration
13	Local records management

Final Report

S.N.	Matters
14	Distribution of house and land ownership certificates
15	Agriculture and animal husbandry, agro-products management, animal health, cooperatives
16	Management of senior citizens, persons with disabilities and the incapacitated
17	Collection of statistics of the unemployed
18	Management, operation and control of agricultural extension
19	Water supply, small hydropower projects, alternative energy
20	Disaster management
21	Protection of watersheds, wildlife, mines and minerals
22	Protection and development of languages, cultures and fine arts

Source: The Constitution, Schedule 8.

Table 3-6 List of concurrent powers of federal and provincial governments

S.N.	Matters
1	Civil and criminal procedure, evidence and oaths (legal recognition, public acts and records, and judicial proceedings)
2	Supply, distribution, price control, quality and monitoring of essential goods and services
3	Preventive detention for reasons connected with the security of the country, prison and detention management, and maintenance of peace and order
4	Transfer of accused persons, detainees and prisoners from one State to another State
5	Laws relating to family affairs (marriage, transfer of property, divorce, persons on the verge of extinction, orphan, adoption, succession and joint family)
6	Acquisition, requisitioning of property and creation of right in property
7	Contracts, cooperatives, partnership and agency related matters
8	Matters relating to bankruptcy and insolvency
9	Drugs and pesticides
10	Planning, family planning and population management
11	Social security and employment, trade unions, settlement of industrial disputes, and labor rights and disputes related matters
12	Legal profession, auditing, engineering, medicines, <i>Ayurvedic</i> medicines, veterinary, <i>Amchi</i> and other professions
13	State boundary river, waterways, environment protection, biological diversity
14	Matters related to means of communication
15	Industries and mines and physical infrastructures
16	Casino, lottery
17	Early preparedness for rescue, relief and rehabilitation from natural and man-made calamities
18	Tourism, water supply and sanitation
19	Motion pictures, cinema halls and sports
20	Insurance business operation and management
21	Poverty alleviation and industrialization
22	Scientific research, science and technology and human resources development
23	Utilization of forests, mountains, forest conservation areas and waters stretching in inter-State form
24	Land policies and laws relating to thereto
25	Employment and unemployment aid

Source: The Constitution, Schedule 7.

Table 3-7 List of concurrent powers of federal, provincial and local governments

S.N.	Matters
1	Cooperatives
2	Education, health and newspapers
3	Health
4	Agriculture
5	Services such as electricity, water supply, irrigation
6	Service fee, charge, penalty and royalty from natural resources, tourism fee
7	Forests, wildlife, birds, water uses, environment, ecology and biodiversity

S.N.	Matters
8	Mines and minerals
9	Disaster management
10	Social security and poverty alleviation
11	Personal events, births, deaths, marriages statistics
12	Archaeology, ancient monuments and museums
13	Landless squatters management
14	Royalty from natural resources
15	Motor vehicle permits

Source: The Constitution, Schedule 9.

3.1.3 Relations among three levels of governments

Part 20 (Articles 231-237) of the Constitution is dedicated to the relationships among federal, provincial, and local governments.

According to Article 232(1) of the Constitution, the relationships between the federal, provincial, and local governments “shall be based on the principles of cooperation, coexistence and coordination.” However, in Article 232(2), the federal government is given power to provide necessary directions to the State (Provincial) Council of Ministers “on matters of national importance and on matters to be coordinated between the States (Provinces).” If the matters may seriously undermine the “sovereignty, territorial integrity, nationality or independence of Nepal, the federal government may warn, suspend, or dissolve the State (Provincial) Council of Ministers (Article 232(3)), and call for the election of State (Provincial) Assembly (Article 232(4)).

Article 234 of the Constitution stipulates the establishment of an Inter-Provincial Council to settle political disputes arising between the federal and provincial governments or between provincial governments. In addition, Article 235 of the Constitution states that the federal government shall make necessary laws to maintain the coordination between the three levels of governments, and the State (Provincial) Assembly is tasked with maintaining coordination between provincial governments, with local governments and District Coordination Committee. According to Article 231 of the Constitution, at the request of one or more provincial governments, the federal government may formulate laws that are applicable to only those provinces.

Apart from the provision of the Constitution, the National Assembly passed a new Federal, Provincial and Local Level Coordination and Interrelations Act in July 2020. This law further clarifies the roles, functions, and interrelations of the three levels of government. It explicitly limits the powers of all levels of governments by stating that they shall not encroach in exclusive rights of the other levels of governments (Article 4). On the other hand, it requires three levels of governments to coordinate legislation and policy making that address common concerns. Furthermore, the Act allows subnational governments to enact laws without waiting for federal legislation.⁴

3.2 Development planning

3.2.1 Laws, regulations, and guidelines

Article 59 of the Constitution gives all the federal, provincial, and local governments in Nepal the responsibility to formulate and implement policies and plans on matters related to their respective

⁴ See details in Adhikari and Upadhyaya (2020).

jurisdictions. Although the types of development plan they are responsible to prepare are not mentioned in the Constitution explicitly, Section 24 of the Local Government Operation Act (LGOA) 2017 stipulates that local governments “can prepare periodic, annual, strategic and thematic mid-term and long-term development plans.” In practice, each level of government prepares periodic plans, annual plans, and sectoral master plans, following specific guidelines and, in the case of local governments, the LGOA 2017.

Federal level

The periodic plan of the federal government refers to the Five-Year Plan and its annual plan is called annual development program prepared along with the annual budget. For the preparation of the Five-Year Plan, the National Planning Commission (NPC) issues a guideline to concerned ministries and organizations. According to the guideline, a Five-Year Plan should include the following contents: 1) situation analysis; 2) national long-term vision; 3) goal; 4) overall and sectoral objectives; 5) sectoral strategies and working policies; 6) arrangement for inter-government coordination; 7) roles of different stakeholders; 8) financial arrangement; 9) implementation mechanism; 10) monitoring and evaluation arrangement; and 11) results matrix to be followed by major national programs. The contents of a Five-Year Plan are considered to indicate the direction of development activities.

Regarding the annual development program, the NPC provides a “Guideline for Annual Development Program and Budget (including Medium-term Expenditure Framework)” to concerned ministries and organizations each year. The annual development program and budget presents development goals, sectoral programs and budgets based on a Five-Year Plan. It also presents the progress of sectoral and sub-sectoral programmatic budget allocations.

Provincial level

The NPC provided a model guideline to all provinces, explaining planning steps, alignment with national vision and goal, Sustainable Development Goals (SDGs) and national policies. The contents of the periodic plan that the model guideline suggests include: 1) challenges and opportunities; 2) vision; 3) goal; 4) objectives; 5) quantitative targets; 6) strategies; 7) projection of economic growth; 8) investment needs; 9) financial arrangement; 10) allocation of budget to each sector and base of mobilization; 11) economic policy; 12) budget and programs of each sector and related to cross-cutting issues; 13) plan formulation process; 14) arrangement for implementation, monitoring and evaluation of the plan; and 15) results framework.

Provincial governments are required to prepare an annual plan every year and need to solicit the approval of their respective Provincial Assemblies in conjunction with annual budget. The above-mentioned guideline applies to annual planning as well. In addition, the NPC provides a guideline on fiscal transfer every year along with budget ceilings.

Local level

LGOA 2017 provides basic principles on local planning, such as consideration of cross-cutting issues, matters to be given priority in planning, involvement of stakeholders, basic planning steps, coordination with other levels of government and non-governmental actors, and cooperation with other local governments.

The model guideline issued by the NPC provides specific guidance on local-level periodic planning and annual planning. It spells out planning steps and alignment with national and provincial plans and policies as well as SDGs, and also specifies the contents to be included in the periodic plan, which is almost the same as the ones for the provincial periodic plan mentioned above. Because it is a model guideline, local governments could modify it according to the requirements of respective local governments. In addition to the model guideline, local governments receive a budget guideline on fiscal transfer from both the federal government and provincial government every year along with budget ceilings.

As in provincial governments, local governments are required to prepare the annual plan along with the annual budget in each fiscal year and have it approved by their respective assemblies.

3.2.2 Organizational structure of development planning

The key actors and their roles in periodic and annual planning at three levels of government are briefly described below.

Federal level

The NPC plays the leading role in periodic and annual planning in cooperation with the Ministry of Finance (MoF). Sectoral ministries are also key actors in both the formulation and implementation of a Five-Year Plan and annual development programs. Provincial and local governments are implementing partners whilst development partners, NGOs and the private sector serve as supporting actors to achieve the goal set out in the Five-Year Plan.

Provincial level

The Provincial Planning Commission (PPC), which is named the Provincial Policy and Planning Commission in some provinces, is the leading actor for periodic and annual planning. It was established in each province mainly for formulating plans, strategies, and policies, and Provincial Assemblies define the functions of their respective PPCs. The Ministry of Economic Affairs and Planning (MoEAP) of a provincial government plays the same role as the MoF at the federal level. Development partners, NGOs, the private sector, and civil society are supporting partners particularly in the implementation of periodic and annual plans.

Local level

Mayor or Chairperson leads planning through relevant departments or sections and ward offices of the local government. Development partners, NGOs, the private sector, civil society, and users' committees support the implementation of periodic and annual plans.

There is no coordination mechanism between different levels of government for development planning. However, the above guidelines prepared by the NPC provide some directions on alignment of provincial and local government plans with national plans and policies as well as the SDGs. For local governments, alignment with provincial plans and policies is also instructed.

3.2.3 Process of development planning

(1) Periodic planning

The process of periodic planning is similar at the federal and provincial levels. The NPC and MoF at the federal level and the PPC and MoEAP at the provincial level take the lead in the planning process. Both the federal government and provincial governments need to prepare an approach paper for consultation with stakeholders before preparing a detailed plan. At the local level, by contrast, the planning process is much more simple and shorter than that at the federal and provincial levels. The steps and schedule of periodic planning at each level of government are shown in Table 3-8, Table 3-9, and Table 3-10. It should be noted that there is no regular timeline for periodic planning at the federal level.

An increasing number of provincial and local governments have completed the preparation of their periodic plan. When the first provincial and local government assessment was conducted in 2018, no provincial government had prepared its periodic plan. After one and a half years, six provincial governments have developed their periodic plans, and Sudurpaschim Provincial government is in the process of preparation. According to NPC officials, many local governments have also prepared their periodic plans.

Table 3-8 Steps of periodic planning at the federal level*

Step
1 Preparation of a short concept paper by NPC with vision, over all goal and objectives
2 Formation of required committees
3 Draft preparation by commissions /ministries to send to NPC
4 Consultation with stakeholders
5 Drafting of an approach paper of periodic plan by NPC
6 Submission of the draft approach paper to the National Development Council (NDC)
7 Guidance/suggestions from NDC to NPC after intensive discussions
8 Incorporation of the suggestions of NDC by NPC and finalization of the approach paper
9 Submission of the approach paper by NPC to the Cabinet of Nepal for final approval
10 Approbal of the approach paper by the cabinet and its publication
11 Preparation of a detailed plan document by NPC incorporating the list of national pride projects, transformative projects and programs and logical framework with annual targets.

Source: NPC official

*There is no guideline on federal level periodic planning. The steps described are based on practices.

Table 3-9 Steps and schedule of periodic planning at the provincial level

Step	Deadline													
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	
1 Organization of a preparatory meeting for periodic plan fomulation	x													
2 Preparation of updated Provincial Profile			x											
3 Commancement of work with the formation of Directive Committee and other committees				x										
4 Preparation of an approach paper					x									
5 Organization of a planning workshop						x								
6 Collection of initial draft of plan document from sectoral ministries							x							
7 Identification of resource and forecasting the economy								x						
8 Preparation of integrated draft of the approach paper									x					
9 Consultation with stakeholders on the approach paper										x				
10 Approval of the approach paper by Province Development Coordination Council											x			
11 Revision of the approach paper through PPC meeting and approval by Provincial Cabinet												x		
12 Preparation of a detailed plan document													x	
13 Approval and publication of the detailed plan														x

Source: National Planning Commission (2018b)

Table 3-10 Steps and schedule of periodic planning at the local level

Step	Deadline			
	Sep	Oct	Nov	Dec
1 Organization of a preparatory meeting for periodic plan formulation		x		
2 Collection of data and information for updating the Local Level Profile	x			
3 Preparation of the Local Level Profile		x		
4 Initiation of work with formulation of Sectoral Committees			x	
5 Organization of a planning workshop			x	
6 Formulation of sectoral plans				x
7 Completion of an integrated plan document				x
8 Approval and publication of Periodic Plan				x

Source: National Planning Commission (2018c)

(2) Annual planning

The annual planning process is basically the same at three levels of government. It roughly consists of resource projection, budget ceiling setting, and preparation of draft annual budget and program. Discussions though direct participation of citizens are required at the local level only. Annual budget preparation is an integral part of annual planning and therefore, it takes place in parallel and intertwined with annual program formulation at all the three levels. The steps and schedule of annual planning at each level are shown in Table 3-11, Table 3-12, and Table 3-13.

The guidelines discussed earlier instruct that the annual program and budget ought to be prepared on the basis of the periodic plan and Medium-Term Expenditure Framework (MTEF) that is also developed based on the periodic plan.⁵ The lead commission/committees and ministries of respective governments prioritize programs and formulate draft annual budget based on those documents.

All provincial governments and almost all local governments have been preparing their annual plan each year. For FY 2020/21, 745 out of 753 local governments have their annual plan approved by their Assembly as of March 2021.⁶

⁵ The preparation of MTEF was made mandatory to all the three levels of government by the Intergovernmental Fiscal Arrangement Act 2017 with a three-year relaxation period for local governments.

⁶ MoFAGA official. Even in 2018, all provincial governments and 96% of the 115 local governments covered by the FCNA survey had their annual plan.

Table 3-11 Steps and schedule of annual planning at the federal level

Step	Deadline							
	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May
1 Projection of the budget of coming FY								
2 Submission of estimates by Resource Committee to Budget Committee	x							
3 Determination of the total volume of the budget and ceilings by Budget Committee		x						
4 Preparation of budget ceilings and guidelines for line ministries (LMs)			x					
5 Preparation of unit-wise budget ceilings and guidelines by LMs			x					
6 Notification of budget ceiling and guidelines to expending units (EUs) by LMs				x				
7 Submission of budgets by EUs through Line Ministry Budgetary Information System (LMBIS) to line departments (LDs)/Ministry					x			
8 Review and discussions of proposed budgets received through LMBIS and submission to Ministry by LDs						x		
9 Ministerial discussions with LDs/EUs						x		
10 Submission of reviewed budget to NPC/MoF through LMBIS by LMs							x	
11 Budget discussion in NPC/MoF								x
12 Preparation of the draft budget								x
13 Submission of the budget to Parliament								x

Source: National Planning Commission (2018a)

Table 3-12 Steps and schedule of annual planning at the provincial level

Step	Deadline						
	Jan	Feb	Mar	Apr	May	Jun	Jul
1 Submission of detailed projections of income and expenditure to Federal Government by Provincial Government	x						
2 Receipt of ceiling of fiscal transfer and guidelines from Federal Government			x				
3 Projection of resources and determination of budget ceilings by Budget and Resource Committee of Province				x			
4 Notification of budget ceilings to provincial ministries/agencies					x		
5 Submission of the budget and program by sectoral ministries/agencies						x	
6 Discussion and finalization of the budget and program							x
7 Approval of the annual program by PPC							x
8 Submission of the budget to Provincial Assembly							x
9 Approval by Provincial Assembly							x
10 Publication of the budget and program for information of the public							x

Source: National Planning Commission (2018b)

Table 3-13 Steps and schedule of annual planning at the local level

Step	Deadline						
	Jan	Feb	Mar	Apr	May	Jun	Jul
1 Submission of detailed projections of income and expenditure to Federal Government by Local Government	X						
Receipt of ceilings of fiscal transfer and guidelines from:							
2 (a) Federal Government; and (b) Provincial Government			X	X			
3-1 Submission of revenue projections to the Executive by Revenue Advisory Committee (by the end of Dec. of the previous year)							
3-2 Completion of budget and resource projections by Budget and Resource Projection Committee				X			
4 Notification of budget ceilings to divisions/sections and Ward Committees				X			
5 Formulation of ward level plans with project prioritization					X		
6 Formulation of the integrated budget and program						X	
7 Approval of the budget and program by the Executive							X
8 Submission of the budget and program to Local Assembly							X
9 Approval of the budget and program by Local Assembly							X
10 Publication of the budget and program for information of the public							X

Source: National Planning Commission (2018c)

3.2.4 Key issues

The survey team identified some key issues in development planning under the federal system through a literature review and the situation analyses of sample provincial and local governments.

- **Excessive political influence on annual plan and project selection.** Political power excessively influences the preparation of the annual plan and project selection at the local level. That has been resulting in the selection of small-scale projects with limited development impact to meet the demand of as many constituents as possible. Now that an increasing number of provincial and local governments have their periodic plan, the development objectives and roadmap in the periodic plan are expected to provide clear policy guidance in selecting projects and curb political influence in local annual planning as a result.
- **Weak technical skills in development planning.** In view of the importance of a periodic plan, local governments need to develop organizations and skills in development planning. Currently, local governments have only a limited number of officers experienced in development planning, and unlike provincial governments, they do not have a specialized body for development planning.
- **Insufficient availability of data.** The current situation assessment of sample provincial and local governments revealed that the shortage of data, particularly disaggregated data, was a critical bottleneck for proper periodic planning. This has made it difficult for those governments to properly analyze the situation of the provinces and set appropriate monitoring indicators.
- **Weak coordination among three levels of governments.** The federal and provincial governments interviewed reported that they had tried to establish the link between their plans and the plans of lower levels of government. However, they also reported that there were some duplications of projects, which was caused by unclear division of roles between provincial and local governments under concurrent powers. There appears to be an urgent need to develop institutional arrangements and processes to facilitate coordination between provincial and local governments with a view to allocating limited resources more efficiently and effectively.

3.3 Budget management

3.3.1 Laws, regulations, and guidelines

The Constitution of 2015 grants larger fiscal authority to provincial and local governments than any previous constitutions in Nepal did. The provincial and local governments can raise local revenue and borrow funds subject to financial viability without the intervention of the federal government. The Constitution also assigns concurrent powers to the federal, provincial, and local governments on revenue management (see Section 3.1 for concurrent powers).

The Inter-Governmental Fiscal Arrangement Act (IGFAA, 2017) elaborates the legal provisions in the Constitution regarding revenue powers, revenue sharing allocation, grant, borrowing, budget management, public expenditure, and financial discipline of the federal, provincial and local governments.

The LGOA 2017 defines the accounting, reporting, and audit systems at the provincial and local government levels. For instance, the LGOA requests provincial and local governments to settle internal audit issues before the commencement of external audit.

3.3.2 Organizational structure of budget management

At the federal level, the NPC first announces the Guideline for Annual Development Program and Budget (see 3.2.1). Following this Guideline, concerned ministries and organizations formulate their annual development program that presents development goals, sectoral programs, and budgets. The Guideline also includes budget ceilings and a budget formulation schedule.

Together with the NPC and MoF, the NNRFC (National Natural Resources and Fiscal Commission) is a central institution of budget management under federalism in Nepal. The NNRFC is a constitutional body whose mandate is to recommend and decide on the distribution of revenues to provincial and local governments from a consolidated fund. The NNRFC decides 75 percent of intergovernmental fiscal transfers in the process of annual budget formulation.⁷ The chair and members of the NNRFC have been appointed and the NNRFC is fully operational as of March 2021.

Revenue sources of governments

Although the Constitution provides expenditure responsibilities to provincial and local governments, most of revenue sources remain with the federal government.⁸ The transfer of revenues from the federal government is expected to fill the gap between revenues and expenditures of sub-national governments. Table 3-14 shows the outturn revenues of provincial governments by revenue sources in FY 2018/19. The grand income surpassed internal income in provinces except Bagmati province.

Table 3-14 Revenue sources of provincial governments in FY 2018/19

Province	Internal income including revenue sharing	Financial generalized grant	Last year cash balance
1	10,882.21	18,494.76	368.78
2	9771.83	14,964.61	408.64
Bagmati	17,895.79	15,126.60	751.07
Gendaki	8079.32	12,822.31	829.92

⁷ See World Bank and UNDP (2019).

⁸ Asian Development Bank (2019).

5	5051.30	17,253.20	829.94
Karnali	251,041	16,613.89	786.20
Sudurpaschim	6924.79	15,191.62	760.68

Unit: NPR in million

Source: Government of Nepal, Consolidated Financial Statement Fiscal Year 2018/19, May 2020

1) Taxes

The Constitution defines the distribution of tax powers among the federal, provincial, and local governments as presented in Table 3-15.

Which governments collect a certain tax depend on the type of taxes (Table 3-16). For instance, provincial governments (PGs) collect Vehicle Tax and share their revenues with LGs, whereas local governments (LGs) collect Advertisement Tax and Entertainment Tax and share the revenues with PGs.⁹ The governments collecting the taxes can deduct 2 percent of the collected amounts as operational cost incurred for tax collection.

Regarding VAT and Excise Duty, federal government (FG) determines the rates, and collects and shares 15 percent of the collected amount with PGs and LGs, respectively (Table 3-17).

Table 3-15 Distribution of tax powers among three levels of governments

Federal government (FG)	Provincial governments (PGs)	Local governments (LGs)
Custom Duty	Vehicle tax	Vehicle tax
Value Added Tax (VAT)	Entertainment tax	Entertainment tax
Excise Duty	Advertisement tax	Advertisement tax
Corporate Income Tax	House and land registration fee	House and land registration fee
Individual Income Tax	Agriculture income tax	Property tax
Remuneration Tax		House rent tax
		Business tax
		Land tax

Source: Constitution of Nepal 2015

Table 3-16 Rates, collection and revenue sharing between provincial and local governments

Type of tax	Rates fixed by	Taxes collected by	Revenue share	
			PGs	LGs
Vehicle Tax	PGs	PGs	60%	40%
Entertainment Tax	PGs	LGs	40%	60%
Advertisement Tax	LGs	LGs	40%	60%

Source: Inter-government Fiscal management Act 2017 (amended by Fiscal Act 2018), Clauses 5 and 6.

Table 3-17 Revenue sharing of VAT and excise duty

Type of tax	FG	PGs	LGs
VAT	70%	15%	15%
Excise Duty	70%	15%	15%

Source: Inter-governmental Fiscal Adjustment Act 2017; Chapter 3(6).

2) Non-tax revenues

Consistent with the Constitution, the IGFAA defines the distribution of powers on concurrent non-tax revenues among three levels of governments (Table 3-18).

⁹ LGs determine the rate and collect revenue from rickshaw, auto-rickshaw, e-rickshaw, and mule-drawn cart (tanga).

First, tourism fees are collected by all three levels of governments. PGs determine the rate and collect fees from trekking and tourism, excluding mountaineering and entry in protected areas. LGs determine the rate and collect an amount entry fee from parks, zoo, historical and archaeological sites, and museums. Second, service fees are collected by each level of government and is not shared. Third, penalty is collected by respective PGs and LGs and is not shared among the governments. Fourth, regarding royalty of natural resources including mountaineering, electricity, forest, mines and minerals, water, and other sources, FG collects and retains 50 percent of revenues and share the remaining 50 percent between PGs and LGs. Finally, the power to collect passport and visa fees are vested in federal government.

Table 3-18 Distribution of powers on non-tax revenues among three levels of governments

Federal government (FG)	Provincial governments (PGs)	Local governments (LGs)
Tourism fee	Tourism fee	Tourism fee
Service fee	Service fee	Service fee
Royalty of natural resources	Penalty	Penalty
Passport fee		Land revenue collection
VISA fee		

Source: IGFAA

3) Grants

There are four types of grants in Nepal – 1) equalization, 2) conditional, 3) complementary (Sampurak Kosh), and 4) special. The allocated amount of respective grants by province and local government are presented in Table 3-19.

Table 3-19 FY 2019-20 amount of grant for provincial and local governments

Type of grant	Province		Local government	
	Budget amount	Actual amount	Budget amount	Actual amount
Equalization	55,298.6	55,298.6	89,965.2	89,913.0
Conditional	53,488.3	43,931.9	151,075.6	145,153.2
Complementary	5,024.8	4,228.4	4,767.1	4,044.2
Special	4,600.3	3,950.3	4,843.4	3,912.6
Other	0	0	5,146.8	1,895.4

Unit: NPR in million

Source: Financial Comptroller General Office, Financial management information system

Equalization grants

These are unconditional grants from the federal government. The NNRFC Secretariat developed a formula for the distribution of equalization grants, consisting of 1) minimum distribution (25 percent), 2) formula-based distribution (73.1 percent), and 3) performance-based distribution (1.9 percent).

“Performance-based distribution” is calculated by utilizing Local Government Institutional Self-Assessment (LISA).¹⁰ The criteria of this self-assessment are: 1) governance management; 2) organization and administration; 3) annual budgeting and planning management; 4) fiscal and financial management; 5) service delivery; 6) judicial work-performance; 7) social inclusion; 8) environmental protection and disaster management; and 9) partnership and coordination. However, the utilization of LISA has not started as of April 2021.

¹⁰ LISA guideline was modified and rolled out by PLGSP/PCGGs and other development partners. Trainings of Trainers for LG officials were implemented across the country.

“Formula-based distribution” uses 1) population, 2) geographical area, 3) human development index (HDI), and 4) minimum development index as the basis for distribution (Table 3-20). This formula might create a large resource gap among governments due to diversity in socio-economic conditions. Clause 21 of the IGFAA asks the provincial and local governments to bear the administrative cost from their internal revenues and funds received from the fiscal transfer. However, the NNRFC has recommended FG to provide basic funds to PGs and LGs under the fiscal transfer fund. The recommended amount is NPR 30 million for FY 2018/19 and NPR 35 million for FY 2019/20.

Table 3-20 Basis of formula-based distribution under Equalization Grant

Basis	PG	LG
Population: Proportion of total population (80%), Proportion of dependent population (20%)	70%	70%
Geographical area	15%	15%
Human development index	5%	5%
Minimum development index: Infrastructure index (70%), fund necessity index (20%), and social & economic inequality index (10%)	10%	10%
Total	100%	100%

Source: NNRFC

Conditional grants

Conditional grants are given to reimburse the payment for federal programs. It consists of 45% of total grants from the federal government and the second largest distribution among the found types of grants (Table 3-19).

Complementary grants

Complementary grants are to be provided to cover the cost of activities planned by the federal government. Recently, the federal government issued two separate guidelines for complementary grants and special grants that lay out the requirements and criteria for disbursement of those grants. It is now possible for the provincial and local governments to request disbursement of those grants, based on the requirements and criteria in the guidelines.

It should be noted that neither provincial nor local governments can borrow funds to finance budget without prior clearance from the federal government. Those funds include loans from development partners.

3.3.3 Process of budget management

Budget process at the federal level

The budget calendar of a fiscal year is presented in Table 3-21. The National Planning Commission (NPC), in coordination with the Ministry of Finance (MoF), projects the budget for the next three years in the Mid-term Expenditure Framework (MTEF) in December. Then the NPC sends budget ceilings and budget formulation guideline for the next three years in MTEF to concerned line ministries (LMs).

The LMs and organizations submit their budget proposal to the NPC. The NPC formulates an annual budget tentatively and submits it to MoF. Then, the MoF revises the budget ceilings after reviewing financial environments and requests ministries and organizations to adjust their budget and submit it to the MoF according to the revised budget ceilings. The MoF then submit the federal budget to the cabinet along with the revenue proposal and debt management policies. After the approval of the budget by the cabinet, the budget is submitted to parliament.

Table 3-21 Budget calendar of the federal government

Work	Responsible Agency	Timeline
Budget projection of coming Fiscal Year	MoF, NPC, line ministries (LMs)	Last week of October
Submit resource estimate to the Budget Committee	NPC, Resource Estimation Committee	First week of November
Decide the total amount of budget and ceilings	NPC, Budget Division of MoF	Last week of November
Prepare budget ceilings and guidelines for LMs	NPC, MoF	First week of December
Budget ceiling and guidelines to LMs' units	LMs/ respective agencies	Third week of December
Submit a budget proposal to its parental LMs through Line Ministry Budgetary Information System (LMBIS)	Units of LMs	Third week of January
Review & Discuss budget proposal and submit it to LMs	Department	The second week of February
Ministerial Level discussions	LMs	Third week of February
Submit a budget proposal to NPC/MoF	LMs	First week of March
Budget Discussion among NPC/MoF, LMs	NPC/MoF/LMs	The first week of April- May First week
Prepare draft budget	MoF	The second week of May
Submit a budget in Parliament	Finance Minister	Last week of May
New budget/ program/ project start		The second week of July

Budget process at the provincial and local levels

The Program Division of each provincial government formulates an annual budget based on the Guidelines for Provincial Planning and Budget Planning. At the local government level, the Budget and Planning Section assumes the responsibility for budget formulation, based on the Local Government Operations Act (LGOA) and the Annual Planning Guideline.

The Guideline shows the schedule for annual budget formulation for provincial governments (Table 3-22). In 2020, the calendar below could not be strictly followed due to the COVID-19 Pandemic. However, all provincial and local governments submitted and approved their programs and budgets by July 15 as stipulated in the budget calendar.

Table 3-22 Budget calendar of provincial governments

Steps	Timeline
Submit the detailed projection of income and expenditure to FG	January 15
Receive ceiling of fiscal transfer and guideline	March 15
Determine resource projection and budget ceiling by Budget and Resource Committee of province	March 31
Send budget ceiling to sectoral ministries/agencies	April 2
Submit budget and program by sectoral ministries/agencies	April 22
Finalize budget and program	Third week of May
Approval of annual program by the Provincial Planning Commission	First week of June
Submit a budget to Provincial Assembly	June 15
Approval of budget by Provincial Assembly	July 15

Financial management information system

The government of Nepal adopted the Line Ministry Budgetary Information System (LMBIS) since FY 2014/2015 to manage budget formulation and program approval. The LMBIS is a web-based system developed for LMs to prepare an annual work plan and budget proposal.

The LMs are mandated to clearly describe 1) activity-wise budget allocation, 2) a timeline for project

implementation, 3) time taken for completing projects, 4) estimated cost of projects and expenditure plans over the next two years, 5) funding, 6) donor, and 7) justification.¹¹ When the federal government approves a development project listed in the NPB and incorporates the project into mid-term expenditure framework, the project is automatically going to be registered in the LMBIS.

The Provincial Line Ministry Budgetary Information System (PLMBIS) was also developed for budget preparation by provincial line ministries. The interface between LMBIS and PLMBIS have been established and both are linked to the Financial Management Information System (FMIS) of the Financial Comptroller General Office (FCGO). In the case of local governments, budgets are prepared through the Sub-National Treasury Regulatory Application (SuTRA) software whose interface with LMBIS, PLMBI, and FMIS has yet to be established.¹²

After the approval of the federal budget and programs by the Parliament, line ministries and agencies in the federal government receives expenditure authorization on the first day of the fiscal year by MOF through LMBIS. Similarly, the Ministry of Economic Affairs and Planning in each provincial government authorizes spending of concerned expending units of provincial ministries.

The amount of provincial budget has increased under federalism (Table 3-23).

Table 3-23 Trends of budget by province 2018-2021

Province	2018/19	2019/20	2020/21
Province 1	35.93	31.12	40.89
Province 2	29.78	31.67	33.56
Bagmati	35.61	48.35	51.42
Gandaki	24.00	27.38	34.84
Province 5	28.90	34.32	36.35
Karnali	28.28	33.46	33.74
Sudurpashchim	25.60	25.69	33.38
Total	208.10	259.60	264.18

Unit: NPR in ten million

Source:

For 2018/19 and 2019/20, FCGO, Income-Expenditure Part -10 Annual Consolidated Report (2018/19, 2019/20)

For 2020/21, The Himalayan, June 2020

<https://thehimalayantimes.com/business/provinces-table-budget-for-upcoming-fiscal>

3.3.4 Key issues

Increasing budget deficit at the federal level. The deficit in the federal government has been increasing in recent years (Table 3-24). The deficit in FG's budget has increased due to grants to PGs and LGs. Federal grant to the sub-national level started in FY 2017/18 and has increased in the following years. It should be noted that not only federalism, but also other causes have affected the level of deficit in the federal government such as provincial and local elections in 2017/18.

¹¹ Ministry of Finance (2014)

¹² SuTRA is a web-based software for planning, budgeting and accounting at the sub-national level developed by the Public Expenditure and Financial accountability (PEFA) Secretariate.

Table 3-24 Trends of federal budget deficit

Year	Federal budget deficit (% of GDP)
2014/15	3.81
2015/16	3.09
2016/17	7.01
2017/18	10.41
2018/19	9.73

Source: Financial Comptroller General Office, 2020

Under-execution of budget. The International Monetary Fund reported that there has been a chronic under-execution of budgets in Nepal.¹³ The gaps between budget and actual expenditure of provincial governments are even higher than that of the federal government in 2018/19 (Table 3-25). Among the provinces, Province 1 recorded the highest budget execution rate both in 2018/19 and 2019/20, whereas Karnali Province the lowest in both fiscal years (Table 3-26). According to the IMF, the gap between budget and expenditure could be explained by the legacy of an unrealistic budget envelope and limited, uneven spending capacity of federal, provincial, and local governments.

Table 3-25 Budget and actual expenditures in FY 2018/19

	Budget	Actual expenditure	Budget execution rate (%)
Federal	1,315.16	1,110.45	84.4
Province 1	35.93	21.20	59.0
Province 2	29.78	15.09	50.7
Bagmati	35.61	20.65	58.0
Gendaki	24.00	13.93	58.0
Province 5	28.90	17.03	58.9
Karnali	28.28	10.01	35.4
Sudurpaschim	25.60	14.16	55.3

Source: FCGO, Income-Expenditure Part -10 Annual Consolidated report (2018/19)

Table 3-26 Budget and actual expenditures in FY 2019/20

	Budget	Actual expenditure	Budget execution rate (%)
Federal	1,532.67	1,091.35	71.2
Province 1	31.12	29.83	95.9
Province 2	31.67	18.02	56.9
Bagmati	48.35	27.95	57.8
Gendaki	27.38	20.41	74.6
Province 5	34.32	25.41	74.0
Karnali	33.46	16.88	50.5
Sudurpaschim	25.69	17.61	68.6

Source: FCGO, Income-Expenditure Part -10 Annual Consolidated report (2019/20)

Negative impact of budget under-execution on development plans. The low budget execution rate adversely affects the implementation of national and local development plans. The development plans will not be implemented as planned without adequate levels of budget execution. This also affects the assistance of developing partners negatively, including JICA, as the counterpart fund of the Nepali government for donor-funded projects is unlikely to be mobilized as planned.

The survey team conducted several interviews to identify the causes of under-execution of budget. The

¹³ International Monetary Fund (2019).

points raised by the officers are the following:

- Budget request more than actual needs, without considering detailed project reports that should identify accurate implementation status and actual budgetary needs.
- Tendency of officers to hold extra budget for other, miscellaneous spending.
- Increasing trend in allocation through off-budget on an *ad hoc* basis.
- Lack of or insufficient inter-ministerial coordination.
- Inefficiency in implementing programs and projects due to 1) delayed procurement processes, 2) limited capacity of officers on project management, and 3) frequent transfers of officers.
- Insufficient number of officers for sanctioned posts in provincial and local governments.
- Delay in the procurement process and contract awards.
- Negligence of contractors to observe work schedule in their contracts.
- Insufficient budget allocation and timely release of budget for approved projects.
- Delay in land acquisition for project implementation.
- Lack of an incentive system to reward good performers.
- Tendency of risk aversion among project managers.

3.4 Project management

3.4.1 Laws, regulations, and guidelines

(1) Project identification, appraisal, selection, and prioritization

The National Planning Commission (NPC) in Nepal has been recognizing that well-designed development projects are crucial for achieving the goals of periodic plans and improving efficiency in budgetary resource allocation. It assessed that the paucity of well-conceived projects had resulted in the fragmented and inefficient use of public investment, unnecessary delay in project implementation, and cost overrun of many projects. Addressing those challenges necessitates the need to change project management policy.¹⁴

To improve project management policy, the government issued the Formation and Operation Order of NPC 2074 (2018) that stipulates the provision of project/program assessment, appraisal and examination at the federal level, and the establishment of the National Project Bank (NPB).

The NPB is a repository of development projects eligible for investment to be executed by the federal government. Those projects in the NPB shall be selected through a well-designed process of project identification, appraisal, selection, and prioritization. The primary objective of the NPB is to ensure good project governance, enhance quality of decision-making and improve credibility of development projects, and thereby generating desired outcomes from public expenditure for development projects.¹⁵

To operationalize the NPB concept, the NPC established the National Project Bank Management Information System (NPBMIS), a web-based platform to facilitate effective and efficient management of NPB. The main objective of the NPBMIS is to collect, validate, analyze, and share project information that are useful for decision-making by various stakeholders in the public and private sectors. The NPC started the operation of NPBMIS and aims to make NPB fully functional by 2022.

The Formation and Operation Order of NPC 2074 was followed by the Financial Procedures and Fiscal Accountability Act 2076 (2019) and the Financial Procedures and Fiscal Accountability Rules (2021).

¹⁴ National Planning Commission (2020a).

¹⁵ Ibid, National Planning Commission (2020a).

This Act and its Rules made mandatory the inclusion of proposed projects in NPB *prior to* budget discussion and allocation.

The government classifies proposed projects at the federal, provincial, and local levels. In addition, the line ministries are required to include in the NPB the development projects whose cost exceeds NPR 50 million. Furthermore, all development projects in NPB are required to go through the process of identification, appraisal, selection, and prioritization that is determined by the NPC.

The Fifteenth Plan (FY 2019/20-FY 2023/24), which was published in March 2020, and identify the NPB as one of national governance reforms. The Plan states that the goal of the NPB is “to achieve balanced and sustainable development by mobilizing public, private, and international funds by creating portfolios of implementation-ready projects.¹⁶ This goal will be achieved through two objectives: 1) develop and operationalize a system of evidence/criteria-based identification, selection, evaluation, and prioritization of projects; and 2) facilitate the establishment of project banks at the provincial and local levels as per the principles and norms of the NPB.¹⁷

(2) Project monitoring and evaluation

Regarding the monitoring and evaluation (M&E) of projects and programs, the NPC revised the National M&E Manual (2013) and formulated the M&E Manual 2075 (2018). This 2018 Manual aims to provide strong guidance to the federal government ministries and agencies on M&E, and to serve as a basis for internalization of SDGs and support for the preparation of SDGs monitoring report. It will also promote a comprehensive M&E system at the federal level.

As of March 2021, the federal government has tabled the Monitoring and Evaluation Bill 2020 at the National Assembly for consideration. This bill aims to make development activities more transparent and result-based by systematizing M&E of existing policies and plans. It also aims to strengthen the functional linkages among M&E committees at various levels.¹⁸ The Office of the Prime Minister and Council of Ministers (OPMCM), the NPC and sector ministries at the federal level conduct M&E of development activities to ensure quality and timely completion of projects. Furthermore, the bill also authorizes the OPMCM and the NPC to conduct meta evaluation and review of previous M&E conducted by other agencies.

The NPC developed the Provincial M&E model Guideline 2075 (2018) for the use of provincial governments. Based on this, five out of seven provinces have already developed the guidelines as of March 2021.¹⁹ For local governments, a provision of M&E framework in Local Level Planning Guideline 2075 (2018) (model) is to be used for their M&E of development projects.

3.4.2 Organizational structure of project management

(1) Project identification, appraisal, selection and prioritization

Virtually all ministries and departments of the federal government are involved in the identification, appraisal, selection and prioritization of projects and programs in Nepal.

¹⁶ National Planning Commission (2020b).

¹⁷ See pp.487-488, National Planning Commission (2020b).

¹⁸ The contents of the M&E Bill include: 1) responsible agencies for M&E; 2) method of M&E; 3) procedures of M&E; 4) M&E standard; 5) responsibility of M&E officials; 6) M&E conducted by the Third Party; 7) submission of report and its implementation; 8) participation of users' groups; 9) provision of National Development Action Committee (NDAC) and Ministry-Level Development Action Committee (MDAC); and 10) provision of public audit, social audit and public hearing.

¹⁹ Province 1, Province 2, Bagmati Province, Gandaki Province and Lumbini Province.

The roles and responsibilities of actors in project management are summarized in Table 3-27.

The main actors that propose projects are line ministries of the federal government. It should be also noted that the NPB Guidelines include provincial governments as a “proposer.” Those actors are responsible for preparing documents that are required at the respective stages of project management.

The NPC plays a central role in coordinating each stage as “evaluator” and “reviewer.” The third-party entities are also involved in external review of projects in the appraisal stage. The NPC and Ministry of Finance (MoF) serve jointly as “decision maker” in all three stages of project management.

Table 3-27 Roles and responsibilities of actors in project management

Stage	Proposer	Evaluator	Reviewer	Decision maker
1 Identification	- Line ministries - Departments - Institutions - Provincial governments	- PFS/DS: Planning unit of line ministries - PCN: NPC	NPC	NPC in coordination with MoF
2 Appraisal	- Line ministries	- Line ministries - NPC	NPC: - Internal review - External review by independent panel of experts	NPC in coordination with MoF
3 Selection and prioritization	- Line ministries	- Line ministries - NPC	- NPC	NPC in consultation with MoF

Source: Based on Tables 3, 4, 7 in National Planning Commission (2020a)

(2) Project monitoring and evaluation

For M&E of development policies, plans and programs, the following committees are established (see Table 3-28 for members of the committees):

- **National Development Action Committee (NDAC)** chaired by Prime Minister for reviewing the progress of projects implemented by all ministries and providing the direction to sectoral ministers.
- **National Development Action Sub-Committee (NDASC)** chaired by the Vice Chairperson of the NPC for collecting necessary information, identifying issues, coordinating with ministries, and organizing the NDAC meetings.
- **Ministry-Level Development Action Committee (MDAC)** chaired by the Minister of concerned ministry for reviewing the progress of projects implemented by concerned ministry and providing direction to the concerned divisions and departments.
- **Ministry-Level Development Action Sub-Committee (MDASC)** chaired by Secretary of concerned ministry for collecting necessary information, identifying issues of projects implemented under concerned ministry, and organizing MDAC meeting.
- **Central Monitoring and Evaluation Committee (CMEC)** chaired by Chief Secretary of GoN for compliance with Good Governance Act (2007) that establishes a public administration system at all levels that are accountable, transparent, citizen-centered, inclusive, and participatory.

Table 3-28 Members of committees on M&E

(1) NDAC		(2) NDA Sub-Committee	
a)	Prime Minister – Chairperson	a)	Vice chairperson, NPC – Chairperson
b)	Ministers of GoN- Members	b)	NPC member related to M&E- Member
c)	Vice Chairperson, NPC- Member	c)	Secretary OPMCM- Member
d)	Chief Ministers of Provinces- Members	d)	Secretary Ministry of Finance- Member
e)	Chief Secretary- Member	e)	Secretary MoFAGA- Secretary
f)	Members of NPC- members	f)	Financial Comptroller General- Member
g)	Secretary NPC- Member Secretary	g)	Secretary NPC- Member
		h)	Secretaries all the Ministries- Members
		i)	Related Departmental Heads- Members
		j)	Joint Secretary NPC, M&E Division- Member Secretary
(3) MDAC		(4) MDA Sub-Committee	
a)	Minister- Chairperson	a)	Secretary- Chairperson
b)	State Minister- Member	b)	Joint secretary M&E division- Member
c)	Assistant Minister- Member	c)	Departmental chiefs- Members
d)	NPC member related to respective Ministry- Member	d)	Program/ project Chiefs- Members
e)	Secretary Respective Ministry- Member	e)	Chief M&E section- member-Secretary
f)	Representative MOF- Member		
g)	Representative MoFAGA- Member		
h)	Chief NPC M&E Division- Member		
i)	Chief sector wise division NPC- Member		
j)	Department Chiefs- Member		
k)	Chief planning division- Member		
l)	Chief M& E Division- Member-Secretary		
(5) Central Monitoring and Evaluation Committee (CMEC)			
a)	Chief Secretary- Chairperson		
b)	Secretary Home affairs- Member		
c)	Secretary Commission on Investigation Abuse of Authority- Member		
d)	Secretary Finance- Member		
e)	Secretary MoFAGA- Member		
f)	Secretary NPC- Member		
g)	Secretary National Vigilance Centre- Member		
h)	Secretary OPMCM (development & coordination)- Member Secretary		
i)	Ministerial representatives		

Source: National Planning Commission (2018e)

Regarding management of the SDGs, three types of committees are indicated in the M&E Manual (2018) for managing M&E of SDGs: 1) Steering Committee at the high level chaired by Prime Minister; 2) Implementation and Coordination Committee chaired by the NPC Vice Chairperson; and 3) Sector-wise Committee chaired by Members of the NPC to monitor and evaluate sector-specific performance,

At the provincial level, the Provincial M&E Manual or Guideline (2018) stipulates the formation of the committees that are mirror images of the national committees explained earlier. Table 3-29 shows the members of the committees at the provincial level.

Table 3-29 Members of provincial committees for M&E

(1) Provincial Development Action Committee (PDAC)	(2) PDA Sub-Committee
<ul style="list-style-type: none"> a) Chief Minister – Chairperson b) Ministers of Provincial level ministers- Members c) Principal Secretary of PG- Member d) Vice Chair. Provincial Planning Commission (PPC) - Members e) Members of Provincial Planning Commission (PPC) - Member f) Secretary who in charge of PPC - Member Secretary 	<ul style="list-style-type: none"> a) Vice chair, Province Planning Commission (PPC)- Chairperson b) Member of PPC in charge of M&E- Member c) Principal Secretary, OPMCM (Province)- Member d) Secretary, MoEAP (Province)- Member e) Provincial Comptroller of Account- Member f) Secretary in charge of PPC- Member g) Secretary, concern Province Level Ministries- Member h) Chief, Concern Department- Member i) Division Chief of M&E Division, PPC- Member Secretary
(3) Provincial MDAC	(4) Provincial MDA Sub-Committee
<ul style="list-style-type: none"> a) Minister, concern ministry of PG- Chairperson b) State Minister, concern ministry of PG- Member c) Assistant Minister, concern ministry of PG- Member d) Member of PPC in charge of concern sector- Member e) Secretary, concern ministry of PG- Member f) Representative MoEAP of PG- Member g) Division Chief, M&E Division of PPC- Member h) Division Chief in charge of the concern sector of PPC - Member i) Chief, concern Department - Member j) Division Chief. Planning Division of concern ministry of PG - Member k) Division Chief, M&E Division of concern ministry of PG- Member 	<ul style="list-style-type: none"> a) Secretary, Concern Province ministry- Chairperson b) Chief of M&E Division /Section of concerned ministry- Member c) Chief, Concerned Departments- Member d) Chief, Concerned programs/projects- Member e) Chief, M&E section- Member Secretary
(5) Provincial Monitoring and Evaluation Committee (PMEC)	
<ul style="list-style-type: none"> a) Principal Secretary, OPMCM - Chairperson b) Secretary, Ministry of Internal Affairs and Law - Member c) Secretary, Ministry of Economic Affairs and Planning- Member d) Secretary, Province Planning Commission- Member 	

Source: National Planning Commission (2018b)

As per the Local-level Plan Formulation Guideline 2075 (model), the Monitoring and Supervision Committee is to be established, in which Deputy Chairperson/Deputy Mayor is its chairman. At the ward level, the Monitoring Committee led by Ward Chairperson is to be formed (Table 3-30).

Table 3-30 Members of monitoring and supervision committee at the local and ward levels

(1) Monitoring and Supervision Committee at LG	(2) Ward level Monitoring Committee
<ul style="list-style-type: none"> a) Deputy Mayor/Vice chair -Chairperson b) Two members (at least one woman) deputed by mayor/chair of LG from among the executive members of LG- Member c) Chief Administrative Officer of concern LG- Member d) Chief, Planning Department/Division/Section/ 	<ul style="list-style-type: none"> a) Ward Chairperson of concern ward- Chairperson b) Ward members- Member c) Ward Secretary- Member Secretary

Unit- Member Secretary

Source: National Planning Commission (2018d)

3.4.3 Processes of project management

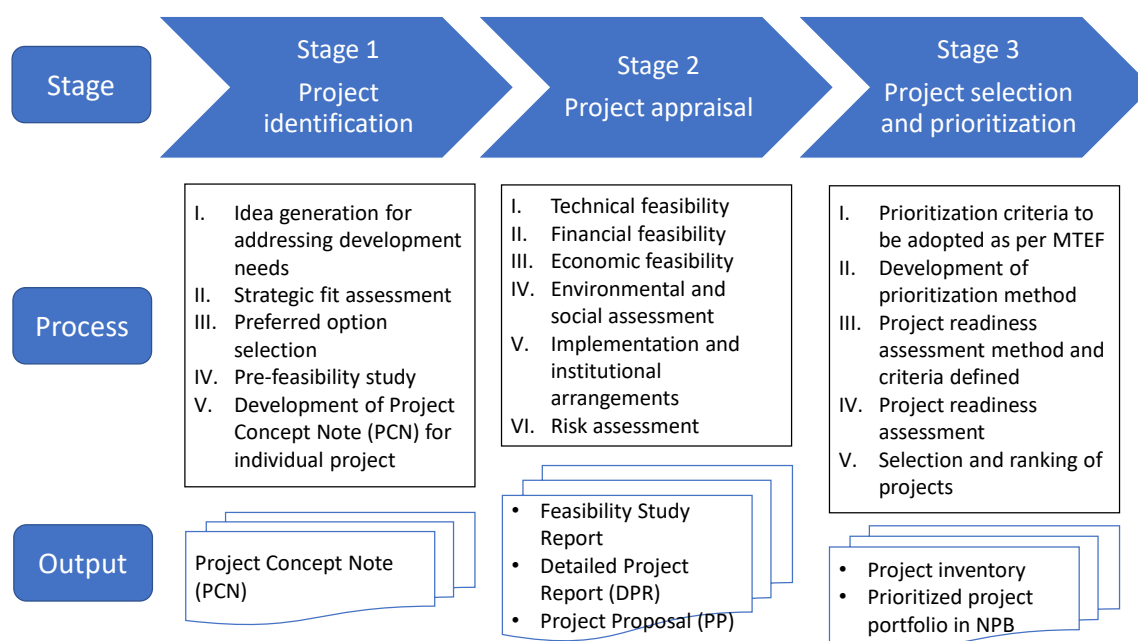
(1) Project identification, appraisal, selection, and prioritization

The process to conduct identification, appraisal, selection and prioritization of projects and programs is elaborated in the NPB Guidelines (see a summary in Figure 3-1).

Stage 1: Project identification. Line ministries 1) generate “ideas” to address development needs, 2) assess whether and to what extent those ideas are fit in the goals and objectives of the Fifteenth Plan and concerned sector plans and strategies, and 3) conduct a pre-feasibility study (PFS). Based on the studies, they prepare a Project Concept Note (PCN) and submit it to NPC for approval. The NPC reviews the PCN and decide whether to approve, reject, or suggest revision of the PCN. Once approved, the NPC coordinates with MoF to allocate budget for project study and development in Stage 2.

Stage 2: Appraisal. Line ministries carry out a feasibility study (FS) on technical, financial, and economic aspects, undertake environmental and social assessment, examine the implementation and institutional arrangements, and conduct risk assessment of individual projects. All information will be compiled in an FS report. Following the approval of the FS report, they prepare a detailed project report (DPR) for large, complex infrastructure projects. The DPR elaborate the most appropriate solution selected by the FS to the point of preparing the project ready for implementation. Finally, line ministries prepare a project proposal (PP) and submit it for approval by the NPC. The PP is prepared based on FS and/or DPR.

The NPC conducts internal review and an external review of a PP submitted by line ministries. Regarding the external review, an independent panel of experts appointed by the NPC carries out the external review. After approval by the NPC, proposed projects are included in the NPB project inventory, and proceed for selection and prioritization in Stage 3.



Source: National Planning Commission (2020a)

Figure 3-1 Three stages of project identification, appraisal, selection, and prioritization

Stage 3: Project selection and prioritization. The projects included in the NPB project inventory are scrutinized further to determine budget allocation, based on (1) project prioritization, and (2) project readiness assessment. The NPC and line ministries prepare the ranking of projects into two categories – Priority 1 (P1) and Priority 2 (P2), using the prioritization criteria in Table 3-31. Line ministries are responsible for submitting the project prioritization score sheet to the NPC of each project to be included in MTEF.

Table 3-31 Criteria for project prioritization

Category of criteria	Detailed criteria	Score
A. General criteria	a) Contribution to inclusive economic growth	15
	b) Contribution to achievement of SDG (SDG 1 & 8)	15
	c) Level of participation (civil society, community organization, NGO, consumer group, user group, provincial and local government, private sector)	5
	d) Contribution toward inclusiveness:	10
	a) Regional (50%)	
	b) Social and gender (50%)	
e) Project preparation / implementation status (project readiness)	a) Ongoing project – Progress / implementation status	20
	b) New project – Readiness status	
B. Sectoral criteria	1. Contribution to achievement of sectoral target and objectives	20
	2. Contribution to achievement of sectoral SDGs	15
Total		100

Source: Table 5, National Planning Commission (2020a).

Regarding project readiness assessment, the following project readiness assessment (PRA) is used to score projects (Table 3-32).

Table 3-32 Criteria for project readiness assessment

(a) Sub-criteria	(b) Weight: %	(c) Status: YES=1/ NO=0	(d) Score: = (b)*(c)
Completion of FS/DPR	30		
Development of logical/result framework	5		
Fund for project / resource commitment	20		
Completion of legal process of land acquisition	25		
Environment impact study (EIA/IEE)	10		
Finalization of implementation plan	5		
Development of M&E plan	5		
Total scores	100		

Source: Table 6, National Planning Commission

(2) Project monitoring and evaluation

Ministries are required to submit monitoring reports of programs and projects in a prescribed format in M&E Manual 2075 (2018). Based on these reports, the MDAC reviews the progresses and provide feedback and instructions to ministries. In the cases where any issues cannot be solved by the concerned ministries or require policy-level decisions, they are forwarded to the NDAC. Similarly at the provincial level, if issues cannot be solved by the PDAC or require policy-level decision, Chief Minister of the provincial government, i.e., the members of NDAC, forwards them to the NDAC. The NDAC needs to discuss and provide feedback and instructions to the concerned ministries and provincial governments.

Table 3-33 presents the meeting schedule stipulated in the M&E Manual (2018) and the actual date when the meetings at the federal government were held in 2020 and 2021. The meeting schedule for respective committee at the provincial level is also illustrated in Table 3-34. The actual practice of M&E activities at the provincial and local levels are presented in Chapter 7.

Table 3-33 Meeting schedule of federal M&E committees

Name of Committee	Objectives of meetings	Date of Meeting stipulated in the National M&E Manual	Meetings held in 2020 and 2021
National Development Action Committee (NDAC)	To review progress status of 1st trimester	Mid-December:	As of March 2021, the latest NDAC meeting was held on January 15, 2021 after one year the previous meeting was held on January 26, 2020 due to the COVID-19.
	To review progress status of 2nd trimester	Mid- April	
	To review progress status of 3rd trimester and annual progress	Mid-August	
Ministry Level Development Action Committee (MDAC)	To review progress status of 1st trimester	Second week of December	Due to COVID-19, the 2 nd meeting was not held in April. Instead, the 2 nd and 3 rd meetings were held together in August 2020. Each ministry organized MDAC only twice in 2020.
	To review progress status of 2nd trimester	Second week of April	
	To review progress status of 3rd trimester and annual progress	Second week of August	
Central Monitoring and Evaluation Committee	To monitor public service delivery and overall governance through collecting and reviewing reports by the ministries, field observation, and meetings with government. ministries and departments.	Organized as per requirement	As of March 2021, the meeting was held twice in the last six months.

Source: National Planning Commission (2018e) and 2nd survey in 2021

Table 3-34 Meeting schedule of provincial M&E committees

Name of Committee	Objectives of meetings	Date of Meeting stipulated in the National M& E Manual
Provincial Development Action Committee (PDAC)	To review progress status of 1st trimester	Second week of December:
	To review progress status of 2nd trimester	Second week of April
	To review progress status of 3rd trimester and annual progress	Second week of August
Ministry Level Development Action Committee (MDAC)	To review progress status of 1st trimester	First week of December
	To review progress status of 2nd trimester	First week of April
	To review progress status of 3rd trimester and annual progress	First week of August
Provincial Level Monitoring and Evaluation Committee	To monitor public service delivery and overall governance of PG for ensuring people-oriented activities, accountability, transparency, inclusiveness and people's participation.	No description

Source: National Planning Commission (2018b)

3.4.4 Key issues

The survey team identified some key issues on project management at three levels of governments. Those are summarized in the following.

- **Operationalizing the National Project Bank (NPB) concept.** The federal government rightly recognizes the need to improve policy on project management to achieve the ambitious goals and objectives in the Fifteenth Plan and SDGs. To this end, the government already issued the Formation and Operation Order of NPC in 2018 and enacted the Financial Procedures and Fiscal Accountability (FPFA) Act in 2019 and its Rules in 2021. Since the legal basis for the NPB concept is already in place, a major next step and challenge is to operationalize it at the three levels of government.
- **Building capacity of concerned organizations of federal government.** The NPB Section under the Infrastructure and Production Division of the NPC is tasked to spearhead the operationalization of the NPB concept and translate the concept into action. In addition, planning sections of line ministries are expected to propose well-conceived projects that can enter in the project inventory of NPB. The survey team found, however, that there is large scope for strengthening capacity in both the NPC and planning sections of line ministries. For instance, the NPB section conducted orientation training on NPB, but reported a clear need for further training for all actors. The NPB section itself needs to build capacity as this section consists of only three officials headed by a Program Director.
- **Building capacity of concerned organizations at the provincial level.** The FPFA Act makes the inclusion of proposed projects in the NPB mandatory *prior to* budget discussion and allocation. The Act also requires the establishment of project banks in respective provincial and local governments in line with the NPB. However, the survey team found by interviews with concerned officials in Province 1 and Bagmati Province that neither provincial government had established a section tasked for a project bank yet, although Bagmati provincial government has prepared software for Provincial Project Bank (PPB).

- **Lack of reporting system at the provincial level.** The M&E framework has been formulated in most of PGs through formulation of the Provincial Level Monitoring and Evaluation Guideline and formation of the PDAC. However, as pointed out by the officials of NPC, the reporting system has yet to be established. Between LG and PG's committee, there is no linkage established because there is no provision made that PG receives M&E reports from LG's committee. Once the Monitoring and Evaluation Bill 2020 is enacted, these issues are likely to be somehow improved. That is because there is provision of reporting on progress of development activities implemented by PGs and LGs to the NPC through the FG's matching grant, special grant and conditional grant.
- **Weak coordination of M&E among the three levels of government.** Any problems identified but not resolved by the PDAC are forwarded to the NDAC. Since the Chief Minister of Province is one of the members of NDAC, there is a coordination channel between the FG and the PGs. However, the survey team found that the coordination of M&E among the three levels of government is still weak. It is expected that the enactment of M&E Bill 2020 and other initiatives in respective sectors among the three levels of government can contribute to enhancing such a weak coordination to some extent.
- **Inadequate capacity of M&E at the local level.** At the local level, the M&E framework has been in place in which the Monitoring and Supervision Committee was formed. The survey team confirmed by interview with the concerned officials of LGs that it has undertaken monitoring activities. However, it revealed that a few of its members were trained by the MoFAGA and most of them have inadequate capacity of M&E. It was also reported that most of LGs have faced lack of data collection and management skills. Accordingly, the results of M&E have neither fully utilized nor incorporated into planning and budgeting for the next FY.

3.5 Human resource management

3.5.1 Laws, regulations, and guidelines

Article 285 of the Constitution grants the right for federal, provincial, and local governments to establish civil services. However, Article 302 of the Constitution, which is a transitional provision, assigns to the federal government the responsibility to make provisions and arrange for service delivery by posting existing civil servants to the three levels of governments. Therefore, the right of the provincial and local governments can be exercised only after the necessary legislation is put in place at all three levels.

The Personnel Adjustment Act (2019), which was enacted to replace the controversial Employee Adjustment Act (2017), specifies transitional arrangements of civil servants. However, the law has failed to ensure deployment of the required number of personnel to provincial and local governments. Those acts give the federal government the authority to recruit and appoint personnel for vacant posts of provincial and local governments through the Public Service Commission (PSC) of the federal government until the Provincial Public Service Commission (PPSC) is established in each province. The PPSC was in fact established in all provinces by April 2020, but provincial and local governments are still unable to constitute their own civil service in the absence of the Provincial Civil Service Act (PCSA) and Local Civil Service Act (LCSA). Those acts would determine recruitment processes and service conditions but cannot be instituted without the Federal Civil Service Act (FCSA) in place.

Despite high expectation of provincial and local governments, the Federal Parliament has been failing to approve the FCSA. The bill had been stuck at the State Affairs and Good Governance Committee under the House of Representatives for two years and finally submitted to the parliament on 5 April 2021. Still, disputed points abound, for instance, 1) civil servants' union, 2) retirement age, 3) lateral entry at higher levels, 4) deputation to high posts of provincial and local governments, 5) quotas for disadvantaged groups, 6) grade systems at three levels, 7) promotion from provincial or local service to

federal service, 8) transfer of personnel, 9) entrance of provincial and local personnel to federal services, and 10) accountability systems. The absence of the FCSA has been not only hampering the formation and operation of civil services at the provincial and local levels, but also creating confusions in their recruitment and management.²⁰

3.5.2 Organizational structure of human resource management

Because of the lack of the FCSA, PCSA and LCSA, which shall define the roles and responsibilities of the three levels of governments and organizations concerning human resource management (HRM), the management of civil services has been handled on a provisional basis since the promulgation of the new Constitution in 2015.

(1) Recruitment, appointment, promotion, and transfer

Until recently, the federal government had been administering the recruitment, appointment, promotion, and transfer of civil servants at all government levels under a transitional provision of the Constitution and in accordance with the Personnel Adjustment Act (2019) and the existing Civil Service Act (1993). Under the Civil Service Act, the MoFAGA plays a central role in the recruitment and appointment of civil servants by the federal government. Another important body under the existing legal framework on HRM is the PSC. It is a constitutional body to examine and select suitable candidates for positions in civil service and be consulted on matters such as conditions of service, principles on appointment and promotion to federal government services, appointment, promotion, or transfer to a federal civil service position (Article 253 and 243 of the Constitution).

The current situation is obviously contradictory to the spirit of federalism since the federal government leads the HRM for all levels of government. Responding to the unfavorable situations, provincial and local governments have been gradually gaining power in HRM of civil servants at the provincial and local levels. The PPSC started recruitment activities in at least four provinces since late 2020. Provincial and local governments now initiate recruitment through the PPSC and largely control the appointment and transfer of civil servants, except those of some high-level officials.

The enactment of the PCSA and LCSA will enable provincial and local governments to form provincial and local civil services with specific service conditions, determine their own organizational structure, plan recruitment, and manage civil services as stipulated in the LGOA.

(2) Capacity building of public and elected officials

In the Constitution, capacity building and personnel evaluation of civil servants can be interpreted as the responsibility of respective governments. However, as far as local governments are concerned, Section 92 of the LGOA stipulates that “the federal government, provincial government and the District Assembly work in coordination for capacity development of local governments within each district.”

In the field of public administration and management, the Nepal Administrative Staff College (NASC) and the Local Development Training Academy (LDTA) are the main government training institutions for civil servants. They are both autonomous bodies that operate under the guidance of MoFAGA.²¹ The

²⁰ For instance, some provincial governments are facing lawsuits over the setting of civil servant grades for some posts, which is not consistent with the federal ones. (The Kathmandu Post (2020) <https://kathmandupost.com/national/2020/11/24/provincial-public-service-commissions-yet-to-recruit-officers-for-understaffed-agencies>)

²¹ NASC has recently been placed under the supervision of the MoFAGA.

primal responsibility of the NASC is the training of centrally hired civil servants whereas the LDTA has been training locally hired personnel and local-level elected officials. However, such arrangements are not working well in the face of the new federal setup and massive adjustment of personnel from one level of government to another.

Under the circumstances, the MoFAGA introduced a new capacity building mechanism for provincial and local governments under the Provincial and Local Governance Support Program (PLGSP). In 2020, the PLGSP supported the establishment of a Provincial Center for Good Governance (PCGG) in each province by transferring assets and properties of the former regional centers of the LDTA to provincial governments. The PCGGs have been established and are operational under the laws of respective provincial governments with funding from the federal government through the PLGSP. The PCGGs are expected to serve as core institutions for capacity building based on capacity development policy of respective provincial governments.

The MoFAGA is currently working on establishment of a new framework for capacity development of civil servants of all three levels. It is drawing up a new National Training Policy. It has also formed a committee to restructure the LDTA, taking into account its linkages to PCGGs and other training institutions. A concept note that the committee submitted to MoF proposes that the LDTA be transformed into an academic training institution, which provides support to PCGGs on curriculum and module development and training quality control, train provincial and local political leaders, conduct long-term training for officials, and undertake research.²² For the NASC, the MoFAGA expects to continue to serve as the core training institution for civil servants specializing in administration and management and to conduct research and provide policy input to the government.²³ The roles and responsibilities of various training providers will be defined in the National Training Policy.

3.5.3 Process of human resource management

As the legal framework for a permanent HRM system at each level of government is not yet in place, the current HRM is guided mainly by the Personnel Adjustment Act (2019). The major provisions of this Act and the LGOA on HRM are summarized as follows.

(1) Recruitment and posting

The recruitment and appointment of civil servants have been handled through the adjustment process prescribed in the Personnel Adjustment Act 2019. The federal government determines the positions for the three levels of governments based on recommendations of the Organization and Management Committee chaired by Secretary of MoFAGA based on Organization and Management (O&M) survey of the three levels of government. The MoFAGA invites applications from civil servants for adjustment to the three levels of governments. The MoFAGA and other concerned ministries decide the posting. Those civil servants who worked at the local level when the Personnel Adjustment Act were enacted have been adjusted to the concerned local level.

The key positions such as Principal Secretary and other secretaries at the provincial level and Chief Administrative Officer (CAO) at the local level are posted on deputation from the federal government with the intention to support provincial and local governments in fulfilling their assigned responsibilities

²² MoFAGA officials and LDTA officials

²³ NASC established the Center for Federalism Studies as part of the institute in 2019 with the objectives of; delivering training courses on federal affairs to three levels of government; engaging in research and analysis on issues related to federalism; acting as a resource center for consultation and advice on federal affairs to all levels of government; and building training capacity on federalism.

and develop their capacity. Though deputed officers are fully accountable to respective provincial and local governments and function at respective levels only, they are subject to transfer back to the federal government.²⁴ Deputation of officials has been one of the contentious issues over FCSA.

Though personnel adjustment in accordance with the Personnel Adjustment Act 2019 is still ongoing for some positions such as health personnel on a very limited scale, it has been almost completed by March 2019. The status of personnel adjustment as of 28 March 2019 shows that the gap between the approved positions and the adjusted positions remained very large at the provincial and local levels (Table 3-35).

Table 3-35 Status of personnel adjustment as of 28 March 2019

Service	Approved posts				Adjusted number					Filled by adjustment			
	Federal	Provincial	Local	Total	Federal	Provincial	Local	Reserve	Total	Federal	Provincial	Local	Total
a. Civil Service													
Economic Planning & Statistics	352	129	46	527	336	49	11	4	400	95%	38%	24%	76%
Engineering	8,085	3,347	11,212	22,644	6,049	1,571	537	124	8,281	75%	47%	5%	37%
Agriculture	1,187	1,859	10,835	13,881	1,107	1,415	2,034	22	4,578	93%	76%	19%	33%
Law	5,179	105	41	5,325	3,459	0	0	0	3,459	67%	0%	0%	65%
Foreign	295	0	0	295	276	0	0	0	276	94%	-	-	94%
Administration	25,288	6,897	15,781	47,966	21,708	4,355	5,417	699	32,179	86%	63%	34%	67%
Audit	501	0	0	501	354	0	0	0	354	71%	-	-	71%
Forestry	1,855	4,675	0	6,530	1,659	3,465	0	445	5,569	89%	74%	-	85%
Miscellaneous	2,304	851	1,933	5,088	1,474	348	988	461	3,271	64%	41%	51%	64%
Education	973	332	3,766	5,071	802	191	545	31	1,569	82%	58%	14%	31%
Legislative Assembly	335	0	0	335	234	2	0	0	236	70%	-	-	70%
Civil Service Total	46,354	18,195	43,614	108,163	37,458	11,396	9,532	1,786	60,172	81%	63%	22%	56%
b. Health Service	2,252	4,102	24,105	30,459	2,075	2,394	22,176	657	27,302	92%	58%	92%	90%
c. Other Services							12,097		12,097	-	-	-	-
Grand Total	48,606	22,297	67,719	138,622	39,533	13,790	43,805	2,443	99,571	81%	62%	65%	72%

Source: Ministry of Finance (2019)

Note) 519 more posts were created in FY 2019/20 (Ministry of Finance (2020)).

Since late 2020, some provincial governments have recruited civil servants mainly for technical services through their PPSC. The MoFAGA continues holding the right to appoint and transfer Principal Secretary of provincial government and Chief Administrative Officer (CAO) of local government, both of which are deputed from the federal government under the existing laws. Line ministries also retain the power to appoint secretaries of provincial governments. However, those officers on deputation are held fully accountable to respective provincial and local governments and function at respective levels only. Their job descriptions are prepared by the government to which they are deputed.

(2) Promotion and transfer

The management of adjusted personnel is supposed to be handled in accordance with the civil service laws of the government to which the personnel has been adjusted. Because of the absence of the PCSA and LCSA, however, they are managed under the Civil Service Act 1993 and the Personnel Adjustment Act 2019.²⁵ Adjusted personnel as well as newly recruited civil servants can be transferred within

²⁴ The job descriptions of deputed officers are prepared by the government to which the officer is deputed. At the provincial level, they are based on the provincial work division rules, which defines functional responsibilities of each ministry/office, whereas provisions of LGOA are the basis for CAO's job description. The responsibility of provincial secretaries is primarily to fulfil the functional responsibilities assigned to respective ministries/offices on behalf of ministers. CAO's fundamental role is to implement the decisions of the assembly and executive of the local government.

²⁵ The Civil Service Act 1993 was amended twice. The second amendment was made in 2007 to make civil servants more inclusive.

respective services. The transfer of civil servants at the provincial and local levels has been placed recently under the control of respective governments although it is officially decided by the MoFAGA. There is no promotion system at the provincial and local levels until the PSCA and LCSA are instituted.

(3) Personnel evaluation

There is neither specific provision in the Personnel Adjustment Act nor rules and guidelines regarding personnel evaluation. However, personnel evaluation is considered under the responsibility of respective governments.

(4) Training

There is no specific provision in the Constitution, Personnel Adjustment Act, and the LGOA regarding training and capacity building of civil servants. Because there is neither federal policy on capacity building of civil servants under the federal system nor the organization that is given the responsibility of supervising and orchestrating training of civil servants at the provincial and local levels, training has not been provided under a consolidated system.

The federal government ministries and training institutions have been providing training to provincial and local public and elected officials. The MoFAGA has been organizing training on various non-technical topics for them since the establishment of provincial and local governments through the LDTA and in partnership with other training institutions, academic institutions, NGOs, and development partners. It now plans to organize short-term training courses in the technical areas identified by its committee on capacity needs assessment. It requested the LDTA to develop and conduct or contract out those courses in collaboration with relevant technical institutions and experts.²⁶

The PCGGs have begun to provide various training and institutional support for provincial and local governments based on their annual plan, although their activities have been hampered in the face of the COVID-19 pandemic. For example, the PCGG of Bagmati Province carried out capacity development activities for local governments in various areas including periodic plan preparation, revenue improvement action plan preparation, MTEF preparation, and GESI.

3.5.4 Key issues

The survey team identified the following key issues in HRM under the federal system.

- ***Significant delay in the enactment of the FCSA.*** This delay has been hampering the creation of provincial and local civil services. This is a fundamental issue in the implementation of the federal system envisaged in the Constitution. It has caused a great deal of confusion in the management of civil servants at the provincial and local levels. The problems stemming from this delay include, for instance, 1) creation of organograms and posts that do not fit the needs of respective governments, 2) adjustment of unqualified personnel for the assigned positions, and 3) frequent transfer of top officials on deputation from the federal government. Such problems have been holding back development of governing capacity of provincial and local governments.
- ***Some tension between elected representatives and civil servants.*** During the first situation assessment survey of target provincial governments conducted in September 2019, the survey team observed that both elected representatives and civil servants feel frustrated with the way in which the other works. Political leaders feel that adjusted civil servants adhere to federal policies and rules whereas civil servants find it difficult to deal with elected members' demands that overstep their

²⁶ MoFAGA official

authority. As the provincial government is an entirely new institution in Nepal, better understanding of federal systems as well as code of conduct is required for both sides.

- ***Serious shortage of personnel particularly at the local level.*** The gap between created positions and adjusted positions is large at the provincial and local levels. There are cases that created positions, which cannot be changed until each local government conducts an O&M survey, are significantly fewer than required positions. The shortage of technical personnel is identified as one of the main reasons for the low execution rate of projects at the local level. Some provincial governments have taken initiatives to recruit personnel through their PPSC, but the shortage remains a major constraint in other provinces.
- ***Mismatch between demand and supply of qualified personnel.*** There are many reports that adjusted personnel by federal government do not meet actual requirements of provincial or local governments. This issue was reported from the beginning of the adjustment, and still remains the case as of April 2021. The main reason is reportedly the lack of consultation with provincial and local governments by the federal government.
- ***Lack of medium- to long-term capacity development policy and strategy for provincial and local government personnel.*** A capacity development support system for provincial and local governments has been created recently with the establishment and operationalization of the PCGGs under the PLGSP. However, both the federal government and provincial governments have been carrying out human resource development activities without medium- to long-term vision and objectives on capacity development. In addition, the roles of federal government training institutions in capacity development at the provincial and local levels are still not defined. The federal government's announcement of the new national training policy has long been awaited.

3.6 Legislature

3.6.1 Laws, regulations, and guidelines

The Constitution vests the legislative power of the three levels of government in the Federal Parliament at the federal level, Provincial Assemblies at the provincial level, and Municipal Assemblies and Rural Municipal Assemblies at the local level. They hold powers to legislate laws on matters under their own jurisdictions and concurrent jurisdictions of theirs and other level(s) of government (Article 57, Article 109, and Article 197).

Though legislative powers of each level of government regarding concurrent jurisdictions have caused much debate since the establishment of provincial and local governments, the formulation of the much-awaited Federal, Provincial and Local Level (Coordination and Interrelation) Act in July 2020 paved the way for provincial and local governments to enact laws related to concurrent jurisdictions without waiting for legislation at higher levels.

In addition to legislation on federal jurisdictions, the Constitution assigns the Federal Parliament some extra legislative powers under specific circumstances. It can enact laws on matters under the jurisdiction of provinces if any province so requests (Article 231), and the Provincial Assembly and Provincial Council of Ministers can be suspended or dissolved by the order of the President with the ratification of the Federal Parliament (Article 232).

The Constitution also has provisions on various legislative matters such as the structures and composition of the legislatures, their terms, qualification and disqualification of their members, and federal and provincial legislative procedures. The LGOA sets the legislative procedures of Municipal Assemblies and Rural Municipal Assemblies and rules on those matters.

The regulations framed by the respective governments specify the details of legislative processes and operations of the legislative bodies. According to the Federal Capacity Needs Assessment (FCNA)

survey, a regulation on the operation of the assembly is in place in all the provincial assemblies and almost all the surveyed 115 local governments.²⁷

3.6.2 Organizational structure of the legislature

Federal Parliament

The main functions of the Federal Parliament are defined as follows:

- formulate laws within the jurisdiction related to federal, concurrent and residual power;
- form the federal government;
- discuss and approve policies and programs of the federal government;
- make decisions regarding amendment of the Constitution and general referendum;
- discuss and approve the federal budget;
- oversee the performance of the federal government;
- give necessary directions and suggestions to the federal government; and
- ratify international treaties.²⁸

Though it is not specifically mentioned above, the development of a legal framework for the operationalization of provincial and local governments is also an integral part of the law-making function of the Federal Parliament.

The Federal Parliament is composed of the House of Representatives (HR) and the National Assembly (NA). The former consists of 275 members elected through general elections (Section 84 of the Constitution). The NA consists of 59 members selected from an electoral college composed of members of the Provincial Assembly, Chairpersons and Vice-chairpersons of rural municipalities and Mayors and Deputy Mayors of municipalities (Section 86 of the Constitution). The Constitution also ensures the representation of marginalized groups. The representation of women is 32.7% in the HR and 37.3% in the NA.²⁹

Both the HR and NA have the power to constitute committees as needed. Table 3-36 lists the committees formed by them. The respective houses set the constitution, functions, and procedures of each committee.

Table 3-36 Parliamentary committees

House of Representatives	National Assembly	Joint Committee
<ul style="list-style-type: none"> • Finance Committee, • International Relations Committee • Industry, Commerce, Labor and Consumer Welfare Committee • Law, Justice and Human Rights Committee • Agriculture, Cooperatives and Natural Resources Committee • Women and Social Committee • State Affairs and Good Governance Committee • Development and Technology Committee 	<ul style="list-style-type: none"> • Sustainable Development and Good Governance Committee • Legislation Management Committee • Delegated Legislation and Government Assurances Committee • National Concerns and Co-ordination Committee. 	<ul style="list-style-type: none"> • Parliamentary Hearing Committee • Committee for Monitoring and Evaluation of the Implementation of the Directive Principles, Policies and Obligations of the State

²⁷ International Center for Public Policy (2019)

²⁸ Federal Parliament Secretariat (2019)

²⁹ Federal Parliament Secretariat (2019), Ibid.

-
- Education and Health Committee
 - Public Accounts Committee
-

Source: Federal Parliament Secretariat (2019)

Provincial Assembly

Other than the primary role of law-making on matters related to their exclusive and concurrent jurisdictions, the functions of Provincial Assemblies are not stated in the Constitution and other laws explicitly. However, the discussions and approval of provincial policies and programs as well as the annual budget also account for a large portion of its work, and the oversight of the executive's work is inherent in the function of any assembly.

The Provincial Assembly consists of members twice as many members as the number of HR members elected from the respective province through general elections. According to Article 176 of the Constitution, representation from marginalized groups in the selection of candidates by political parties must be ensured. Every Provincial Assembly formed committees consisting of selected assembly members related mainly to financial management, planning, development projects, provincial affairs, and specific sectors.

Municipal Assembly and Rural Municipal Assembly

Section 11 of the LGOA specifies the responsibilities of the Municipal Assembly and Rural Municipal Assembly as follows:

- formulate policies, laws, and working modality for the assembly;
- formulate and approve policies and strategies, periodic and annual plans, programs and budget for local level thematic areas;
- form and operate committees of the assembly;
- form joint committees for common issues and partnership issues among local governments;
- discussion and necessary direction based on reports submitted by executive bodies and judicial committee;
- provide directions to the executive body for effective implementation of development plans and programs and good governance;
- regulate matters that cause financial burden;
- mediate and arbitrate local disputes; and
- other related work.

The Municipal Assembly or Rural Municipal Assembly consists of a Mayor or Chairperson, a Deputy Mayor or Vice Chairperson, Ward Chairpersons, and four members elected from each ward and members of the Municipal or Rural Municipal Executive elected from *Dalit* or minority communities. Articles 222 and 223 of the Constitution require that at least two women from each ward be included. Women account for 38 percent of assembly members of local governments and *Dalit*, 21 percent.³⁰ Most assemblies have formed committees such as judicial, legislation, resource projection, revenue, and budget committees.³¹

3.6.3 Process of legislature

Federal level

The Constitution prescribes the basic legislative process. Any bill passed by both Houses is presented to the President, and any bill passed by one House and rejected by the other House is sent to a joint

³⁰ International Center for Public Policy (2019) op. cit.

³¹ International Center for Public Policy (2019), Ibid.

session of both Houses. The President gives his/her assent or returns the presented bill for reconsideration. The bill that was reconsidered in the House that submitted the bill is presented to the President again for assent (Article 111, Article 113). In the case of bills related to taxes and the federal government fund, any bill does not require to the approval of the NA (Article 111).

During the recess of both Houses, if necessary, the President can promulgate ordinances, which have to be discussed in the Houses in the following session (Section 114 of the Constitution) as with the case of the Personnel Adjustment Bill.

The Federal Parliament has passed a number of bills required for the entirely new governing structure of the state to work. In 2020, some crucial bills were endorsed after long debates such as the Nepal Police and Provincial Police (Operation, Coordination and Supervision) Bill, the Federal, Provincial and Local Level (Coordination and Interrelation) Bill, and the Police Personnel Adjustment Bill. However, the remaining legislative work for the full operation of federal systems is not small. Particularly important legislations include Federal Civil Service Act and laws related to sectors of concurrent jurisdiction such as education, forestry, transport, environment, and agriculture.

Provincial level

The legislative process is the same as that at the federal level though the Provincial Assembly is unicameral. The Chief of Province, which is appointed by the President as a representative of the government of Nepal, exercises the same kind of authority at the provincial level as the President does at the federal level.

Provincial assemblies have been performing their legislative responsibilities. They have indeed passed many required laws (Table 3-37).

Table 3-37 Number of bills passed by Provincial Assembly

Province	Total number of bills passed:	
	as of September 2019	as of February 2021
Province 1	35	49
Province 2	17	42
Bagmati	45	59
Gandaki	29	46
Province 5	48	59
Karnali	22	36
Sudur Pachim	31	42

Sources: Kantipur Daily (16 September 2019), Kantipur Daily (4 February 2021), Naya Patrika Daily (17 February 2021).

It was reported that the law-making capacity of provincial governments has been improving with more draft bills prepared by their ministries in accordance with the needs of provinces.³² However, several laws related to concurrent jurisdictions still need to be drafted.

Local level

At the local level, a majority of the assembly members passes a bill presented by the executive to the assembly, and the Chairperson of the assembly certifies the bill (Section 21, Section 22 of the LGOA).

The FCNA survey of 115 local governments found that Municipal Assemblies and Rural Municipal Assemblies were regularly holding meetings with good attendance of their members. Nevertheless,

³² Democracy Resource Centre (2020)

many more legislations remain to be enacted particularly regarding concurrent jurisdictions as is the case with the other levels of government.

3.6.4 Key issues

The survey team identified key issues in legislation under the federal system as below through a literature review and surveys of sample provincial and local governments.

- ***Delays in federal legislation.*** These have been preventing provincial and local governments from exercising their rights as well as the smooth delivery of services in some areas. Particularly, the FCSA and laws necessary to establish the division of responsibilities among the three levels regarding concurrent jurisdictions are in urgent need.
- ***Insufficient law-making capacity at the provincial and local level.*** Both provincial and local governments do not have sufficient law-making capacity. Elected representatives are dependent on civil servants whereas civil servants, particularly at the local level, are not experienced in law drafting. That accelerates excessive reliance on model laws provided by the MoFAGA. Despite the situation, few training opportunities have been made available to assembly members by the assemblies, provincial government, federal government, or concerned political parties.

3.7 Judiciary

3.7.1 Laws, regulations, and guidelines

The Constitution grants the judicial power of the nation to the Supreme Court, High Courts, District Courts, and other judicial bodies that may be formed as required, all of which are placed under the Supreme Court (Article 127, Article 128). It defines such matters as jurisdictions, powers, composition, qualifications of members, and service conditions of the respective courts. Among the most important for the implementation of federalism is the extraordinary power conferred on the Supreme Court to declare any provincial or local law void on the ground of inconsistency with federal law and/or, in the case of local law, with a provincial law (Article 133).

Article 217 of the Constitution also stipulates the creation of a judicial committee at the local level for the settlement of disputes under the jurisdiction of the local government in accordance with law. The LGOA prescribes the principles, jurisdiction and process of the exercise of judicial power by judicial committees. However, it is often argued that the LGOA fails to clarify the roles and responsibilities of judicial committees in conformity with the constitution, particularly in respect to adjudication and mediation.³³

In addition to the Constitution and LGOA, various laws and regulations regulate the judicial system. These include the Administration of Justice Act (2016), the Supreme Court Act (2016), the Supreme Court Regulations (1992), the High Court Regulations (2016), and the District Court Regulations (2016). At the local level, local governments have framed laws and regulations on the operation of the Judicial Committee mostly based on models provided by the MoFAGA.³⁴

³³ For example, Nepal Law Society (2020) points out that judicial committees are operating in either of the following formats: “a) as a formal local court; b) as a mediation or other alternative dispute resolution center; c) as a clearing house or referral station; or d) as a combination of any of the above”. The target local governments of this survey also mentioned the need for clarification of the committee’s role in the LGOA.

³⁴ A model law on procedures of the judicial committee was prepared by the MoFAGA with assistance of the JICA-supported “Community Mediation Capacity for Peaceful and Harmonious Society Project Phase II (COMCAP II). As the procedures described in this model law are similar to those of district courts, some question the appropriateness. (See Nepal Law Society (2020) and Sajhedari Project (2021))

3.7.2 Organizational structure of the judiciary

The Constitution provides the composition, roles, and powers of the main judicial bodies as follows.

Supreme Court

The Supreme Court consists of a maximum of 20 judges. The Chief Justice is appointed by the President based on the recommendation of the Constitutional Council, and other judges on the recommendation of the Judicial Council (Article 129).

The primary role of the Supreme Court is to hear appeals from cases originally decided by the High Court, matters of public importance involving questions of interpretation of the Constitution and laws, and cases recommended by the High Court (Article 133). In addition, the Supreme Court has the power to originally try and settle cases, hear appeals, test judgments referred for confirmation, revise cases, hear petitions or review its judgments of final orders (Article 133(4)). Furthermore, it has the following extraordinary powers: 1) the powers to abrogate any law for inconsistency with the Constitution or other superior law; and 2) the power to issue orders, provide remedies, enforce a right, or settle disputes for the enforcement of rights or settlement of constitutional and legal question involved in disputes of public interests (Article 133).

The Constitutional Bench of the Supreme Court has original power to hear and decide on disputes over jurisdiction between different levels of government or governments at the same level. It consists of the Chief Justice and other four judges (Article 137).

High Court

There are seven High Courts in Nepal.³⁵ Each High Court consists of the Chief Judge appointed by the Chief Justice and other judges by the Chief Judge on recommendation of the Judicial Council (Article 139, Article 140).

According to Article 139 of the Constitution, the High Court initiates proceedings and imposes punishment for contempt in the case of the dispensation of justice or disregard of a judgement made by it or by a subordinate court or judicial body. As the Supreme Court does, the High Court has the power to originally try and settle cases, hear appeals, and test judgments referred for confirmation, and to issue orders for the enforcement of legal rights or for the settlement of any legal question involved in any dispute of public interest (Article 144).

District Courts

There are 77 District Courts in Nepal.³⁶ A District Court consists of judges appointed by the Chief Justice on the recommendation of the Judicial Council. The Judicial Service Commission holds competitive examinations and makes recommendations to the Judicial Council for appointment (Article 149).

The functions of the District Court are to: 1) originally try and settle all cases under its jurisdiction; 2) try petitions; 3) hear appeals from decisions made by judicial bodies, including the Judicial Committees of local governments; and 4) institute contempt proceedings and punish for contempt (Article 151). According to Article 148 of the Constitution, the District Court can also give necessary direction to local-level judicial bodies subordinate to it.

³⁵ Website of the Supreme Court, <http://supremecourt.gov.np/web/index.php/generalinfo>

³⁶ Ibid.

Judicial Committee

A judicial committee has been established in most, if not all, local governments,³⁷ and yet their performances reportedly vary.³⁸ It consists of a Deputy Mayor or Vice-Chairperson of the local government as a coordinator and two members elected by assembly members from among themselves (Article 217). The jurisdiction of judicial committees is specified in the LGOA (see Table 3-38).

Table 3-38 Jurisdiction of Judicial Committee

Matters that can be settled by the Judicial Committee	Matters that can be settled by the Judicial Committee only through medication
(a) Border/boundary of land, dams, ditches or distribution and use of water	(a) A land other than government, public or community land owned by one is encroached by other
(b) Damage to other crops	(b) Construction of house or any structure in a land other than government, public or community land
(c) Pastural land, green fodder, fuel wood	(c) Divorce between wife and husband
(d) Unpaid wages	(d) Physical assault that could be liable to a maximum of one years of imprisonment
(e) Lost or found of domestic animals and birds	(e) Defamation
(f) Not caring and looking after elderly citizens	(f) Looting and assault
(g) Not providing decent food and clothing or education to minor children or husband-wife	(g) Leaving cattle stray or affecting others due to negligence in course of keeping animals and birds
(h) House rent and house rent facility with amount up to twenty-five hundred thousand annually	(h) Unauthorized entry to other's residence,
(i) Planting of trees to affect other's house, land or property	(i) Cultivating or possessing land that is in other's possession
(j) Throwing water from one's house or verandah to others house, land or public road	(j) Affecting neighbor with sound pollution or throwing solid waste
(k) Not leaving the area of land to be left as per the law while constructing a house with a window towards the land of the immediate neighbor	(k) Other civil disputes which could be mediated as per law and criminal disputes that could lead to up to one year's imprisonment
(l) Not allowing to use or causing obstruction to a road being used publicly since ancient times	
(m) Other disputes designated by the federal or provincial law to be resolved by the local level.	

Source: Section 47 of the LGOA 2017

The primary responsibility of judicial committees is to facilitate reconciliation between conflicting parties through mediators enlisted by the committee. However, many judicial committees perform mediation not only by mediators but also themselves.³⁹

3.7.3 Key issues

A literature review revealed some fundamental issues related to the institution of the judicial committee. The survey team also found issues in its capacity through the survey of sample local governments.

- ***Ambiguities of the roles and responsibilities of judicial committees.*** There have been arguments about the roles and responsibilities of judicial committees over the last few years. That is mainly because of the lack of consistency between 1) the Constitution and provisions of the LGOA regarding adjudication power, and 2) the LGOA and the model procedural law regarding mediation.

³⁷ All the 115 local governments but one surveyed in the FNCA had the Judicial Committee at the time of the survey reported in World Bank and UNDP (2019).

³⁸ Democracy Resource Center Nepal (2019) reported about various cases of the performance of the Judicial Committee.

³⁹ There are multiple factors behind this. The inconsistency between the LGOA and the model procedural law, which allows mediation by the committee's members, is probably one of them (Nepal Law Society (2020)).

Without a clear definition of roles and responsibilities, it is difficult to accurately assess what support would be required for judicial committees.

- ***Lack of institutional and individual capacity of judicial committees.*** Although the situation has a little improved with the dispatch of a legal advisor from provincial governments to each local government, judicial committees are still in need of human resources to handle administrative matters. Even the judicial committees with support staff are not familiar with legal procedures and case management. Judicial committee members have even more serious capacity issues and require the knowledge of legal procedures and basic principles of justice, particularly for the marginalized groups.
- ***Lack of qualified mediators.*** Many judicial committees do not have a sufficient number of mediators and their enlisted mediators do not have proper mediation skills. There is the need for an appropriate incentive system to attract suitable human resources and training to develop their skills as mediators.

3.8 Gender equality and social inclusion

3.8.1 Laws, regulations, and guidelines

(1) Constitution

The Constitution is the milestone for gender equality and social inclusion (GESI). It guarantees the equality and non-discrimination on the “grounds of origin, religion, race, caste, tribe, sex, physical conditions, disability, health condition, matrimonial status, pregnancy, economic condition, language, geographical region, ideology, or any other such grounds.”⁴⁰

(2) National Civil (Code) Act 2017

The National Civil Code 2017 came into effect on 17 August 2017 to replace the *Muluki Ain* or General Code that has been in effect for 164 years, containing both civil and criminal laws as well as procedural laws. This new Civil Code stipulates equality for all citizens and the right against discrimination. It also stipulates special measures for the protection, empowerment, and development of all citizens. Simultaneously, the National Civil Procedure (Code) Act 2017, the National Criminal (Code) Act 2017, the National Criminal Procedure (Code) Act, and the Criminal Offenses (Sentencing and Execution) Act 2017 have been also enacted to ensure justice. There are legal provisions related to public offenses and punishment for sexual and gender-based violence.

(3) Fifteenth Plan (FY 2019/20—2023/24)

Gender and social discrimination have been still major challenges in Nepal. The 15th Plan (FY 2019/2020—2023/2024), thus, continuously emphasizes the need for mainstreaming of gender equality and social inclusion in all aspects of development and in the three-level governance systems. Specifically, the 15th Plan sets the visions, goals, objectives, and strategies for I) gender equality and women empowerment in Section 7.6 and II) inclusion in Section 10.6, respectively. As for gender equality and women empowerment, the following six strategies are formulated in the Plan: 1) formulation of sectoral policies, acts, and programs related to gender equality; 2) adoption of a gender-responsive governance systems in the governments of all levels as well as sectors and agencies; 3) institutionalization of the gender-responsive budget system at all levels of government; 4) development of a data system to measure

⁴⁰ The Constitution of Nepal 2015. Article 18 (2) Right to Equality.

gender equality and empowerment; 5) economic empowerment and social transformation by giving special priority to economically poor and socially excluded women; and 6) increasing access to justice through preventive, protective measures for ending all forms of violence, exploitation, and discrimination against women. Regarding promotion of inclusion, the four strategies are focused, including: 1) increasing proportional access of the target groups to the resources available; 2) ensuring meaningful participation in the decision making process of the three levels of government and its administrative structures; 3) enabling the target groups to utilize employment opportunities by providing skills development training; and 4) promoting the languages and cultures of the indigenous communities, Dalits, Madhesi, Muslims, and backward classes.

(4) GESI Policy, Strategies and Guidelines

Sectoral ministries formulated and implemented GESI related policies, strategies, and guidelines to promote GESI mainstreaming in their programs and institutions. The sectoral ministries include: 1) the Ministry of Forest and Environment's GESI Strategy 2008; 2) the Ministry of Health and Population's GESI Strategy 2009; 3) the MoFAGA's GESI Policy 2010; 4) the MoF's Gender Responsive Budget Formulation Guidelines 2012 and Gender Responsive Budget Localization Strategy 2015; 5) the Ministry of Urban Development's GESI Operational Guidelines 2013; and 6) the Ministry of Education, Science and Technology's Consolidated Equity Strategy 2014.⁴¹

These policies, strategies, and guidelines of GESI encourage women, *Dalit*, persons with disability, and other excluded people to participate in the process of formulation, implementation, monitoring and evaluation of development programs and projects in the respective sectors.

As for the GESI policies and strategies, the survey team confirmed in March 2021 that much progresses had been made since the 1st assessment of provincial and local governments in July – September 2019. The Ministry of Women, Children and Senior Citizen (MoWCSC), in consultation with the MoFAGA and other ministries, drafted and submitted the National Gender Equality Policy to the Cabinet. This new policy aims to 1) institutionalize gender responsive governance systems in the three levels of government, 2) make annual budget more gender friendly, and 3) establish equitable, prosperous, and justifiable society. The National Gender Equality Policy has been approved by the Cabinet on January 18, 2021, and made public on March 8, 2021, International Women's Day. The MoFAGA also prepared a revised GESI Policy through a series of discussions and consultation with stakeholders.

(5) Ordinances

To eliminate gender-based discrimination and violence and to establish gender-friendly governance at all levels, the federal government issued two ordinances in September 2020: 1) Acid and Other Lethal Chemical Substances (Regulation) Ordinance; and 2) the Ordinance amending a few acts related to the Penal Code and Criminal Procedure Code. Because the cases of acid attack have been increasing recently, the government, through the ordinance, imposes additional punishment against the perpetrators of acid attack by amending the existing legislation on acid attack.

3.8.2 Organizational structure for implementation

(1) Organizations and functions for GESI at the federal level

The Ministry of Women, Children and Senior Citizen (MoWCSC) is the national focal agency for

⁴¹ Gender Equality and Social Inclusion Working Group (2017).

formulating plans, policies, and programs for GESI. The Department of Women and Children plays a key role as the implementing wing of the Ministry to empower women and children, especially those who are economically poor, socially discriminated or excluded. The District Women and Children Offices provide technical support at the local level.

As per the GESI Policy, the GESI Section of the MoFAGA has been playing a key role in mainstreaming GESI into the programs and projects of local governments even before the federal system. Particularly, GESI has been explicitly incorporated into the local level planning processes under the Local Governance and Community Development Program I (2008/2009—2012/13) and II (2013/14—2016/17) with the financial and technical support of Development Partners (DPs). After the adoption of the federal system, mainstreaming GESI has been emphasized at the provincial and local levels under the PLGSP (July 2019/20 – July 2022/23), a joint program of the GoN and DPs that is being executed by the MoFAGA. The PLGSP supports provincial and local governments to prepare GESI strategies and conduct GESI audits in coordination with the GESI Section of the MoFAGA.

GESI Focal Points have been assigned in sector ministries to put the GESI policies and strategies into practice in their programs and projects.

The Constitution envisions 13 different commissions for taking social inclusion into consideration. They have the authority to keep the government in check to ensure the rights of people. After more than five years since the promulgation of the Constitution, the GoN finally appointed personnel to fill all vacant positions and allocated budget for those commissions on 3 February 2021 (Table 3-39). All Members of those commissions have taken the oath and commenced work in the respective commissions.

Table 3-39 Constitutional commissions under Part 27 of the Constitution

	Name of the Commission	Article of the Constitution	Budget allocated for FY 2020/2021 (NPR million)
1	National Women Commission	Article 252 (formation): 5 Members including Chairperson	-113.4 (operational) - 1.0 (program)
2	National Dalit Commission	Article 255 (formation): 5 Members including Chairperson	-25.7 (operational) -No program budget allocated
3	National Inclusion Commission	Article 258 (formation): 5 Members including Chairperson	-25.4 (operational) -1.7 (program)
4	<i>Adibasi Janjati</i> Commission	Article 261 (formation): 5 Members including Chairperson	-22.1 (operational) -2.4 (program)
5	<i>Madheshi</i> Commission	Article 262 (formation): 5 Members including Chairperson	-26.6 (operational) -1.7 (program)
6	<i>Tharu</i> Commission	Article 263 (formation): 5 Members including Chairperson	-32.8 (operational) -4.0 (program)
7	Muslim Commission	Article 264 (formation): 5 Members including Chairperson	-31.7 (operational) -5.6 (program)

Source: Constitution of Nepal, Kantipur daily (March 4, 2021 for budget provisions)

In addition, several positions have been recently filled in the other constitutional organs as of March 2021 (Table 3-40).

Table 3-40 Status of appointment for other constitutional organs

	Name	Article of the Constitution	Recently appointed Members
8	Commission for the Investigation of Abuse of Authority	Article 238 (formation): 5 Members including Chairperson	All positions filled, among which two vacant positions recently filled
9	Auditor General	Article 240: 1 Position	One Auditor General's position filled
10	Public Service	Article 242 (formation): 5 Members	All positions are currently vacant due

	Commission	including Chairperson	to completion of their tenures. Three members of Provincial Public Service Commissions recently filled in all provinces.
11	Election Commission:	Article 245 (formation): 5 Members including Chairperson	All positions fulfilled, including two positions recently filled
12	National Human Rights Commission	Article 248 (formation): 5 Members including Chairperson	All positions recently filled
13	National Natural Resources and Fiscal Commission	Article 250 (formation): Not exceeding 5 Members including Chairperson	Three Members filled, including Chairperson and two Members

Source: Constitution of Nepal and 2nd survey

(2) Organizations and functions for GESI at the provincial level

At the provincial level, the Ministry of Social Development (MoSD) is responsible for overall management of the social sector such as education, health, youth and sports, GESI, labor and employment, religion, language, and culture. The Social Development Division headed by Chief Women Development Officer is charged with responsibilities such as: 1) formulation of provincial GESI policies, laws, and guidelines; and 2) overall management, including implementation, monitoring, evaluation, and coordination with stakeholders at the local level.

(3) Organizations and functions for GESI at the local level

The Women, Children and Social Development Unit or the Women, Children and Social Welfare Section is responsible for policy making and formulation and implementation of programs related to GESI at the local level. Compared to provincial governments, local governments have a very limited number of staff members for GESI. Only one staff member was assigned respectively in both Gaurigunj Rural Municipality in Province 1 and Sunkoshi Rural Municipality in Bagmati Province.

3.8.3 Key issues

The survey team revealed the following key issues of GESI:

- **Mainstreaming GESI into provincial and local governance.** This remains as one of the challenging issues because of a limited number of staff in charge of GESI, particularly at the local level as explained below.
- **Very limited number of staff for GESI.** Some staff members are needed to deal with the dimensional programs related to GESI targeting senior citizen, persons with disability, minorities, children, and others. In both the Gaurigunj Rural Municipality in Province 1 and Sunkoshi Rural Municipality in Bagmati Province, the first assessment in 2019 revealed that only one staff member was assigned to be responsible for such a wide range of GESI related activities.
- **Giving priority to GESI.** It remains as a major challenge for most of provincial and local governments to give high priority on GESI in their annual work plan and program because infrastructure development is often given the top priority. Particularly, this has resulted from lack of understanding of GESI among elected representatives and local people.
- **Strengthening institutional and individual capacity on GESI.** There is scope for improvement in institutional and individual capacity of the GESI-related Section. In our field assessment, neither provincial nor local governments have formulated their own GESI policy. Moreover, five of the six governments, except for Province 1, have yet to implement a GESI-responsive budget, although MoF has been encouraging provincial and local governments to put GESI-responsive budget into practice. Most of the officers in charge of GESI reported that not only they but also other government officials needed training on GESI-responsive budget and GESI audit to

enhance their capacities. Furthermore, it is necessary to impart practical knowledge and know-how on mainstreaming of GESI to local representatives and people.

- **Mainstreaming and implementing the National Gender Equity Policy.** The second assessment found that the National Gender Equality Policy has been tabled to the Cabinet, and the GESI Policy would be revised by the MoFAGA. The National Equality Policy has been approved by the Cabinet and made public on March 8, 2021, International Women’s Day. Mainstreaming and implementing those new policies will be a major challenge at provincial and local levels. The elected representatives and public officials as well as people understand the importance of those new policies and translate them into action. Awareness raising and training on those new policies will be essential for implementation.

3.9 Citizen participation

3.9.1 Laws, regulations, and guidelines

(1) Constitution

Citizen participation is important in the development process. The Constitution has a provision that creates an environment for bringing government closer to the people under the new federal system. It reinforces establishing citizen’s rights over power and resources and promoting local participation and ownership in development and service delivery. The Constitution also recognizes the rights to association, peaceful assembly, and freedom of expression. Furthermore, it guarantees the right to information as a fundamental right.

(2) Fifteenth Plan (FY 2019/20—2023/24)

The GoN recognizes the need to increase participation, transparency, and accountability in the 15th Plan (FY 2019/2020—2023/2024). Particularly, Chapter 9 highlights the importance of citizen engagement to attain democracy and good governance under the federal system, and this needs to be achieved by: 1) ensuring people’s participation in resources and opportunities; 2) strengthening representatives and an accountable self-governance system; 3) promoting inclusive governance through better coordination, cooperation and coexistence among the three levels of government; and (4) strengthening planning, implementation, and monitoring in local governance.

(3) Good Governance (Management and Operation) Act (2008)

The Good Governance (Management and Operation) Act 2008 stipulates general provisions regarding the operation of national governance. In addition, it stresses the need for the “provision of operating any project or program with direct participation and ownership of people” in Section 28.

(4) Local Government Operation Act (2017)

The LGOA grants the authority to local governments to develop annual and strategic plans and implement them. It also encourages the active participation of local people, civil society organizations (CSOs) and the private sector in local self-governance, local planning, budgeting, implementation, monitoring, and evaluation processes.⁴²

⁴² For details, see the Local Level Planning and Budget Formation Guidelines, 2074.

To make public service delivery more transparent, accountable, and responsive, the LGOA guarantees civic engagement in social audit, public hearing, public audit, and grievance redress and management in Section 78 (5).⁴³

(5) Good Governance Promotion Strategy and Action Plan (2017)

The MoFAGA issued the Good Governance Promotion Strategy and Action Plan, 2074 (2017) to maintain fiscal discipline and ensure good governance at the local level. This Action Plan emphasizes that “giving people a sense of good governance by enhancing citizen participation is the core objective of the action plan.” As per this Action Plan, local governments need to develop grievance redress mechanism, employee code of conduct, and procedures relating to project implementation and formation of user committees, social accountability, taxation, procurement, social mobilization, public-private partnership and so on.

(6) Public Procurement Act (2007) and Public Procurement Rules (2007)

The Public Procurement Act (PPA), 2063 and the Public Procurement Rules (PPR), 2064 stipulate the requirements and procedures of public procurement. To increase public participation and ownership, the PPR (with fifth amendment), 2073 (2016) stipulates that users’ committees can implement projects under NPR 10 million.

(7) Model procedures related to citizen engagement

To enhance transparency and social accountability of policies, plans, programs, and implementation procedures at the local level, the MoFAGA developed and circulated the Model Procedure 2020. This elaborates various civic engagement activities and grievance management procedures to implement the LGOA 2017 and the Good Governance Promotion Strategy and Action Plan 2017.

MoFAGA has also issued another model procedure on formation and mobilization of *Tole*⁴⁴/Lane organizations procedure 2020 for the use of all LGs. The objective of this procedure is to ensure the participation of local people from settlement/tole level to create ownership and sustain the overall developmental activities including social, economic and cultural aspects of the society. It will be formed within the geographical jurisdiction of each ward to function to support the respective ward.

3.9.2 Organizational structure for implementation

Since citizen engagement is cross cutting issue, there is no ministry which is responsible for it at the federal, provincial, and local levels.

3.9.3 Key issues

The survey team identified some issues of citizen engagement.

- ***Less citizen engagement in projects funded by the federal government.*** This is because of the absence of effective framework for public engagement and feedback on policy and of other legal provision. The provisions of Good Governance Act (2008) need to be actively practiced at the local

⁴³ For details see the Good Governance Promotion Strategy and Action Plan, 2074.

⁴⁴ Tole in Nepali means a settlement. One ward consists of several toles.

level. Although Nepal has relatively free, vibrant media, their findings and suggestions tend to be overlooked and not fully reflected to policy decisions.

- ***Weak mechanism for addressing grievance at the provincial level.*** The call centers which were established in the OPMCM have received grievances from the public. Nevertheless, the mechanism for addressing these grievances is still weak and need to be strengthened, particularly, at the provincial level. This may discourage people to participate in development activities.
- ***Public/social audit and public hearing mechanisms are not fully in place at the local level.*** Before the transition to federalism, people's participation has been promoted by various programs and projects mainly supported by DPs at the local level. After the enactment of LGOA 2017, social audit, public hearing, public audit, and grievance redress and management have been introduced to ensure citizen engagement and promote good governance. However, these activities have not been effectively conducted in most local governments, because the implementation mechanism has not been clearly stipulated in the LGOA. The Model Procedure 2020 issued by the MoFAGA is expected to provide clear guidance of good governance tools for local governments, contributing to the promotion of effective and meaningful citizen engagement in local governance.

4 Service delivery under the federal system in Nepal

The current report presents the findings on the following two sectors: 1) rural roads and 2) agriculture.⁴⁵

4.1 Rural road sector⁴⁶

4.1.1 Laws, regulations, and guidelines

(1) Laws, regulations, and guidelines at the federal level

Local Infrastructure Development Policy (2004)

The Local Infrastructure Development Policy (2004) had yet to be amended as of March 2021. Some senior officials of MoFAGA and DOLI reported that this policy needs to be revised to bring it in line with the federal system and to widen its scope by including cable cars and ropeways and the work of solid waste management centers and others.

(2) Laws, regulations, and guidelines at the provincial level

Provincial and Local Road Construction and Improvement Procedures 2077 (2020)

The Provincial and Local Road Construction and Improvement Procedures 2077 (2020), issued by the MoFAGA, aim to manage road improvement programs that can effectively link all local government centers to the headquarters of provincial governments. Clause 17 of the procedures includes suggestions regarding resource mobilization and expenditure management, as well as a cost sharing mechanism (See Table 4-1).

Table 4-1 Cost sharing mechanism for provincial and local road construction

Road Length	Cost sharing proportion (%)		
	Government of Nepal	Provincial Government	Local Government
Up to 10 km	65	10	25
10 to 20 km	70	10	20
Above 20 km	75	10	15

Source: Ministry of Federal Affairs and General Administration (2020)

Provincial Transport Master Plan

The provincial governments in both Province 1 and Bagmati Province reported that they were preparing a new Provincial Transport Master Plan to replace the District Transport Master Plans prepared earlier. Province 1 has already formulated the Provincial Transport Master Plan with technical assistance from the SDC. Bagmati Province reported in March 2021 that it was in the final stages of preparation.

Regulations for execution of Constituency Infrastructure Development Program 2019

Province 1 formulated and issued regulations for the execution of the Constituency Infrastructure Development Program 2019.

⁴⁵ The interim report of the current survey reported the findings on the following service delivery sectors: 1) rural roads and rural infrastructure; 2) agriculture; 3) education; 4) forest and soil conservation; and 5) solid waste management. Based on the discussion on the interim report in early 2020, JICA decided to conduct in-depth case studies on rural roads and agriculture in this report.

⁴⁶ Rural infrastructure is comprehensive in meaning. This field study focused only on rural roads and bridges and did not include irrigation, water supply, and sanitation facilities.

Province Vehicle and Transport Management Act 2018

In Bagmati Province, the Province Vehicle and Transport Management Act 2018 was approved and enacted.

Province Vehicle and Transport Management (first amendment) Act 2019

Bagmati Province amended and approved the Province Vehicle and Transport Management (first amendment) Act 2019.

Province Transportation Operation and Management Order 2020 and Provincial Transport Development Partnership Program Operation Procedure (second amendment) Regulation 2020

According to the MoPID in Bagmati Province, the Province Transportation Operation and Management Order and the Provincial Transport Development Partnership Program Operation Procedure (second amendment) Regulation were issued in 2020.

(3) Laws, regulations, and guidelines at the local level***Infrastructure Management Act 2018***

Gaurigunj Rural Municipality of Province 1 has formulated and enacted the Infrastructure Management Act 2018. The Act has provisions of monitoring and evaluation for infrastructure development including rural roads.

Project Management Service Expense (Contingency) Procedure 2020

Gaurigunj Rural Municipality has also formulated and enacted the Project Management Service Expense Procedure 2020. For effective management, it defines various expenses which will be incurred during the implementation of infrastructure development.

Local Infrastructure Policy

Budhanilkanta Municipality of Bagmati Province noted that it had discussed the need to formulate a local infrastructure policy as of March 2021.

Municipal Transport Master Plan

Budhanilkanta Municipality reported that it was preparing a Municipal Transport Master Plan. The plan had not been completed as of March 2021.

4.1.2 Organizations and functions of the three levels of government**(1) Organizations and functions at the federal level**

The Department of Local Infrastructure Development and Agricultural Roads (DOLIDAR) under the MoFAGA was restructured and renamed as the Department of Local Infrastructure (DOLI) in 2018. Under the federal system, DOLI is responsible for the overall management of local roads and bridges, as well as the coordination of projects supported by donors such as the SDC, the ADB, and the World Bank.⁴⁷

After Nepal's transition to federalism, the mandates of DOLI, along with the number of staff, were significantly reduced in accordance with the devolution of authority to provincial and local governments. However, in January 2021, the government decided to expand the provincial offices of DOLI to 1)

⁴⁷ The road network in Nepal is categorized into 1) the strategic road network (SRN) comprising highways and feeder roads and 2) the local road network (LRN) comprising agricultural roads and other minor roads. The Department of Roads under the Ministry of Physical Infrastructure and Transport is responsible for the overall management of the SRN.

provide backstopping support to local governments on local infrastructure development and 2) strengthen the technical capacity of provincial and local governments to implement projects and programs of rural roads and bridges including donor-supported ones. Accordingly, there are plans to establish Local Infrastructure Development Project offices within all provincial offices in the revised organization structure of DOLI. Although the number of DOLI staff members at the headquarters has not been changed, *i.e.*, 25 including the Director General, Deputy Director General, and eight engineers, 148 new positions have been created in provincial offices based on the recommendations of an O&M survey.

The local road network by province is presented in Table 4-2. DOLI constructed approximately 3,000 km of local roads across the country, including earthen, graveled, and blacktopped roads, in the last three years after the transition to federalism.⁴⁸

Table 4-2 Local Road Network by Province (Unit: km)

	Provinces	Blacktopped	Graveled	Earthen	Total
1	1	703.4	2,502.90	9,131.90	12,338.20
2	2	203.70	2,809.70	2,684.50	5,697.90
3	Bagmati	1,227.50	2,832.00	11,879.30	15,938.80
4	Gandaki	389.60	1,227.00	9,208.50	10,825.10
5	Lumbini	1,046.57	2,345.41	6,527.75	9,919.74
6	Karnali	82.60	163.90	2,792.50	3,039.00
7	Su.PA	310.20	1,145.80	3,468.80	4,924.80
8	Total	3,963.57	13,026.71	45,693.25	62,683.54

Source: Department of Local Infrastructure (2020)

As of December 2020, 283 rural/urban municipality centers out of 753 local governments had yet to be linked with the blacktopped road network. Furthermore, 61 rural/urban municipality centers are not linked with any type of road network, especially in mountain and hill districts. It is estimated that about 40,000 km of road would be blacktopped and 1,100 bridges would be constructed if all municipal centers were linked. It is estimated that an investment of NPR 2.3 trillion will be needed for the construction of blacktopped roads.

The World Bank and ADB expressed their interest to invest in local road construction. Accordingly, the government issued the Provincial and Local Roads Construction and Improvement Procedures 2020. In March 2021, the GoN officially signed an agreement with 110 municipalities to initiate the construction of local road networks. In FY 2020/21, the GoN allocated NPR 5 billion (4 billion provided by development partners [DPs] and 1 billion allocated by the GoN) for the preparation of a detailed project report, including a detailed survey, cost estimates, and initial environmental examination and environmental impact assessment.⁴⁹

(2) Organizations and functions at the provincial level

The MoPID is part of the executive branch of provincial government responsible for the overall management of rural infrastructure development. The types of rural infrastructure under the mandate of MoPID include 1) transport; 2) provincial roads and bridges; 3) irrigation; 4) building and urban development; and 5) water supply. The MoPID is responsible for policymaking in rural infrastructure, and the TID is an implementing body in charge of planning, implementation, monitoring, and evaluation

⁴⁸ Naya Patrika (February 15, 2021)

⁴⁹ Naya Patrika (March 14, 2021)

of projects and programs.

At the provincial level, the MoPID has been facing the challenge of manpower shortage despite having a larger number of staff than other sectors. Between 20% and 50% of the positions were still vacant in Provinces 1 and Bagmati Province in September 2019 (Table 4-3). Officials of Bagmati Province reported that they took over about 600 projects from the federal government without any budgetary provision or additional human resources. The limited number of engineers to oversee many projects made timely implementation difficult even as the budget disbursement rate slowed. As of April 2021, the MoPID in Province 1 reported that the lack of human resources had not been addressed yet and continued to be one of the challenges in the local road sector.

Table 4-3 Human resources of the MoPID and TID at the provincial level

	Province	Organization	Staff members	Positions	Vacant Positions (Vacancy rate)
Sep. 2019	Province 1	MoPID	44 (Permanent 31; Temporary 13)	55	11 (20%)
		TID	14 (Permanent 8; Temporary 6)	23	9 (39%)
April 2021	Province 1	MoPID	40 (Permanent 25; Temporary 15)	74	34 (46%)
Sep. 2019	Bagmati Province	MoPID	38 (Permanent 30; Temporary 8)	55	17 (31%)
		TID	12 (Permanent 9; Temporary 3)	23	11 (48%)

Note: The survey team was unable to update the information for TID in Province 1 and for both MoPID and TID in Bagmati Province in 2021.

At the provincial level, the budget disbursement rates for rural roads and other infrastructure were not high. In Province 1 and Bagmati Province, the MoPID spent less than 60% of the budget for FY 2018/2019 (See Table 4-4). It was reported that this could have been due to the shortage of MoPID staff to disburse the increased budget allocation, poor project management, and limited capacity of contractors. In Bagmati Province, officials attributed the low budget execution rate to under bidding, delay in work, and low quality of work in rural road development. In FY 2019/2020, the MoPID's budget execution rate improved to 75% in Province 1.

Table 4-4 Provincial budget for roads and other infrastructure in FY 2018/2019 and 2019/2020

Province	Fiscal Year	Budget (NPR millions)	Actual Expenditure (NPR millions)	Budget execution rate
Province 1	2018/19	12,802.13	6,962.44	54%
Province 1	2019/20	22,054.92	16,481.98	75%
Bagmati Province	2018/19	12,064.38	6,891.48	57%

Note: The survey team was unable to update the budget information for FY 2019/20 for Bagmati Province.

The main achievements of the Local Road Network in Province 1 from 2018/19 to 2020/21 are highlighted below.⁵⁰

- The construction of a 61 km tourism foot trail (Pandhare Khotang-Silingchong Himal) began, out of which a 25 km stretch has been completed with the participation and partnership of respective rural municipalities.
- A project for the construction of 62 roads (884.25 km) began. This was financed from the

⁵⁰ Province 1 (2021)

- provincial constituency development budget. A 220 km track has been opened.
- A project for the construction of four-lane multi-year roads covering 22.5 km began in 2019/20, out of which 18 km have been graveled.
 - Undertakings for 87 link roads to connect respective municipal centers were initiated, and 86 roads have been constructed.
 - Under the provincial special seven road projects (100 km upgrading and blacktopping), a 16 km track has been opened under two projects in Udaypur and Panchthar districts.
 - The construction of 23 bridges out of 128 bridges (51 handed over and 77 newly selected) was completed under multi-year bridge construction projects.
 - The construction of a motorable bridge (90 m long and 10 m wide) on the strategic road began.
 - The construction of 36 suspension bridges out of 115 (7 handed over and 108 newly identified) was completed, while the others are still under construction.
 - A 10-year Provincial Transport Master Plan and investment plan were prepared.
 - Surveys for 350 km of roads and 24 road and suspension bridges were undertaken and a detailed project report was prepared.

The achievements of Bagmati Province from 2018/2019 to 2020/2021 are listed in Table 4-5. Most of the undertakings of local roads were implemented in FY 2018/2019 and FY 2019/2020. Construction work was scaled down considerably in FY 2020/2021 because of the COVID-19 pandemic.

Table 4-5 Progress and achievements in Bagmati Province 2018–2021

.	Description	unit	Completed QTY.			
			2018/19	2019/20	2020/21	Total
1	Road Infrastructure					
a	Earthen	km	418	473	258	1149
b	Gravel	km	161	243	31	435
c	Blacktopped	km	91	61	76	228
d	Concrete	km	5	28	47	80
2	Road Bridges	Number	14	19	9	42
3	Road Bridge survey	Number	22	15	15	52
4	Road Surveyed	km	210	949	150	1309

Source: Bagmati Province (2021)

The major achievements in the rural road sector in Province 1 and Bagmati Province are summarized in Table 4-6.

Table 4-6 Major achievements in the rural road sector at the provincial level

Province	Fiscal Year	Achievements
Province 1	2018/2019	<ol style="list-style-type: none"> 1. Ministry was set up. 2. Sufficient budget was allocated for rural road construction. 3. Infrastructure development was rapidly promoted.
Province 1	2019/2020	<ol style="list-style-type: none"> 1. Construction of 52.21 km of blacktopped roads was completed. 2. Construction of 12 motorable bridges was completed. 3. Construction of 211 km of graveled roads was completed. 4. A total of 477.82 km of earthen roads were opened.
Bagmati Province	2018/2019	<ol style="list-style-type: none"> 1. Vehicle and Transport Management Act 2018 was approved and enacted. 2. Road construction: mud 419 km, graveled 160.93 km, blacktopped 90.78 km 3. Bridges: 15
Bagmati Province	2019/2020	<ol style="list-style-type: none"> 1. Blacktopped road construction 61 km, graveled 243 km, mud 473 km, concrete road 28 km

2. A total of 18 bridges were constructed.
3. Road survey for 949 km was conducted.

Source: First and Second Surveys

As explained earlier, the government decided in January 2021 to create a Local Infrastructure Development Project Office under each provincial office of DOLI. This new office is expected to coordinate with provincial and local governments as necessary or on a demand basis. A Project Selection Committee is to be formed at the provincial level under the chairmanship of the chief of provincial office. A representative of the provincial MoPID and the Chief Administrative Officer of respective local governments will be the members of this committee.

(2) Organizations and functions at the district level

At the district level, the District Technical Offices, which were responsible for all construction works including roads, drinking water, and irrigation, were dissolved after Nepal's transition to federalism. In their place, the IDOs were created to provide technical support to local governments only in the areas of roads and bridges. One IDO oversees two districts. Bagmati Province had six IDOs and Province 1 had seven IDOs at the time of the first assessment in 2019. The IDOs are responsible for the design, construction, and maintenance of provincial-level roads, bridges, and suspension bridges. They are also expected to coordinate with local governments.

The survey team contacted Lalitpur IDO in Bagmati Province in the second assessment in March 2021. Lalitpur IDO covers Kathmandu and Lalitpur districts. The former district consists of Kathmandu Metropolitan City and 10 other municipalities (11 local governments in total) and the latter is composed of Lalitpur Metropolitan City, two municipalities, and three rural municipalities (6 local governments in total). Lalitpur IDO had provided technical services to 18 local governments in two districts with 19 staff members as of March 2021 (Table 4-7). During the second assessment, it was reported that Sunkoshi IDO in Province 1 was closed in 2020 and its staff members were transferred to local governments.

Table 4-7 Human resources of Lalitpur IDO in Bagmati Province

Province	Organization	Staff members	Positions	Vacant Positions (Vacancy rate)
Bagmati Province	Lalitpur IDO	19 (Permanent: 14; Temporary: 5)	19	0 (0%)

Note: As of March 2021

Lalitpur IDO officials listed the following achievements in FY 2019/2020: 1) construction of roads: blacktopped 8.93 km, graveled 7.72 km, raw (mud) 15.56 km, and concrete 6.1 km; 2) construction of 10 bridges and culverts; 3) construction of a 5.3 km-long supporting wall; and 4) construction of 2.3 km of concrete drainages. Most of the construction works were affected by the lockdown because of COVID-19. The budget execution rate in FY 2019/2020 was only 54% (Table 4-8). The uncompleted work will be carried over to FY 2020/2021.

Table 4-8 Lalitpur IDO budget in FY 2019/2020

Province	Organization	Budget (NPR millions)	Actual Expenditure (NPR millions)	Budget execution rate
Bagmati Province	Lalitpur IDO	1302.66	697.58	54%

Note: As of March 2021

According to a Lalitpur IDO official, the office coordinated with both the MoPID and the TID of Bagmati Province to formulate its annual program and budget and share its progress and problems. In addition, it coordinated with the concerned local governments regarding the design, implementation, and completion stages of road or bridge construction. As for monitoring, engineers and sub-engineers of the IDO visited the project sites to observe the progress of the work and interacted with user groups and ward representatives of the concerned local governments. They submitted monthly reports to the TID and MoPID. A Lalitpur IDO official reported that there was duplication of work between DOLI and the IDO. A case in point is the road connecting the centers of local governments, provincial governments, and districts, which is under provincial jurisdiction. However, DOLI was involved in the same work. The Lalitpur IDO official who was interviewed felt the need for coordination with DOLI, but this has never happened because of the lack of a formal coordination mechanism between the two organizations.

The Guidelines for Local Infrastructure Development Partnership Program 2020 require the DCCs to act as the CDF Secretariat with responsibility for monitoring. Most of the projects under the CDF are infrastructure development projects. The team, which consists of officials of the M&E section of DCC is required to visit project sites for monitoring and submit a report to the MoFAGA once a year. According to Lalitpur DCC officials, they cannot monitor the activities of local governments except those under the CDF, even if the activities are improper, because local governments are autonomous.

(4) Organizations and functions at the local level

At the local level, the Infrastructure Development Section, including the Road and Other Infrastructure Development Sub-section or Unit, is responsible for policymaking, program formulation, and implementation of road and other infrastructure development projects. Municipalities appear to have assigned many staff members to this section to meet the high demand for construction of roads.

At the time of the first assessment in September 2019, the O&M survey had yet to be conducted at the local level. Thus, the number of positions in each section or unit had not been decided. For rural municipalities, the shortage of staff was reportedly one of the key issues. Only one staff member was deployed in the Road and Other Infrastructure Development Unit in Sunkoshi Rural Municipality in Bagmati Province (Table 4-9). The second assessment revealed that the number of staff members in Budhanilkantha had increased from 6 to 29, of whom 25 were engineers. In the case of Gaurigunj Rural Municipality, the total number of staff members was the same as before, but the permanent staff has increased from one in 2019 to two people in 2021.

Table 4-9 Human resources of rural road and other infrastructure development

Time of information collection	Province and Municipality	Organization	Staff members	Positions	Vacant Positions (Vacancy rate)
Sep. 2019	Rangeli Municipality in Province 1	Infrastructure Development Unit and Building Construction and Settlement Development Unit	7 (all temporary)	11	4 (36.3 %)
Sep. 2019	Gaurigunj Rural Municipality in Province 1	Infrastructure Development Unit, Sub-section and Building Construction and Settlement Development Unit	5 (1 permanent; 4 temporary)	9	4 (44.4 %)

March 2021	Gaurigunj Rural Municipality in Province 1	Infrastructure Development Unit, Sub-section and Building Construction and Settlement Development Unit	5 (2 permanent; 3 temporary)	9	4 (44.4%)
Sep. 2019	Budhanilkantha Municipality in Bagmati Province	Road and Other Infrastructure Sub section	6	6	0 (0%)
March 2021	Budhanilkantha Municipality in Bagmati Province	Road and Other Infrastructure Sub section	29 (7 permanent; 22 temporary)	29	0 (0%)
Sep. 2019	Sunkoshi Rural Municipality in Bagmati Province	Road and Other Infrastructure Development Unit	1	Yet to be decided	0 (0%)

Note: The survey team was unable to update the information on human resources in 2021 for Rangeli Municipality and Sunkoshi Municipality.

The budget execution rate for infrastructure development in FY 2018/2019 varied among the local governments surveyed (Table 4-10). The rate was particularly high in Rangeli Municipality in Province 1 and Sunkoshi Rural Municipality in Bagmati Province. By contrast, the execution rate of Budhanilkantha Municipality was only 56%. A Budhanilkantha officer who was contacted in March 2021 reported that the budget execution rate for rural roads in FY 2019/2020 stood at 52% because of the lockdown due to COVID-19. Budhanilkantha received the budget for maintenance of roads from Roads Board Nepal. In FY 2019/2020, it received NPR 1,047,064.00.

Table 4-10 Budget for roads and other infrastructure development projects: FY 2018/2019-FY 2019/20

Province and Municipality	Fiscal Year	Budget (NPR millions)	Actual Expenditure (NPR millions)	Budget execution rate
Rangeli Municipality in Province 1	2018/2019	202.84	202.84	100%
Gaurigunj Rural Municipality in Province 1	2018/2019	86.5 (57.5 for rural roads)	NA	NA
Gaurigunj Rural Municipality in Province 1	2019/2020	NA (44 for rural roads)	NA	NA
Budhanilkantha Municipality in Bagmati Province	2018/2019	1212.14	680.20	56%
Budhanilkantha Municipality in Bagmati Province	2019/2020	1584.06 (500.29 for rural roads)	743.49 (258.06 for rural roads)	47% (52%)
Sunkoshi Rural Municipality in	2018/2019	157.28 (145.88 for rural roads and bridges,	153.21 (141.81 for rural	97%

Province and Municipality	Fiscal Year	Budget (NPR millions)	Actual Expenditure (NPR millions)	Budget execution rate
Bagmati Province		and 11.4 for buildings)	roads and bridges, and 11.4 for buildings)	

Note: The survey team was unable to update the budget on rural roads of FY 2019/2020 of Rangeli Municipality and Sunkoshi Rural Municipality in 2021.

As for the monitoring of rural road construction at the local level, the Infrastructure Development Section performed this function and submitted reports to the executive of the concerned local government. User groups or contractors were also involved in monitoring, which happened at least three times for each project. The Monitoring and Supervision Committee led by the Vice Mayor/Chairperson participated in monitoring rural road construction at least once for each project. The copies of this committee's monitoring reports were shared with the Infrastructure Development Section.

Table 4-11 Achievements in rural roads reported by local governments

Province and Municipality	Fiscal Year	Achievements
Rangeli Municipality in Province 1	2018/2019	1. Road upgrading 2. Improvement of tourist sites
Gaurigunj Rural Municipality in Province 1	2018/2019	1. Road maintenance and graveling 2. Construction of bridges and culverts 3. Building construction and maintenance
Gaurigunj Rural Municipality in Province 1	2019/2020	1. Around 41 local roads constructed 2. Most of the roads were constructed through User's Committee.
Budhanilkantha Municipality in Bagmati Province	2018/2019	1. Construction of Hatti Gaunda-Khatri Gaun Road along with small roads 2. Completion of Kapan-Ram Mandir Road 3. Construction of municipality building and 7 parks
Budhanilkantha Municipality in Bagmati Province	2019/2020	1. Construction of 11 km of blacktopped roads 2. Construction of 5.6 km of gravel roads 3. Widening of construction by blacktopping 12 municipal roads
Sunkoshi Rural Municipality in Bagmati Province	2018/2019	1. Connection of all ward centers via eastern roads 2. Regular maintenance of roads 3. Collaboration with Kamala Mai Municipality to construct Sol Bhanjyang-Nagi Bhanjyang Road

Note: The survey team was unable to update the information on achievements in rural roads in FY 2019/2020 from Rangeli Municipality and Sunkoshi Rural Municipality.

Municipal officials of the Infrastructure Development Section interviewed in September 2019 reported that they had coordinated with the provincial government and the IDOs for the clearance of right of way and implementation of road construction. They also coordinated with the DCCs. Budhanilkantha Municipality of Bagmati Province communicated and consulted with the DCC regarding the road that links Budhanilkantha and Tokha Municipality. Furthermore, Budhanilkantha Municipality coordinated with the IDO closely to implement the project under the IDO.

4.1.3 Key issues

The transition to the federal system has given provincial and local governments greater powers than before to develop local and rural roads. However, they encountered various challenges in this sector. The survey team identified the following issues of federalism with respect to rural roads and rural

infrastructure:

- ***Inadequate capacity at the provincial, district, and local level:*** Development of rural roads is one of the top priorities among various development needs at the provincial and local levels. In both Province 1 and Bagmati Province, the MoPID faced the challenge of manpower shortage despite having a larger number of staff than other sectors at the time of the first survey conducted in 2019. As described by the MoPID of Bagmati Province, it was hard for them to manage 600 projects, which were taken over from the federal government without any additional provision of budget or human resources. The second survey undertaken in 2021 revealed that the staff members of Province 1 and Budhanilkantha Municipality had increased. At the district level, Lalitpur IDO faced the same challenges while providing technical services to 18 LGs in two districts with just 19 staff members. It also pointed out the lack of capacity development programs for their engineers.
- ***Relatively low budget execution rate:*** The limited number of engineers to oversee many projects made timely implementation difficult as budget disbursement slowed. At the provincial level, the budget disbursement rates for rural roads and other infrastructure projects were not high. In Province 1 and Bagmati Province, the MoPID spent less than 60% of the budget in FY 2018/2019. It was reported in 2019 that this could have been caused by the shortage of MoPID staff to disburse increased budget allocation, poor project management, and limited capacity of contractors.
- ***Increase in transferred projects from federal government:*** The MoPID in Province noted that 62 projects were newly transferred from the federal government in FY 2019/2020. However, most of them had not been completed as of March 2021. The total number of uncompleted projects stood at 564.
- ***Increase in demand for development of rural roads:*** According to the MoPID in Province 1, the demand for road construction increased substantially. Sometimes, political leaders have provided pressure to the provincial government by demanding more road construction projects which were not included in the annual plan and budget. At the local level, Budhanilkantha Municipality revealed that the number of staff had been increased from 6 in 2019 to 29 in 2021. However, they have not fully responded to the strong demand for development of rural roads.
- ***Low quality of works:*** The MoPID in Province 1 reported that the incidence of landslides had increased because of unscientific road construction. As per the provision in PPR (PPR 2016), user committees can implement projects under NPR 10 million. In Gaurigunj Rural Municipality in Province 1, the delay in the implementation of projects by user committees or contractors was one of the issues to be addressed. The limited capacity of contractors and user committees as well as the implementation of many road construction projects may affect the quality of work. The political influence for rural road construction was also reported by Gaurigunj Rural Municipality in Province 1. According to the municipal official, some of the elected representatives attempted to engage their voters in users' committee for road construction. On the other hand, the users' committees wanted to hire the contractor by avoiding the political influence.
- ***Ensuring users' participation and contribution:*** Budhanilkantha Municipality in Bagmati Province decided to approve projects only when user committees submitted a proposal that clearly stipulates their contribution, whereas Sunkoshi Rural Municipality followed the federal procurement law and decided their own proportion of user groups' contribution in cash, kind, or labor: 20% of the total project cost for road infrastructure and 10% of that for electrification. In Gaurigunj Rural Municipality, users' labor contribution has not prevailed. In the southern part of municipality, people have refused to participate in construction work by contributing their labor.
- ***Ensuring right of way:*** The officers of Rangeli Municipality in Province 1 noted that narrow roads made it difficult to ensure right of way. Budhanilkantha Municipality in Bagmati Province decided to approve projects only when the municipality confirmed that grievances and

complaints on projects have already been resolved and that a clear consensus has been reached among stakeholders.

- **Duplication of works:** Lalitpur IDO pointed out that there is still duplication of work between DOLI and the IDO regarding the road connecting the centers of local governments, provincial government, and districts. According to DOLI officials, duplication is likely to be reduced if the Project Selection Committee is formed as planned and functions well at the provincial level under the chairmanship of the Chief of the Local Infrastructure Development Project Office at the DOLI Provincial Office.

4.1.4 Impact of COVID-19

The lockdown due to the spread of COVID-19 has seriously affected construction and maintenance works of local and rural roads at the provincial and local government levels, which reported a delay in the construction of roads and bridges, except for Gaurigunj Rural Municipality of Province 1. Consequently, most of the budget was not executed as planned in FY 2019/2020.

4.2 Agriculture sector

4.2.1 Laws, regulations, and guidelines

(1) Laws, regulations, and guidelines at the federal level

Agricultural Development Strategy

The ADS (2015–2035) is a 20-year, long-term policy for agricultural development in Nepal. The ADS consists of four components: 1) governance; 2) productivity; 3) commercialization; and 4) competitiveness. With a view to reformulating the ADS under federalism, the MoALD established the ADS Joint Sector Review Committee with DPs in October 2018 to align ongoing agriculture projects with the outcomes, outputs, and indicators of ADS. The first and second Joint Sector Review meetings were held in 2019 and 2020, respectively, to formulate an action plan and review the progress of implementation of the action plan. According to a senior MoALD official who was interviewed, the ministry will conduct the first review of ADS in FY 2021/22.

National Agriculture Policy

The National Agriculture Policy (2004) was the guiding policy for the preparation of ADS, sub-sector policies, and other frameworks and directives in the agricultural sector. Currently, the MoALD is reviewing the National Agriculture Policy (2004) and the Dairy Development Policy (2005).

New Agriculture Act

The MoALD prepared the primary draft of a new Agriculture Act for agricultural development under the federal system. This new act is envisaged to include key topics such as 1) commercial areas for agriculture; 2) rules on land lease and agreements; 3) procurement of agricultural inputs such as equipment, fertilizers, and seeds; 4) grants, subsidy, loan, and loan interest; 5) registration of farmers, traders, and industries; 6) agricultural and livestock insurance; and 7) minimum support price of crops.

(2) Laws, regulations, and guidelines at the provincial level

Provincial Cooperatives Act 2019

The MoLMAC in Province 1 formulated the Provincial Cooperatives Act 2019. This Act has already entered into force, and the ministry has formulated several working procedures to implement this Act.

Provincial Act for Management of Agriculture Business Promotion Fund 2021

The MoLMAC in Province 1 has formulated the Provincial Act for Management of Agriculture Business Promotion Fund 2021.

Province Dairy Development Board (first amendment) Act 2020

According to the MoLMAC in Bagmati Province, the Dairy Development Board Act 2018 was approved and amended as the Dairy Development Board (first amendment) Act 2020. In addition, the ministry issued 15 working procedures in 2020.

(3) Laws, regulations, and guidelines at the local level

In the first assessment in September 2019, it was found that none of the municipalities had formulated acts or regulations in the agricultural sector. The second assessment in March 2021 found some progress in Gaurigunj Rural Municipality of Province 1 and Budhanilkantha Municipality of Bagmati Province.

Laws, regulations, and guidelines related to agriculture

The second survey confirmed that Gaurigunj Rural Municipality of Province 1 has formulated 1) Agriculture Sector Program Working Procedures 2020 and 2) Commercial Livestock Farming Procedure 2020. One of the officers in charge of agriculture reported that Budhanilkantha Municipality had formulated five procedures related to agriculture: 1) procedure of 2019 on commercial roof-top agriculture promotion; 2) procedure of 2020 on agro-mechanization and agro-equipment promotion; 3) procedure of 2020 on grants for organic fertilizer program operation; 4) procedure of 2020 on plastic tunnel/seed distribution program for food grains; and 5) procedure of 2020 on the targeted program for the operation of commercial agriculture for youth interested in farming and returnees from foreign employment.

4.2.2 Organizations and functions of the three levels of government

(1) Organizations and functions at the federal level

Agriculture continues to be the main industry in Nepal, contributing to the development of the national economy. The MoALD of the federal government is responsible for the growth and development of the agriculture sector. The DoA is the execution body for promoting agricultural development.

After the transition to federalism, the mandate and functions of the MoALD and its organizations have been reduced significantly. As of today, their mandate and functions are limited only to policymaking, research, and statistics on agricultural development. Accordingly, many MoALD officials had to be transferred to provincial and local governments.

Many officers were also assigned to the PMAMPs, a 10-year agricultural development program. The PMAMP is being implemented in all 77 districts across the country, aiming to transform the agro-industry through modern, sustainable, self-reliant, and business-oriented agricultural practices. The project has four components: 1) small commercial agriculture production center (pocket) development program; 2) commercial agriculture production center (block) development program; 3) commercial agriculture production and processing center (zone) development program; and 4) large commercial agriculture production and industrial center (super zone) development program. A PMAMP officer reported that 16 super zones, 106 zones, 708 blocks, and 4,372 pockets had already been established as of September 2020. The officer also reported several issues to be addressed, including 1) lack of timely, proper, and performance-based monitoring; 2) inadequate capacity of staff on business; 3) weak coordination and linkage between pockets, blocks, zones, and super zones; 4) strong influence of politicians and elites on project selection; and 5) inadequate mobilization of grants.

(2) Organizations and functions at the provincial level

The MoLMAC is responsible for overall management and policymaking related to agriculture, livestock, and land management at the provincial level. The ADD is responsible for planning, implementation, monitoring and evaluation, and coordination among concerned organizations. The Agribusiness Promotion Support and Training Center and the AKC are under the control of ADD at the provincial level.

It took some time to establish the organizational structure of provincial governments in the agriculture sector, including deployment of human resources. Both Province 1 and Bagmati Province suffered from a shortage of MoLMAC and ADD staff members (Table 4-12). However, officials of the MoLMAC and ADD in Bagmati Province reported in March 2021 that they had requested the PPSC to fill vacant positions and that they expect some assistant technicians to be deployed in FY 2021/2022. In Province 1, the number of MoLMAC staff members increased slightly from 33 to 40 between 2019 and 2021. MoLMAC officials noted that they would deploy more staff in FY 2021/2022.

Table 4-12 Human resources of MoLMAC/ADD in Province 1 and Bagmati Province

	Province	Organization	Staff members	Positions	Vacant Positions (Vacancy rate)
Sep. 2019	Province 1	MoLMAC	33 (Permanent: 30; Temporary: 3)	73	40 (54.8%)
		ADD	26 (Permanent: 22; Temporary: 4)	38	12 (31.6%)
Mar. 2021	Province 1	MoLMAC	40 (Permanent: 35; Temporary: 5)	73	33 (45.2%)
Sep. 2019	Bagmati Province	MoLMAC	58 (Permanent: 46; Temporary: 12)	73	15 (20.5%)
		ADD	24 (Permanent: 21; Temporary: 3)	38	14 (36.8%)
Mar. 2021	Bagmati Province	MoLMAC	58 (Permanent: 44; Temporary: 14)	73	15 (20.5%)
		ADD	18 (Permanent: 13; Temporary: 5)	38	20 (52.6%)

Note: The survey team was unable to update the information on human resources of ADD in Province 1 in 2021.

Table 4-13 summarizes budget and actual expenditures of the MoLMAC in Province 1 and Bagmati Province in FY 2018/2019 and FY 2019-2020.

In Bagmati Province, the MoLMAC budget increased from FY 2018/2019 to FY 2019/2020, and its budget execution rate improved from 51% in FY 2018/2019 to 58% in FY 2019/2020 despite the COVID-19 pandemic. By contrast, the pandemic had an adverse impact on Province 1's budget execution rate, which declined significantly from 60% in FY 2018/2019 to 39% in FY 2019/2020.

Regarding the budget formulation of provincial governments, it was reported that no formal mechanism had been set up for coordination between provincial and local governments. MoLMAC officers in Province 1 and Bagmati Province reported that they had initiated coordination with the federal MoALD for budget formulation in FY 2019/2020.

Table 4-13 MoLMAC budget execution rates in Province 1 and Bagmati Province

Province	Fiscal Year	Budget (NPR millions)	Actual Expenditure (NPR millions)	Budget execution rate
Province 1	2018/2019	2,484.71	1,483.90	60%
Province 1	2019/2020	3,993.52	1,562.25	39%
Bagmati Province	2018/2019	3,113.60	1,598.16	51%
Bagmati Province	2019/2020	4,848.24	2,830.25	58%
Bagmati Province	2020/2021	3,773.59	-	-

The major achievements in the agriculture sector listed by both provinces are shown in Table 4-14.

Table 4-14 Major achievements in the agriculture sector in Province 1 and Bagmati Province

Province	Fiscal Year	Achievements
Province 1	2018/2019	<ol style="list-style-type: none"> 1. MoLMAC was set up. 2. Technical staff was available although the number was insufficient.
Bagmati Province	2018/2019	<ol style="list-style-type: none"> 1. Horticulture firms were established. 2. A total of 89 agriculture roads were constructed. 3. Farmers' groups were established.
Bagmati Province	2019/2020	<ol style="list-style-type: none"> 1. Nine integrated model agro-firms were established in different areas through partnerships between private players, agro-groups, and cooperatives. Further, model agro-firms were established in 59 constituencies through partnerships between private players, agro-groups, and cooperatives. 2. A total of 1825 households of Kathmandu valley and Chitwan started roof-top organic agriculture. 3. A total of 278,000 fruit plants were planted on 556 ha. of land.

Note: The survey team was unable to update the information on major achievements of the agriculture sector in Province 1 in FY 2019/2020.

The PMAMP, the largest federal government project under the MoALD, is being implemented in Bagmati Province. Under the PMAMP, the MoLMAC has been implementing pocket and block programs with their budget, while the MoALD is in charge of 18 zones and 2 super zones through its Project Unit in concerned districts. A MoLMAC official who was interviewed reported in March 2021 that the production of food grains, vegetables, potatoes, spices, fruits, and fish has increased under the PMAMP. In addition, the programs have promoted commercialization of agriculture to some extent. Finally, it has improved group activities and cooperation among farmers. The MoLMAC official expressed the view that the programs should be expanded even further to benefit the maximum number of farmers in their jurisdiction.

(3) Organizations and functions at the district level

After the transition to federalism and state restructuring, the District Agricultural Development Offices were integrated into the AKC under ADD. The AKCs were established at the district headquarters to cover two districts. The AKC has a wide range of roles and responsibilities, including 1) conducting small-scale agro-study, performing examination and validation, and providing simple laboratory services for agro-inputs; 2) providing advanced training to staff of provincial and local governments, farmers, and agro-entrepreneurs; 3) providing special technical services to local governments; 4) working as a coordinating agency for federal agricultural programs such as the PMAMP implemented in the province; 5) providing support for agricultural programs and projects instituted by provincial

governments; 6) working as the outreach site for the Nepal Agriculture Research Council and as the resource center on seeds and high breed; and 7) collecting and updating data from local governments on agriculture and forwarding concerns to provincial and federal ministries.

In Bagmati Province, there are seven AKCs covering 13 districts. Lalitpur AKC is one of them and covers three districts: Kathmandu, Lalitpur, and Bhaktapur. Human resources of Lalitpur AKC in Bagmati Province are presented in Table 4-15. The Lalitpur AKC Chief reported in March 2021 that their main challenge was a shortage of staff and budget, which makes it difficult to support many farmers in the three districts. They requested the MoLMAC of Bagmati Province to employ more staff. In Province 1, 11 AKCs had been established to cover 14 districts as of March 2021. Sunsari AKC is responsible for providing services in both Sunsari and Morang districts.

Table 4-15 Human resources of the AKCs in Province 1 and Bagmati Province

Province	Organization	Staff members	Positions	Vacant Positions (Vacancy rate)
Province 1	Sunsari AKC	16 (Permanent: 13; Temporary: 3)	18	2 (11%)
Bagmati Province	Lalitpur AKC	17 (Permanent: 15; Temporary: 2)	17	0 (0%)

Note: As of March 2021

Lalitpur AKC spent 70% of the allocated budget in FY 2019/2020 (Table 4-16). The Lalitpur AKC Chief reported that floriculture and mushroom farming activities had decreased by about 50% because of COVID-19. As for organic farming, only 31% of the target production was achieved in FY 2019/2020. On the other hand, Lalitpur AKC has helped 285 farmers through its Agriculture Mechanization Program, which was implemented by the PG during the same period. By contrast, in Sunsari AKC in Province 1, the budget execution rate was only 35% because of the lockdown due to the COVID-19 pandemic. They were not able to conduct many activities such as the establishment of nurseries or expansion of irrigation areas in FY 2019/2020.

Table 4-16 AKC budget in FY 2019/2020 in Province 1 and Bagmati Province

Province	Organization	Budget (NPR millions)	Actual Expenditure (NPR millions)	Budget execution rate
Province 1	Sunsari AKC	141.21	49.37	35%
Bagmati	Lalitpur AKC	307.1	216.8	71%

Note: As of March 2021

Lalitpur AKC closely coordinated with the MoLMAC of Bagmati Province in planning, budget formulation, M&E, and human resource management. Using a format in the M&E Manual of the NPC, Lalitpur AKC conducted monitoring of activities through field verification and discussion with farmers. It reported the monitoring results to the MoLMAC of Bagmati Province every month through the online system.

Lalitpur AKC worked with local governments in such areas as 1) technical support to agro-sections of local governments upon request, 2) training of local officials, and 3) coordination for program selection. The Lalitpur AKC Chief underscored the need for improving coordination among the three levels of government to avoid duplication of programs.

(4) Organizations and functions at the local level

At the local government level, the Agriculture Section is responsible for 1) formulation of policies, plans, and laws, and 2) overall implementation and M&E of agriculture and livestock projects and programs. Most of the JTAs and JTs of the federal government were deployed to municipalities or provincial governments.

The shortage of JTs and JTAs at the local level is a common challenge in both provinces studied. This issue is particularly pronounced in Gaurigunj and Sunkoshi Rural Municipalities where agriculture is the highest priority sector (Table 4-17). Both municipalities promoted modern and commercialized farming with an extremely limited number of technical staff. In the case of Budhanilkantha Municipality, there was no change in the number of staff members between FY 2018/2019 and FY 2019/2020. They noted that their concern was not increasing the number of staff but strengthening the capacity of existing staff members.

Table 4-17 Human resources of the Agriculture Section or Sub-section at the local level

	Name of Municipality	Organization	Staff members	Positions	Vacant Positions (Vacancy rate)
Sep. 2019	Rangeli Municipality in Province 1	Economic Development Promotion Unit under the Economic Development and Environment Management Section	2 (JTA: 1, Assistant officer: 1) (Permanent: 2 Temporary: 0)	3	1 (33%)
Sep. 2019	Gaurigunj Rural Municipality in Province 1	Economic Development and Environment Management Section	2 (JT: 1; JTA: 1) (Permanent: 1 Temporary: 1)	4	2 (50%)
Mar. 2021	Gaurigunj Rural Municipality of Province 1	Economic Development and Environment Management Section	3 (JT:1 JTA:2) (Permanent: 1 Temporary: 2)	4	1 (25%)
Sep. 2019	Budhanilkantha Municipality in Bagmati Province	Agriculture Sub-section under the Economic Development Section	3 (Officer: 1; JT: 1; and JTA: 1) (Permanent: 3 Temporary: 0)	3	0 (0%)
Mar. 2021	Budhanilkantha Municipality in Bagmati Province	Agriculture Sub-section under the Economic Development Section	3 (Officer: 1 JT: 1; and JTA: 1) (Permanent: 3 Temporary: 0)	3	0 (0%)
Sep. 2019	Sunkoshi Rural Municipality in Bagmati Province	Agriculture Section	3 (JTA) (Permanent: 1 Temporary: 2)	To be decided after O&M Survey	0 (0%)

Note: The survey team was unable to update the information on human resources of Rangeli Municipality and Sunkoshi Rural Municipality in 2021.

The first assessment conducted in September 2019 revealed that the budget execution rate at the local level exceeded 80% in FY 2018/2019 despite the shortage of staff (see Table 4-18). However, the execution rate for agricultural development in Budhanilkantha Municipality in Bagmati Province

declined from 81% in FY 2018/2019 to 53% in FY 2019/2020 mainly because of the Covid-19. On the other hand, Gaurigunj Rural Municipality in Province 1 noted that roads have been constructed regardless of effects of Covid-19 in FY 2019/2020. However, the survey team was unable to collect the information on the amount of budget which was spent for this in FY 2019/2020. Concerned officials of the other municipalities could not be reached online.

Table 4-18 Budget for agricultural development in FY 2018/2019 at the local level

Province and Municipality	Fiscal Year	Budget (NPR millions)	Actual Expenditure (NPR millions)	Budget execution rate
Rangeli Municipality in Province 1	2018/2019	2.96	2.96	100%
Gaurigunj Rural Municipality in Province 1	2018/2019	14.69	12.49	85%
Budhanilkantha Municipality in Bagmati Province	2018/2019	1.8*	1.45	81%
Budhanilkantha Municipality in Bagmati Province	2019/2020	10.05	5.36	53%
Sunkoshi Rural Municipality in Bagmati Province	2018/2019	6.53	5.32	82%

Note: The survey team was unable to update the information on budget for Rangeli Municipality and Sunkoshi Rural Municipality in 2021.

*This data provided by the Agriculture Section may not include all the budget including ward-wise allocation because it is too small compared to the budget in FY 2019/2020 provided by the account section from SUTRA (account software) which covers all sector-wise budget. Because the past one-year data was available in SUTRA, the survey team could not get the data in FY 2018/2019 during the second survey in 2021.

The major achievements in the agriculture sector listed by four local governments are summarized in Table 4-19.

Table 4-19 Achievements in agricultural development reported by local governments

Province and Municipality	Fiscal Year	Achievements
Rangeli Municipality in Province 1	2018/2019	1. Technical support was provided to farmers. 2. Technology was expanded.
Gaurigunj Rural Municipality in Province 1	2018/2019	1. Farmers' access to public grants was improved. 2. Technology was expanded. 3. Power tillers were provided to farmers via subsidy.
Gaurigunj Rural Municipality in Province 1	2019/2020	1. Modern equipment for farmers were distributed. 2. Irrigation projects were completed. 3. Collective farming was started.
Budhanilkantha Municipality in Bagmati Province	2018/2019	1. Vegetable production was increased by distributing plastic tunnels to farmers. 2. Improved quality seed and fertilizer were distributed. 3. Small irrigation scheme was developed.
Budhanilkantha Municipality in Bagmati Province	2019/2020	1. Two high-technology nurseries were established. 2. Seven tracks were distributed to farmers. 3. A total of 175 plastic tunnels were distributed to farmers.
Sunkoshi Rural Municipality in Bagmati Province	2018/2019	1. Pocket area of PMAMP was developed. 2. Agriculture and livestock insurance scheme was introduced. 3. "One settlement one product" scheme was introduced.

Note: The survey team was unable to update the information on achievements in FY 2019/2020 of Rangeli Municipality and Sunkoshi Rural Municipality in 2021.

The first assessment in September 2019 revealed that no local government had coordinated with the federal MoALD or DOA. Coordination with the MoLMAC at the provincial level varied. The local governments studied, barring Budhanilkantha Municipality, reported that they had coordinated with the MoLMAC of provincial governments. Sunkoshi Rural Municipality mentioned that coordination with the MoLMAC had taken place through the Provincial Coordination Council.

The practice of coordination between the AKCs and local governments varied. The local governments studied, barring Sunkoshi Rural Municipality, indicated that they had coordinated with the AKCs. A Budhanilkantha Municipality official reported that they had coordinated with the AKC for implementation of programs such as small irrigation and vegetable tunnel construction.

In all four LGs, the Agricultural Section conducted monitoring of all activities in the agriculture sector. In addition, the Monitoring and Supervision Committee of the concerned local governments led by their respective Vice Mayor and Vice-Chairperson were involved in monitoring activities. Rangeli Municipality in Province 1 reported that they had to submit monitoring reports to the Executive and the AKC. In the case of Budhanilkantha Municipality, the Monitoring and Supervision Committee conducted monthly monitoring. The Economic Development and Environment Management Section in charge of agriculture undertook monitoring of all activities at least once a year and submitted reports to the Executive annually.

4.2.3 Key issues

The survey team identified the following key issues that have emerged in the agricultural sector after the transition to the federal system. To address these issues, some initiatives have been undertaken by the three levels of government.

- ***Legislating a new Agricultural Act and revising the Agriculture Policy and ADS.*** After a few years of delay, the MoALD took the lead in the alignment of ongoing projects with the ADS with the support of DPs. By March 2021, the MoALD had prepared the first draft of a new Agricultural Act to address the many challenges in the agriculture sector under the federal system. After the enactment of this Act, the MoALD will need to review the first five-year interventions of the ADS in FY 2021/2022 and revise the Agriculture Policy (2004).
- ***Lack of human resources at the provincial, local, and district levels.*** The lack of human resources, particularly JTs and JTAs, is widely recognized as a major challenge for the provincial and local governments. The first assessment in 2019 confirmed this challenge by finding high vacancy rates for positions in the agriculture sections in both provincial and local governments, which resulted in low budget execution rates of less than 60% in the agriculture sector. At the district level, AKCs are not well equipped to serve two newly assigned districts. AKCs in both Lalitpur and Sunkoshi reported a shortage of staff members required to perform the expected roles and functions. To address this challenge, the PPSC in Bagmati Province held recruitment exams in late 2020 to fill 1,759 vacant positions, both technical and non-technical, in provincial and local governments. These positions include agriculture, health, engineering service, and administrative service. The challenges remain, however, as those governments cannot fully perform the functions of staff transfer, promotion, leave, retirement, and benefits in the absence of PCSA.
- ***Inadequate coordination among the three levels of government:*** As of March 2021, there was no mandatory coordination mechanism between the three levels of government in the agricultural sector. The practice of coordination varies among the governments studied. Most of the LGs have sometimes coordinated with the AKCs, and with PG whenever necessary while they have never coordinated with the MoALD of FG. The PG has often coordinated with the AKCs while it has only coordinated with the MoALD of FG when needed. Because of such inadequate coordination, reporting and information sharing have not been in place effectively among the three levels of

government. To address these issues, the MoALD has taken initiatives to coordinate with PGs through meetings with the Minister and Secretary of the MoLMAC of all PGs before formulating their annual program. Also, the national priority program and national as well as international commitments have been integrated into PGs and LGs by promoting the formulation of Periodic Plans and localization of SDGs, providing conditional grants to PGs and LGs, focusing on cost sharing between the three levels of government.

- ***Inadequate capacity of officials at the provincial, local, and district levels:*** The inadequate capacity of staff members in the agriculture sector is a common challenge across the governments studied. The MoLMAC and ADD of Bagmati Province stressed the need for providing training on new knowledge and technologies. Sunkoshi AKC emphasized the need to develop capacity on data management. Budhanilkantha Municipality stressed innovation in agriculture. Rangeli Municipality and Gaurigunj Rural Municipality in Province 1 emphasized the need to gain new knowledge and technologies related to agriculture.
- ***Agricultural development in rapidly urbanizing areas.*** Although not directly related to the transition to the federal system, Budhanilkantha Municipality reported the challenge of protecting agricultural land and improving agricultural production in rapidly urbanizing areas. As a response measure, the municipality has decided to exclude non-resident farmers from subsidies provided by the municipality.

4.2.4 Effects of COVID-19

The spread of COVID-19 has adversely affected the agriculture sector. MoALD officials reported the following effects of COVID-19: 1) delay in fertilizer supply; 2) delay in seed distribution; 3) increase in post-harvesting losses; and 4) disruption of the food value chain. As countermeasures, the MoALD increased the capacity of fertilizer storage facilities and expanded market centers for vegetables and fruits in different places. At the provincial level, the MoLMAC and ADD in Bagmati Province reported that the lockdown resulted in a shortage of agro-inputs and problems in marketing livestock products. To mitigate these adverse impacts, cold storage facilities for vegetables and fruits have been constructed in different districts.

At the district level, Lalitpur AKC noted a considerable decline in floriculture and mushroom farming as well as organic farming. In addition, any capacity development activities, including training of staff, could not be conducted in FY 2020/2021 because of COVID-19.

At the local level, Budhanilkantha Municipality in Bagmati Province reported that there have been adverse impacts of the lockdown, particularly on the supply of agro-inputs and marketing of agricultural products. To mitigate these negative impacts, the agro-marketing infrastructure is being strengthened. Gaurigunj Rural Municipality in Province 1 noted that the COVID-19 affected the training programs and the bidding of some works. However, it did not hinder the construction of rural roads in FY 2019/2020.

5 Governance programs and development partners under federalism

5.1 Foreign assistance policies of the Government of Nepal

5.1.1 Assistance modalities and instruments

The GoN has been mobilizing foreign aid based on its foreign aid policy. In response to the country's transition to federalism, it developed International Development Cooperation Policy 2019 that replaced Development Cooperation Policy 2014. The new policy was formulated in accordance with the federal setup and spirit stipulated in the new Constitution.

The 2019 policy identifies the following priority sectors of cooperation:

- (a) Physical infrastructure
- (b) Education, health, drinking water, and sanitation
- (c) Enhancement of national production and productivity
- (d) Employment generation and poverty alleviation
- (e) Development and transfer of science and technology
- (f) Environmental protection and climate change
- (g) Disaster management
- (h) Other areas beyond the capacity of public, private, cooperative, or community sectors

The GoN will select sectors based on provincial and local development plans to help achieve the goals of the national periodic plans with priority given to programs for remote areas. The policy also articulates that “cross-cutting issues such as social inclusion, improving the quality of life of marginalized communities, gender equality, and development of economically as well as socially backward areas and communities will remain as (sic) an integral part of all projects/programs.”

The policy specifies the assistance modalities that the GoN will adopt in order of preference: (1) budget support; (2) Sector Wide Approaches (SWAp); (3) program-based approach; and (4) project aid. The policy encourages development partners to set up pooled funds for small-sized, stand-alone projects, which will be reflected in the national budget. With regard to cooperation in sectors such as education, health, climate change, and disaster management, international cooperation will be mobilized through global funds on a grant basis.

The policy also sets the principles on mobilization of international assistance by aid instrument. Table 5-1 summarizes the key points relevant for JICA's future cooperation.

Table 5-1 Key points of the GoN policy on aid instruments

Aid instruments	Key points
Grant assistance	<ul style="list-style-type: none"> • Give priority to sectors directly contributing to environmental protection and climate change, sustainable development, rural infrastructure development, social sector development, modernization and development of agriculture, health, education, drinking water, sanitation, poverty alleviation, and human development • Encourage mobilization of small grants through SWAp and pooled funds
Concessional loans	<ul style="list-style-type: none"> • Use concessional loans in sectors such as physical infrastructure, agriculture, and tourism infrastructure • Minimize expenditures related to consultancy services and procurement of vehicles via loan assistance

Technical Assistance (TA)	<ul style="list-style-type: none"> • Use TA from development partners when the technical capacity for project implementation is not available within the government system • Adopt in general a policy of not using TA for stand-alone projects expect for the purposes of filling the expertise gap in any national priority projects • Encourage development partners to provide TA through pooled funds • Accept international and regional TA on the basis of national needs and advantages
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Regarding mobilization of consultants, the GoN facilitates the use of national consultants. However, the policy allows the mobilization of international consultants for transfer of technology and expertise that are not available locally. At the provincial or local level, the concerned government can request the MoF's permission to hire international consultants for any job that cannot be performed by national consultants.

5.1.2 Roles of each level of government in mobilizing development cooperation

The International Development Cooperation Policy defines the roles of respective governments in mobilizing international assistance. The federal government holds the authority to arrange development cooperation at the provincial and local levels. The MoF concludes financing agreements with development partners and bears the liability for foreign loans. Foreign grants are provided as conditional grants to the recipient provincial and local governments, whereas a loan is provided after a subsidiary loan agreement is concluded with the concerned provincial or local government.

The role of provincial and local governments in mobilizing international development cooperation is confined to project identification and submission of project proposals to higher levels of government. However, the policy ensures their representation in negotiation and preparation for project cooperation within their jurisdiction. They can hold preliminary meetings with development partners for which the latter must obtain the prior consent of the federal government.⁵¹

5.2 Overview of Provincial and Local Government Support Program

5.2.1 Achievement of the previous programs

The GoN implemented the LGCDP in two phases from 2008 to 2016 followed by a transitional bridging program implemented in FY 2017/18. The LGCDP aimed to promote inclusive, responsive, and accountable local governance and participatory community-led development through empowerment of citizens and community and improved service delivery by local bodies. Table 5-2 presents a summary of the respective phases.

Table 5-2 Program summary of LGCDP and LGCDP II

	LGCDP (July 2008- July 2012)	LGCDP-II (2013-2017)
Purpose	Improved access to locally and inclusively prioritized public goods and services	Improved local governance for effective service delivery and citizen empowerment
Executing agency	Ministry of Local Development	MoFAGA
Implementing agencies	Local Bodies (DDCs, Municipalities, Village Development Committees [VDCs]) through community organizations and NGOs	Local bodies and local offices of sectoral ministries
Geographical	75 DDCs, 3,915 VDCs, and 58	75 Districts, 191 Municipalities, and 3,276

⁵¹ Ministry of Finance (2019): Criteria for foreign cooperation assistance mobilization at Provincial and Local levels (2076)

coverage	Municipalities	VDCs
Finance	USD 421 million (GoN: 260 mil., development partners: 161 mil.)*	USD 1,297 million (GoN: 1,061 mil., development partners: 236 mil.)
Development partners	ADB; DANIDA; CIDA; DFID; UN agencies (UNDP, UNICEF, UNCDF, UNFPA, UNV, etc.); Norway; SDC; GTZ; JICA; World Bank; Finland	ADB; World Bank; EU; DFID; Denmark; GIZ; JICA; Norway; SDC; USAID; Finland; UN agencies (UNCDF, UNICEF, UNDP, UNFPA, UN Women, UNV, UNAIDS)
Expected outcomes	<ol style="list-style-type: none"> 1. Citizens and communities empowered to exercise their voice and engage actively with local governments; accounting processes enable greater citizen-community input and oversight 2. Increased capacity of local governments to manage resources and deliver basic services in an inclusive and equitable manner 3. Strengthened policy and institutional framework for decentralization, devolution, and community development 	<ol style="list-style-type: none"> 1. Citizens and communities hold their local governance actors accountable 2. Local bodies are more responsive to citizens' demands 3. All citizens are provided with efficient and effective local services 4. Strengthened policy and institutional framework for devolution, sub-national governance, and local service delivery

* Committed figures at the time of program preparation

Source: LGCDP Program Document, MoFAGA website <http://lgcdp.gov.np/program>

The LGCDP and LGCDP II contributed significantly to social mobilization and preparation for devolution. The main achievements are summarized below.⁵²

- Empowerment of citizens, particularly the marginalized and the disadvantaged, and their enhanced engagement in local governance through the establishment of citizens' institutions such as Ward Citizen Forums and Citizen Awareness Centers
- Enhanced downward accountability through various instruments such as participatory planning, public and social audits, public hearings, and grievance redress mechanisms
- Significant increase in local bodies' access to financial resources through a performance-based grant allocation system
- Enhanced capacity at the local level in planning, implementation, monitoring, downward accountability, and financial management
- Advancement in the use of information and communications technology (ICT) by local bodies
- Contribution to the groundwork for preparation of legal, policy, and institutional frameworks for devolution through multi-stakeholder engagement, support for concerned commissions, and drafting of bills and model laws.

5.2.2 Scope and content of PLGSP

With the adoption of the new constitution and transition to a federal state, the GoN faced the urgent need to build institutional and individual capacity of the newly created provincial and local governments with renewed responsibilities and structures. The PLGSP was formulated in response to the situation and built on the experiences gained from the implementation of the LGCDP and LGCDP II. The objectives of the PLGSP are as follows:

- To strengthen provincial and local governance systems and procedures and promote inter-governmental relationships to maximize the benefits of cooperative federalism for the Nepali citizenry; and
- To enhance the capacity of provincial and local governments to deliver services and development

⁵² The information was obtained from LGCDP II and PLGSP program documents and interviews with MoFAGA officials.

outcomes effectively to citizens

The PLGSP is a three-year program that commenced in July 2019. Table 5-3 provides a summary of the program.

Table 5-3 Program summary of PLGSP

Purpose	<ol style="list-style-type: none"> 1. Strengthen provincial and local governance systems and procedures and promote inter-governmental relationships to maximize the benefits of cooperative federalism for the Nepali citizenry 2. Enhance the capacity of provincial and local governments (PLGs) to deliver services and development outcomes effectively to citizens
Executing agency	MoFAGA
Implementing agencies	Provincial Governments, Rural Municipalities, Municipalities, Sub-Metropolitan Cities, Metropolitan Cities, Local Development Training Academy (LDTA), and Provincial Centers for Good Governance (PCGGs)
Geographical coverage	7 Provinces, 6 Metropolitan Cities, 11 Sub Metropolitan Cities, 276 Municipalities, and 460 Rural Municipalities
Finance	USD 130 million (GoN: 30 million; Development partners: 100 million)
Development partners	UK Department for International Development (DFID), SDC, Norway, EU, UN
Expected outcomes	<ol style="list-style-type: none"> 1. Government institutions and inter-governmental mechanisms at all levels are fully functional and working in support of federal governance as per the Constitution. 2. PLGs have efficient, effective, inclusive, and accountable institutions. 3. Elected representatives and civil servants at PLGs have the capacity and serve citizens to their satisfaction.
Outputs	<ol style="list-style-type: none"> 1. Federal level institutions develop legislation and policies to support PLGs in a consultative manner. 2. Federal level institutions develop tools and systems to support PLGs in a consultative process. 3. Inter-governmental administrative mechanisms are strengthened and functional. 4. PGs draft legislation in a consultative manner. 5. Modernized PG systems enable horizontal and vertical accountability to all citizens and mainstream gender equality and social inclusion (GESI). 6. PGs manage provincial public administration functions more effectively. 7. PCGGs are made operational to deliver capacity development service. 8. Modernized LGs have strong administrative systems and accountable public financial management (PFM) systems. 9. LG systems enable horizontal and vertical accountability to all citizens. 10. LG systems mainstream GESI into their service delivery. 11. LG systems enable citizen engagement and inclusive participation. 12. Innovative Partnership Fund (IPF) is operational and supports LGs in a transparent manner. 13. Elected representatives and civil servants at the province level are trained for delivering high quality. 14. Elected representatives and civil servants of LGs are empowered and trained for delivering high quality services

Source: PLGSP Program Document

5.2.3 PLGSP implementation structure

There are multiple governing bodies that have been set up at the three levels of government. The supreme governing body is the National Steering Committee chaired by the MoFAGA Minister. It provides guidance on and oversees program implementation. The National Executive Committee, chaired by the MoFAGA Secretary, provides overall guidance on program implementation to the Program Coordination Unit (PCU) led by the National Program Director, who is the MoFAGA Joint Secretary. The Technical Assistance Sub-Committee chaired by the National Program Manager, who is the MoFAGA Under

Secretary, steers, facilitates, and decides on the matters related to technical assistance services.

At the provincial level, a Provincial Coordination Committee has been created in each province. It facilitates coordination between the concerned provincial government and its local governments and oversees program implementation at the provincial level. It also supports the PIIU. Local governments can also form their own Capacity Development Committee or Capacity Development Unit to deal with capacity development activities.

The executing agency of the program is the MoFAGA whereas the implementing agency at the provincial level is the OCMCM. They implement the program through the PCU and PPIU, respectively.

The main service providers under the PLGSP are the PCGGs and TA service providers. The PCGGs, which have already been established in each provincial government, are responsible for capacity development services such as training and orientation for elected representatives, civil servants, and staff members of provincial and local governments (see Section 5.3 Human Resource Management). TA service providers provide the required TA on behalf of the GoN based on the Annual Strategic Implementation Plans of the PLGSP.⁵³

5.2.4 Progress of PLGSP implementation

The program is being implemented at all levels, although implementation has been delayed due to the COVID-19 pandemic. Experts have been assigned to the PCU and the PPIUs and PCGGs in all provinces. The major achievements of the program were officially reported at the meeting of the program's NEC in June 2020. The following is a summary of the achievements:⁵⁴

- Drafted 13 model laws for local governments
- Piloted the LISA tool in seven local governments
- Developed a COVID-19 reporting management information system for local governments
- Conducted a need assessment framework of implications of COVID-19 for local governments
- Developed a guideline for local governments on rapid needs assessment in the context of COVID-19 and recovery plan preparation
- Continued ICT support to provincial and local governments for e-governance
- Introduced the SuTRA software in all local governments
- Established PCGG in Gandaki Province

Priority activities for FY 2020/21 were presented at the NEC meeting. The progress of those activities as of March 2021 is described in Table 5-4.

Table 5-4 Progress of PLGSP priority activities FY 2020-2021

Priority activities	Progress
<ul style="list-style-type: none"> • Make PCGGs functional in all provinces at the earliest possible • Organize training and orientation for local elected representatives and staff 	<ul style="list-style-type: none"> • The PCGG has been established in all provinces and almost all of them have been delivering training and other capacity development activities.

⁵³ PLGSP program document

⁵⁴ Aide Memoire of the 2nd NEC meeting, June 2020

- Mainstream GESI by supporting PLGs in preparing GESI strategies and conducting budget audits from a GESI perspective
- Organize a dedicated training program for elected representatives representing disadvantaged groups
- Establish institutions and finalize operating guidelines for the Innovative Partnership Fund (IPF) to initiate its operation by early 2021
- Manage learning and knowledge by establishing a baseline for PLGs, third party monitoring, documentation of success cases, and communications
- The Gender Equality Policy was approved by the Cabinet and made public on International Women's Day (March 8) in 2021.
- MoFAGA has submitted the GESI strategy to the Cabinet.
- The PCGG is providing orientation on gender-responsive budget and audits based on existing guideline activities to provincial and local governments. MoFAGA is planning to produce model procedures/guidelines for them.
- Information is not available as the progress reports of PCGGs are yet to be published.
- The operational guideline is in the final stages of preparation.
- A request for proposal was published for conducting third party monitoring with a monitoring report expected by the end of FY 2020/21.

Source: MoFAGA officials

5.3 Governance projects outside the framework of PLGSP

The PLGSP is a national flagship program under which the GoN intends to consolidate all programs and projects on local governance. Nevertheless, at least ten governance projects with donor support are being undertaken at the provincial and local levels outside the framework of the PLGSP. Table 5-5 lists the major projects being implemented with support from development partners.

Table 5-5 Provincial local governance projects with DP support

Title, year of implementation	Executing/lead agency	Supporting DP	Content
Parliament Support Project (PSP), Jul. 2015–Dec. 2022	Federal Parliament	UNDP funded by Norway (USD 5.9 mil.)	It seeks to strengthen the Federal Parliament (FP) and Provincial Assemblies (PAs) by 1) enhancing the capacity of FP and PAs to be effective and accountable; 2) enhancing the capacity of the Parliamentary Secretariats; and 3) building the capacity of women and disadvantaged MPs/MPAs.
PFM Reform Plan (PFMRP) Phase II, 2016–2025	MoF	DFID, Norway, DFAT, USAID, EU, Switzerland, World Bank through Trust Fund	It aims to improve the effectiveness of selected PFM institutions, procurement institutions, and systems and procedures at the federal and subnational levels. Expected outputs are 1) improved capital budget execution; 2) enhanced core financial IT systems; 3) establishment of PFM reform strategy; 4) enhanced capacity of PFM stakeholders; and 5) strengthened capacity of the Office of Auditor General, Parliamentary Accounts Committee, and Finance Committee.
Subnational Governance Program in Nepal (SNGP), Feb. 2017–Apr. 2021	The Asia Foundation in coordination with MoFAGA	DFAT (AUD 20 mil.)	It facilitates an enabling environment for the development of effective and inclusive subnational government. Expected outcomes are as follows: 1) more informed and inclusive sub-national governance reform initiatives, policy discourse, and decision making; 2) stakeholders equipped to support the

			transition to federalism; and 3) enhanced capacity of LGs for service delivery and economic governance. SNGP supports capacity development of judicial committees.
Regional Urban Development Project (RUDP), Dec. 2017–Jun. 2023		ADB (USD 150 mil.)	It supports infrastructure investments, urban planning, and institutional strengthening in eight municipalities in the southern Terai region. Planned outputs are 1) rehabilitation of urban infrastructure with climate-resilient and sustainable designs; 2) strengthened capacity of municipalities (e.g., urban master plans, O&M plans, property tax system); and 3) improved project preparation capacity.
Integrated PFM Reform Project (IPFMRP), Aug. 2018–Jul. 2022	MOF	World Bank (USD 15 mil.)	Its objective is to strengthen the effectiveness of selected PFM/procurement institutions, systems, and procedures at the federal and subnational levels. The areas of intervention are 1) public expenditure and revenue management in federal and subnational governments; 2) audit; 3) public procurement; and 4) PFM reform management and coordination
Enhancing Access to Justice (A2J) through Institutional Reform Project, Jul. 2018–Jun. 2021	Ministry of Law, Justice and Parliamentary Affairs	UNDP funded by Norway (USD 4.6 mil)	It aims to increase access to justice for women and the vulnerable by strengthening the legislative framework, legal aid system, and justice sector coordination. The areas of intervention are 1) national legal aid system; 2) capacity building of JCs; 3) national capacity for drafting and implementation of laws; and 4) justice sector for inclusive economic development.
Sajhedari (Support to Federalism) Project, 2018–2023		USAID (USD 14.6 mil.)	It aims to 1) create and implement sound policies and legislation that are informed by evidence, empower finance, and regulate PGs and LGs; 2) empower the Provinces of Sudurpaschim and Lumbini and 10 LGs for more responsive, inclusive, accountable, transparent, and effective decision-making and service delivery; and 3) encourage active participation of citizens in local decision-making and oversight.
Strengthening the Decentralized Government Structure in Nepal, 2019–2022		GIZ	It supports 15 LGs in the Provinces of Lumbini, Karnali, and Sudurpashchim in 1) participation of the disadvantaged in municipal decision-making; 2) municipal capacity building for inclusive service provision; and 3) dissemination of inclusive service delivery approaches. For scaling up, it supports PCGG, MoFAGA, and the municipal associations.
Provincial Support Programme (PSP), Jul. 2019–Jul. 2023 (two more phases expected to follow)	Province 1 Government	SDC (CHF 27 mil.)	It aims to develop the capacity of Province 1 Government in equitable delivery of public services, strengthened coordination with LGs, and accountability. The areas of intervention are 1) legislation and policymaking; 2) administrative, organizational, HR, and PFM systems; 3) planning and implementation; 4) partnerships between PGs and LGs; 5) legislative performance and transparency; and 6) GESI sensitive transparency and civic engagement policies.
Nepal Urban Governance and Infrastructure Project (NUGIP), Jul 2021–Jun. 2025	Ministry of Urban Development	World Bank (USD 150 mil.)	It targets 33 LGs to strengthen their institutional and fiscal capacities for infrastructure development and service delivery. The main components are 1) grants for infrastructure and service delivery; 2) institutional strengthening of LGs in urban development planning, resource mobilization, PFM, citizen engagement and gender inclusion, infrastructure asset management, and

business continuity; and 3) support to municipalities for COVID-19 recovery for vulnerable groups.

Source: Project documents and websites of development partners

In addition to projects supporting general governance improvement, sector-specific projects have been implemented at the provincial and local levels with the support of development partners.

Generally, those projects are intended to be closely coordinated with the PLGSP by, for example, having a MoFAGA representative as the chairperson or a member in their steering committees, according to their project documents. A further investigation is needed to assess whether and to what extent the MoFAGA has been effectively coordinating so many projects, particularly amidst the COVID-19 pandemic.

5.4 Donor mapping of governance support

The programs and projects that are being carried out with the support of development partners are mapped in Table 5-6 according to their intervention areas and levels.

Table 5-6 Matrix of DP-supported programs and projects

Intervention area	Level of government	PLGSP	PfMRP II	ADB	UNDP	World Bank	DFAT	GIZ	SDC	USAID
Administrative capacity	Federal		○			IPFMRP, Aug. 2018–Jul. 2022				
	Provincial	○	○						PSP, Jul. 2019–Jul. 2023	Sajhedari, 2018–2023
	Local	○	○				SNDG, Feb. 2017–Apr. 2021	Strengthening the Decentralized Government Structure in Nepal, 2019–2022		Sajhedari, 2018–2023
Judicial capacity	Federal				A2J, Jul. 2018–Jun. 2021					
	Provincial				A2J, Jul. 2018–Jun. 2021					
	Local	○			A2J, Jul. 2018–Jun. 2021		SNDG, Feb. 2017–Apr. 2021			
Legislative capacity	Federal	○			PSP, Jul. 2015–Dec. 2022		SNDG, Feb. 2017–Apr. 2021			Sajhedari, 2018–2023
	Provincial	○			PSP, Jul. 2015–Dec. 2022				PSP, Jul. 2019–Jul. 2023	
	Local	○								
Infrastructure development cum governance	Federal									
	Provincial									
	Local			RUDP, Dec. 2017–Jun. 2023		NUGIP, Jul 2021–Jun. 2025				

6 Governance projects supported by JICA

6.1 Outputs and outcomes of governance projects supported by JICA

Since the 2000s, JICA has been continuously supporting governance projects in Nepal in the thematic areas of peace building, enhancement of governance, and development of a framework for democracy through several technical cooperation projects (Figure 6-1).

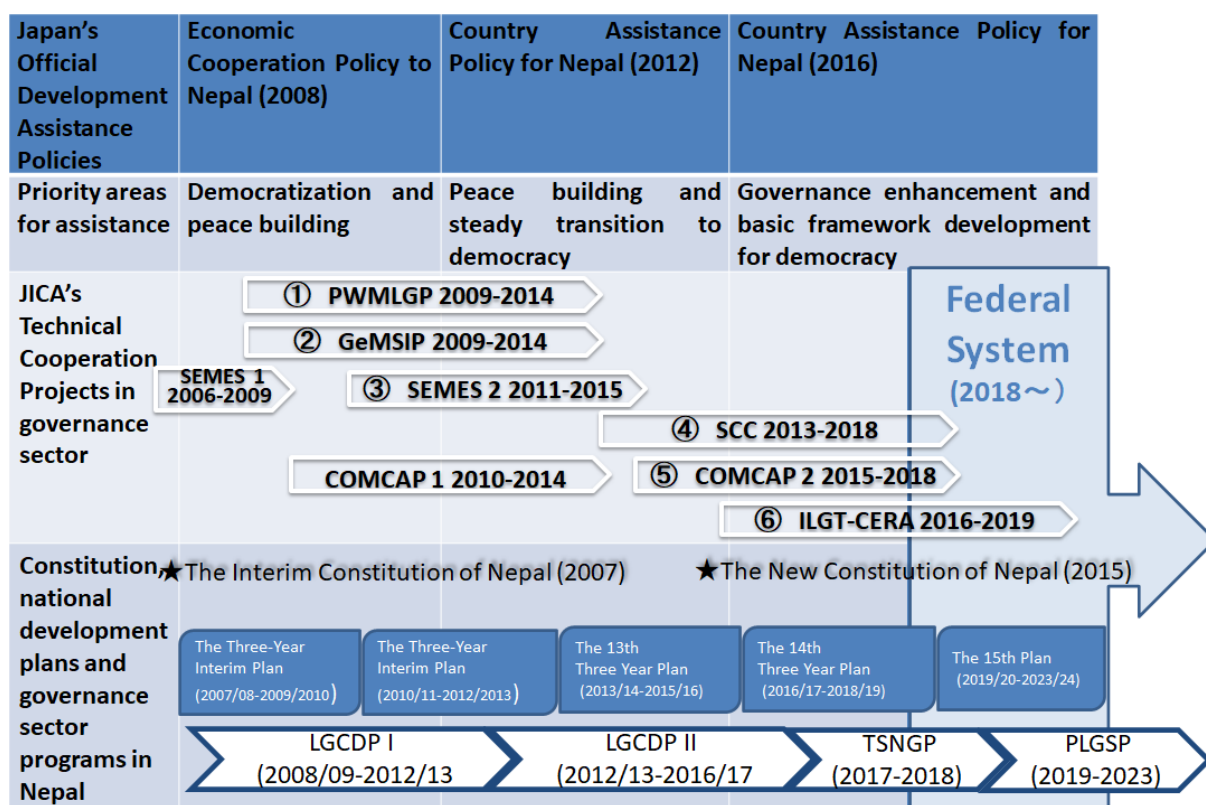


Figure 6-1 Technical cooperation projects in the governance sector supported by JICA

This section presents the outputs and outcomes of the governance projects supported by JICA. The survey team reviewed various terminal and post-evaluation reports and conducted some interviews with selected stakeholders.⁵⁵

The following technical cooperation projects were selected in consultation with JICA and reviewed in the current survey:

1. Participatory Watershed Management and Local Governance Project (PWMLGP, 2009–2014)
2. Gender Mainstreaming and Social Inclusion Project (GeMSIP, 2009–2014)
3. Project for Strengthening the Monitoring and Evaluation System in Nepal Phase 2 (SEMES 2, 2011–2015)

⁵⁵ The survey team analyzed these projects primarily through literature review, and interviews with a limited number of stakeholders at the federal level. This was because key personnel for many projects had been already transferred after the completion of those projects, and the COVID-19 pandemic and associated lockdown allowed the team to conduct only online interviews.

4. Project for Strengthening the Capacity of Court for Expeditious and Reliable Dispute Settlement (SCC, 2013–2018),
5. Strengthening Community Mediation Capacity for Peaceful and Harmonious Society Project Phase 2 (COMCAP 2, 2015–2018), and
6. Project for Improving Local Governance Training through Capacity Enhancement on Research and Analysis (ILGT-CERA, 2016–2019).

(1) Participatory Watershed Management and Local Governance Project (PWMLGP)

The SABIHAA (*Samudayik Bikas Tatha Hariyali Ayojana*) model was introduced in Nepal as a consequence of the Community Development and Forest/Watershed Conservation Project (1999–2004) and is jointly implemented by the GoN and JICA. It is an approach to encourage local people to participate in watershed management including planning, implementation, and evaluation of activities. Under the PWMLGP (2009–2014), the SABIHAA model has been extended widely to not only the target VDCs, but also non-target VDCs through close cooperation between the former Ministry of Forest and Soil Conservation, the former Department of Soil Conservation and Watershed Management, and the former MoFALD. The PWMLGP revised the SABIHAA Model Operational Guideline, which has been widely utilized by non-target VDCs.⁵⁶

A former counterpart of the PWMLGP reported in July 2020 that the project’s sustainability was observed even after its completion at the local level.⁵⁷ Furthermore, the counterpart reported that people’s participation in watershed management had improved significantly under the PWMLGP. In particular, the planning and implementation skills of local people have been strengthened in the project’s target areas because they were fully involved in the process of watershed management under the PWMLGP. After the transition to the federal system, the Ministry of Forest and Environment and Department of Forest and Soil Conservation encouraged provincial and local governments to adopt the SABIHAA model. With the support of the JICA Nepal Office, they organized orientation seminars on SABIHAA in 2019 for provincial and local government officials to disseminate the SABIHAA model, share its experiences and lessons learned from its implementation, and encourage its use in the areas they work.

(2) Gender Mainstreaming and Social Inclusion Project (GeMSIP)

GeMSIP (2009–2014) brought about capacity development in GESI-responsive planning and implementation in selected VDCs. Women and socially excluded groups participated in the planning and implementation of sub-projects with the assistance of facilitators under GeMSIP.

The ex-post evaluation of GeMSIP in 2017 confirmed empowerment of the target groups in most of the target VDCs, and enhanced transparency in the planning, screening, and budget allocation processes of sub-projects. The ex-post evaluation revealed that the GESI-responsive institutional mechanism had been sustained, and the minimum budgets had been secured to implement GESI-responsive programs in the target districts.

However, the Gender Mainstreaming/Social Inclusion Resource Book drafted by GeMSIP has been neither recognized nor utilized by the MoFALD.⁵⁸ Furthermore, the survey team found in July 2020 that institutional memory related to JICA-supported GeMSIP was completely absent in the GESI Section of

⁵⁶ Japan International Cooperation Agency (2016a) and (2019)

⁵⁷ Under Secretary of Planning and Watershed Management Section, Watershed and Landslide Management Division, Department of Forest and Soil Conservation

⁵⁸ Japan International Cooperation Agency (2017a)

the MoFAGA (formerly the MoFALD). The outcomes of GeMSIP were not traced within the GESI section and other related sections of the MoFAGA. The reasons for the lack of institutional memory may be attributed to state restructuring, personnel transfer, and a weak system of memory transfer within the MoFAGA. Furthermore, many agencies and the Local Governance and Community Development Program (LGCDP) have been actively involved in the promotion of the GESI mainstreaming process at different levels of governance structures even before the transition to federalism. This probably made it difficult to trace the outcomes of GeMSIP because its components were almost the same as other interventions. This may be also because the GeMSIP did not align with the LGCDP.

(3) Project for Strengthening the Monitoring and Evaluation System in Nepal Phase 2 (SEMES 2)

SEMES 2 (2011–2015) significantly contributed to enhancing the M&E capacity of government officials. The project offered practical M&E training programs in which about 2,000 officials including policy makers were trained. In addition, it assisted the National Planning Commission (NPC) in revising the existing M&E guidelines (2010) and formulating the National M&E Guidelines (2013). It also addressed the issues identified from SEMES 1 and promoted coordination between the NPC Secretariat, *i.e.*, the main implementing agency of SEMES 2, and five selected ministries. Thus, SEMES 2 helped the government gradually institutionalize a result-based M&E mechanism, with feedback from the result-based M&E used in the subsequent planning cycle in selected ministries.⁵⁹

The ex-post evaluation in January 2020 confirmed that the improved M&E mechanism of the partner ministries had been sustained even after the completion of SEMES 2, although the reporting from pilot districts to the partner ministries had not been continued because of the state restructuring.⁶⁰ The Secretary of OPMCM (the former Director of the SEMES project in the NPC M&E Division) reported in July 2020 that the outcomes of SEMES were well institutionalized in the NPC and served as the basis for the formulation of new M&E policies and mechanisms under the federal system. Specifically, SEMES 2 generated the following outcomes: 1) formulation of new M&E Guidelines for the federal government (2018); 2) utilization of the evaluation study reports of seven national projects as reference for future evaluation; 3) formulation of indicators of M&E for SDGs; and 4) use of trained M&E officials. It was confirmed that those trained officials had been using the M&E knowledge and skills gained from SEMES 2 in their work. Some of them played important roles in M&E at the federal and provincial levels.

(4) Project for Strengthening the Capacity of Court for Expeditious and Reliable Dispute Settlement (SCC)

The SCC (2013–2018) increased the capacity of judges, court officials, and other judiciary professionals through various training programs and seminars in Japan. They gained knowledge of case management and court-referred mediation based on the experiences and practices in Japan. Some of the judges in the model courts and a few from non-model courts took initiatives to adopt case management practices at the time of the terminal evaluation on the SCC. In addition, the SCC brought about some positive impacts that include the following: 1) incorporating some of the Japanese case management practices and court-referred mediation into the Third Five-Year Strategic Plan of the Judiciary; 2) issuing a circular on court-referred mediation to encourage judges to be involved in mediation processes; and 3) amending the rules of District Courts to apply some of the Japanese practices on case management and court-referred mediation.⁶¹

⁵⁹ Japan International Cooperation Agency (2016b)

⁶⁰ Japan International Cooperation Agency (2020)

⁶¹ Japan International Cooperation Agency (2017b)

The ex-post evaluation has yet to be carried out. The former counterpart contacted by the survey team in August 2020 confirmed that some outputs and outcomes of the SCC had been sustained even after project completion. According to High Court Judge Rajbiraj Saptari, 100 to 120 judges, court officials, and other professionals have been utilizing the skills and knowledge gained from the SCC. They have used Japanese court practices in expending procedures, and some have used their knowledge for drafting new procedural laws. He also noted that the Japanese learning had been incorporated in his court practices, which resulted in mediation rules for simplifying mediation practices. In addition, other former counterparts (the Registrar, Supreme Court) pointed out that with the assistance of the SCC, the Registrar of the Supreme Court had circulated the “Case Management Guideline” in July 2017 to all district courts of 77 districts after receiving approval from the full bench of Supreme Court judges (in which all judges attend the meeting). This serves as a reference document for courts. This guideline has become important and useful for law students at university. Finally, procedural laws (civil and criminal) and the case management procedure/process have been updated based on the Japanese training to simplify case management processes in the changed context.

(5) Strengthening Community Mediation Capacity for Peaceful and Harmonious Society Project Phase 2 (COMCAP 2)

Following the interventions of COMCAP 1 (2010–2014), COMCAP 2 (2015–2018) established 1,121 Community Mediation Centers for dispute resolution at the community level. It also developed the capacity of community mediators and social mobilizers in cooperation with LGCDP II (2012/13–2016/17). Moreover, COMCAP 2 successfully institutionalized community mediation by assisting the implementing agency (former MoFALD and present MoFAGA) in incorporating community mediation into the Local Government Operation Act (LGOA) (2017) and the Rural/Municipality Judicial Committee (Procedural) Model Law (2018).⁶²

The ex-post evaluation on COMCAP 2 has yet to be implemented. The survey team interviewed former counterparts (including the former Joint Secretary who was responsible for the LGCDP and COMCAP) in August 2020. They reported various outputs and outcomes of COMCAP 2, including 1) the designing of training and orientation materials regarding community mediation, 2) drafting and printing of community mediation good practice handbooks, and 3) development of capacity of master trainers on community mediation through the Training of Trainers program. The Joint Secretary of the Planning, Monitoring and Foreign Aid Coordination Division of the MoFAGA noted that some of those manuals are still being used in judicial committee for training of officials. Because of the state restructuring, the legal provisions and practices of the judicial committee at the ward level were changed. As a response, the project newly selected community mediators. The former counterparts reported that they were not able to confirm whether those trained community mediators under COMCAP 2 are still functioning at the local level under the new federal system. A follow-up study may be required.

(6) Project for Improving Local Governance Training through Capacity Enhancement on Research and Analysis (ILGT-CERA).

The ILGT-CERA (2016–2019) introduced the ADDIE (Analyze, Design, Develop, Implement and Evaluate) Instructional Design model as a framework to design and develop training programs at the LDTA and its regional centers. Based on the ADDIE Instructional Design model, the ILGT-CERA assisted the LDTA and its centers in developing the training curriculum and materials. They included 1)

⁶² Japan International Cooperation Agency (2017c), Japan International Cooperation Agency and PADECO CO., Ltd (2018)

property tax, 2) local level planning and budgeting, 3) social accountability, 4) gender responsive budget, 5) child friendly local governance, 6) right to information, 7) positive attitude for effective service delivery at the local level, and 8) leadership skills development and empowerment.⁶³

An ex-post evaluation on the ILGT-CERA has yet to be undertaken since the project was completed only in December 2019. The survey team interviewed the LDTA Director in August 2020, a former project manager in charge of outputs and outcomes. He reported that all training modules developed by the ILGT-CERA had been relevant for developing the capacity of local governments under the federal system because those modules had been validated and developed after the transition to the federal system and enactment of key relevant laws regarding local governance. He noted that the ILGT-CERA had engaged all LDTA staff in the process of developing training modules, which contributed to improving their capacity. He also indicated that all modules developed would likely be used continuously by the MoFAGA, the LDTA, or the newly established PCGG under the PLGSP.

6.2 Lessons learned from governance projects supported by JICA

This section presents the lessons learned from the six JICA-supported governance projects. Those lessons are grouped into 1) project management and 2) local governance (see Figure 6-2).

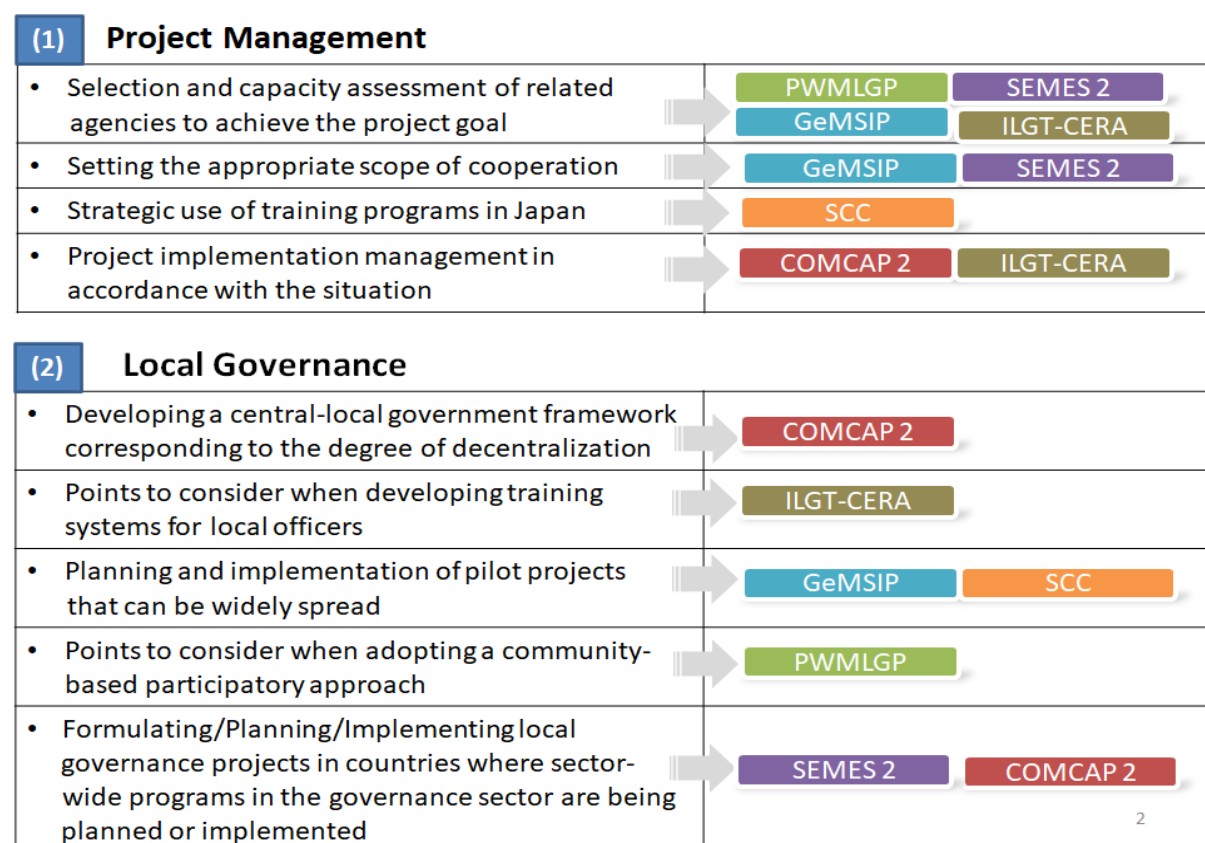


Figure 6-2 Analytical framework for lessons on project management and local governance

⁶³ Japan International Cooperation Agency, IC Net Limited, and TAC International Inc. (2020)

(1) Lessons for project management

Selection and capacity assessment of concerned agencies to achieve project goal

Lesson 1: The selection of appropriate implementing agencies and concerned agencies are essential to implement a project smoothly and achieve its purpose and intended outcomes.

As the implementing agencies of the PWMLGP, the Ministry of Forest and Environment and the MoFALD were selected and involved in various project activities. This selection contributed significantly to the institutionalization of the SABIHAA model at the local government level and served as the basis for watershed management as well as other community development activities among the local people.

Lesson 2: The selection of an appropriate implementing agency that can play a leading role in project activities is important and helpful in enhancing the sustainability of a project.⁶⁴

SEMES 2 was highly consistent with the mandates as well as the needs of the NPC Secretariat, i.e., the implementing agency of SEMES 2. The NPC Secretariat took the lead in developing and institutionalizing the result-based M&E mechanism under SEMES 2. Even after its completion, the NPC Secretariat played a key role in formulating the revised National M&E Guidelines and drafting the new M&E Act.

Lesson 3: If a project is implemented by multiple counterpart agencies, it is necessary to undertake stakeholder analysis of all stakeholders at the beginning of the project to clarify the roles and functions of respective agencies. Their respective responsibilities and activities should be clearly described in the official documents such as the Project Design Matrix (PDM).

In GeMSIP, there were three implementing agencies at the central level, namely the MoFALD, the Department of Women and Children, and the Ministry of Women, Children and Social Welfare. At the time of the terminal evaluation of GeMSIP, several management issues were raised by the stakeholders, including unclear roles and responsibilities of implementing agencies, inadequate involvement of stakeholders, and lack of ownership among them.

Lesson 4: In a project aiming at individual and institutional capacity development, a target group of capacity development should be appropriately assigned from the start of the project.

Deploying the appropriate number of technical staff was set as the pre-condition of the ILGT-CERA. However, without meeting this pre-condition, the project commenced and inevitably had to engage the few technical and administrative staff in developing the training modules. The LDTA recruited several staff members in 2016 but filled only a part of the vacant technical posts. The involvement of all staff in project activities contributed to enhancing the overall capacity of the LDTA and its staff. However, the inadequate number of technical staff undermined the efficiency and sustainability of the project.

Setting the appropriate scope of cooperation

Lesson 5: Setting an appropriate scope of cooperation is essential for the smooth implementation of a project and attaining the project purpose as intended.

⁶⁴ Japan International Cooperation Agency (2020)

Strengthening the capacity of GESI-related committees at the central level was set as one of the seven outputs of GeMSIP. However, the related activities had neither been planned nor been implemented at the time of the mid-term review. Thus, the PDM was revised to modify this output by excluding capacity improvement of GESI-related committees at the central level. This was because the main scope of GeMSIP was to promote GESI mainstreaming in sub-projects of community development activities in the pilot VDCs in the selected districts, and to institutionalize it at the central level by incorporating the field experiences into the relevant GESI policies and systems.

Lesson 6: The scope of a project should be carefully identified and selected by aligning it with the policies and activities of an implementing agency. This can contribute to enhancing the effectiveness and sustainability of the project.

The ex-post evaluation of SEMES 2 confirmed that the third-party M&E reports, which were initiated under SEMES 2, had been formulated continuously to evaluate programs and projects so as to enable policy makers to make high-level decisions. These third-party M&E reports have been effective in allocating the budget for continuation of M&E activities.

Strategic use of training programs in Japan

Lesson 7: Training programs or seminars in Japan are highly effective in helping stakeholders deepen their knowledge on certain topics and making abstract concepts (e.g., case management, promotion of mediation) concrete and tangible through observation of practical operations.

The former counterpart appreciated the SCC's efforts to conduct seminars in Japan and share their content in Nepal with a view to imparting knowledge and information on the Japanese practices and system of case management to legal professionals including judges and court officials in Nepal. The terminal evaluation of the SCC confirmed that the participants of these seminars had deepened their understanding of the Japanese practices of case management and became much more aware of the necessity of improving the case management system in Nepal for expeditious court settlements.⁶⁵

Project implementation management in accordance with the situation

Lesson 8: A project needs to be implemented flexibly to meet the relevant and urgent needs and situation of the implementing agency. This can help generate positive effects in the end.

During the implementation of COMCAP 2, the local and general elections were held in 2017 and the transition to federalism took place. The MoFAGA was facing the challenge of securing legitimacy for community mediation since there was no provision on community mediation in the Local Self-Governance Act (1999). Responding to the new circumstances proactively, COMCAP 2 gave priority to assisting the MoFAGA in preparing the legal framework for community mediation in close cooperation with stakeholders. This helped community mediation to be fully incorporated in the LGOA (2017) and the Rural/Municipality Judicial Committee (Procedural) Model Law (2018).

Lesson 9: A project needs to be adjusted flexibly in accordance with the urgent needs and circumstances. This can contribute to enhancing the relevance and effectiveness of the project.

Training of local government officials was initially not within the scope of the ILGT-CERA because its purpose was to establish a comprehensive training delivery mechanism in the LDTA. Responding to the

⁶⁵ Japan International Cooperation Agency (2017b)

new circumstances proactively, the implementation of training for local government officials was included in the PDM as part of the validation of training modules and materials developed for enhancing the capacity of the LDTA. When the project conducted field validation at the selected local governments that had been newly established after the elections in 2017, capacity development of local governments became a major and urgent issue for the MoFAGA and local governments. For the LDTA, it was a good chance to meet the urgent needs of local governments and the MoFAGA by utilizing the training modules and materials developed under the project. The project seized the opportunity to assist the LDTA in delivering 121 training events for newly elected representatives and officials of local governments. These training events yielded several positive impacts such as enhancing the ownership and capacity of the LDTA and creating demand for result-based training from local governments.

(2) Lessons regarding local governance

Developing a central-local government framework including a legal framework corresponding to the degree of decentralization

Lesson 10: It is essential for a local governance project to assist in the formulation of an appropriate central-local government framework that takes into account the needs and situation of the recipient country.

See the earlier explanation on COMCAP 2.

Points to consider when developing training systems for local officers

Lesson 11. In a project to develop the capacity of a training institution, involving its staff in the entire process of development of training modules and materials is an effective approach. If a ministry plays a leading role in the planning and delivery of training for local officers, it is vital to involve the ministry in project activities to develop and strengthen a coordination mechanism between the ministry and the training institution.

The LDTA has been a national training and research institution for enhancing the capacity of local government officials. However, the MoFAGA played a key role in formulating and delivering training programs for local governments. The ILGT-CERA encouraged all staff members of the LDTA to be involved in the entire process of development of training modules and materials to enhance ownership and technical capacity. The project also enabled the LDTA to improve coordination with the MoFAGA by establishing a training guideline and module development and revision committee for local-level capacity enhancement. These initiatives contributed significantly to improving the capacity of the LDTA and coordination with the MoFAGA.

Planning and implementation of pilot projects

Lesson 12: When a pilot project is one of the components of a project, it is essential to clarify its objective and design the pilot project strategically by considering an exit strategy and institutionalization.

The ex-post evaluation on GeMSIP found that the concept of GESI had been continuously incorporated into the development process such as GESI-responsive composition of members and GESI-responsive budget allocation and training in the pilot VDCs. However, it also pointed out the GESI Resource Book drafted by GeMSIP based on a pilot project was not utilized by the MoFALD. Instead, the MoFALD developed the GESI Resource Book with its own resources.

Lesson 13: Approaches of a project such as “pilots” or “models” must be clearly designed and

spelled out in official project documents.

The SCC provided not only the Supreme Court but also three district-level model courts with technical cooperation for improving the case management system and promoting dispute settlement through court-referred mediation. However, the terminal evaluation found that the concept of the model court was not clearly documented in the SCC and therefore not understood clearly by many stakeholders.

Points to consider when adopting a community-based participatory approach

Lesson 14: Adopting a community-based participatory approach requires the development of a mechanism that ensures people participation and involves the concerned stakeholders in all development activities. It is also essential to promote effective institutionalization of the community-based approach during the implementation of a project. This can contribute to enhancing its sustainability.

The ex-post evaluation on the PWMLGP stressed that the SABIHAA model is one of the successful models in Nepal. This is because the counterparts led all SABIHAA activities including 1) planning, implementing, and monitoring, 2) hiring of local motivators, and 3) coordination with stakeholders including DDCs and VDCs. The consultant team worked as facilitators to implement the project. The former counterparts of the project also pointed out that participatory planning had increased ownership, transparency, predictability, and accountability, leading to the successful completion of the project and ensuring the sustainability of the SABIHAA model.

Formulating/Planning/Implementing local governance projects in countries where sector-wide programs in the governance sector are being planned or implemented

Lesson 15: In the process of formulating and implementing a project, it is necessary to consider effective ways to align the project with sector-wide programs or other programs of DPs to produce the expected outcomes and ensure sustainability.

The terminal evaluation of SEMES 2 pointed out that the outcomes would have emerged more clearly if SEMES 2 had been aligned with LGCDP 2 in which the improvement of M&E at the local level was one of the important components.

The former counterparts of COMCAP 2 emphasized that COMCAP 1 and 2 had greatly contributed to the institutionalization of community mediation through close coordination with the MoFALD (currently MoFAGA) in the context of LGCDP 2.

7 Situation analysis of sub-national governments under the federal system**7.1 Provincial Government in Province 1****7.1.1 Profile of Province 1**

Province 1 is located at the far east of Nepal and bordering India and Tibet. It has the third largest population and the second largest economy among seven provinces in Nepal. Province 1's multi-dimensional poverty rate (19.4%) was below the national average of 28.6%.⁶⁶ Province 1 consists of 49

⁶⁶ Ministry of Finance (2019)

urban municipalities and 88 rural municipalities, the largest number of local governments among seven provinces. The basic information about Province 1 is summarized in Table 7-1.

Table 7-1 Profile of Province 1

Population	4,534,943 (2011)
Area size (sq. km)	25,905
Ethnic composition of the population (%)	Chhetri 14.8%, Brahman 12.1%, Rai 11.3% Limbu 8%, Other 53.8%
Economic growth rate at purchaser price (%)	[2019/20] 3.4 (estimate), [2018/19] 7.4
Share of national GDP (%)	[2019/20] 15.8 (estimate), [2018/19] 16.1
Cabinet (Council of Ministers) members	Chief Minister and 6 ministers (Internal Affair and Law; Economic Affairs and Planning; Physical Infrastructure Development; Land Management, Agriculture and Cooperatives; Social Development; and Industry, Tourism, Forest, and Environment), all from Communist Party of Nepal -Unified Marxist-Leninist (CPN-UML) ⁶⁷
Number of assembly members	93 (Male 61, Female 32)
Party composition of assembly members (%)	CPN 72.0, Nepali Congress 22.6, Socialist Party 3.2, National Democratic Party 1.1, Federal Democratic National Forum 1.1
Ethnic composition of assembly members (%)	Brahman/Chhetri 35.5, Rai/Limbu 31.2, Indigenous 16.1, Gurung 3.2, Muslim 2.2, Newar 5.4, Magar 3, Dalit 3.2
Number of permanent and contractual employees of Provincial Government	Permanent: Approximately 2,400 (as of September 2019) Contractual/ N/A
Annual budget (NPR millions)	[2020/21] 42,200, [2019/20] 35,930
Annual expenditure (NPR millions)	[2019/20] 28,833, [2018/19] 21,201

Source: Province 1 Government, Central Bureau of Statistics (<https://cbs.gov.np/province-statistics/>), Ministry of Finance (2019), Ministry of Finance (2020)

7.1.2 Current situation of the implementation of governance functions

(1) Development planning

a) Periodic planning

The provincial government developed the provincial periodic plan for 2019/20-2023/24 along with the first MTEF. The plan was approved by the Provincial Assembly in September 2019. The Provincial-level Plan Formulation Guideline 2075 (2018-19) (model) prepared by the NPC provided guidance in the planning process of periodic plan. Province 1 followed all the steps described in the Guideline (Section 3.3.3 for details).

The MoEAP and the PPC led the periodic planning process. The Good Governance and Planning Committee of Provincial Assembly and sectoral ministries played important roles in the planning process. They received support from a team of experts in formulating the periodic plan with assistance of the Swiss Development Corporation (SDC). The federal government was not involved in the process, but the above-mentioned model guideline induced provincial governments to align their periodic plan with national policies and plans.

⁶⁷ The CPN was divided into erstwhile CPN-UML and CPN-Maoist Center by a Supreme Court's ruling in March 21, 2021 over the name of the party.

Provincial officials faced some challenges during the planning process. Both PPC and MoEAP officials interviewed reported that insufficient availability of reliable data had made it difficult to properly analyze the situation of the province and set appropriate indicators. The PPC officials stressed the lack of disaggregated data. The shortage of skilled provincial staff and the absence of clear provincial policies were also a key bottleneck in the planning process.

b) Annual planning

Provincial government in Province 1 prepares the annual plan every year following the above-mentioned model guideline. As in the periodic planning process, the PPC and MoEAP lead the process, and all line ministries and committees of the provincial assembly take part in it.

Coordination with other levels of government was reportedly minimal in the provincial annual planning process. The involvement of the federal government was only limited to the distribution of the model guideline, budget ceilings, and a budget guideline in line with federal plans and policies. It was reported that there was no coordination between the provincial government and local governments within Province 1 in the annual planning process.

(2) Budget management

Financial resources

Provincial government in Province 1 has several financial resources in two broad categories: 1) internal income consisting of tax and non-tax; and 2) grant from federal government. In FY 2018/19, the amount of internal income was NPR 10,882,200,000 and that of grant was NPR 18,494,760,000.⁶⁸ The percentage of grant in total financial resources was 66%.

Provincial Comptroller Office oversees tax and non-tax administration. Tax administration is defined by 'Provincial Act for Tax and Non-tax' and 'Provincial Financial Management Act.' No act has been enacted for non-tax collection.

The provincial government collects five types of taxes: 1) vehicle tax; 2) entertainment tax; 3) advertisement tax; 4) land and house registration fee; and 5) agro-income tax. These taxes are identified by the Constitution as taxes to be collected by provincial government. The provincial government also collects four types of non-tax resources: 1) tourism fee; 2) service fee; and 3) penalty. Province 1 receives four types of grants through the inter-government transfer system, namely 1) equalization grant, 2) conditional grant, 3) special grant, and 4) mutual grant.

Expenditure

Budget Planning and Program Division of the provincial government formulates annual budget based on the 'Guidelines for Provincial Planning and Budget Planning' prepared by the federal government.

The IMF reported that there had been under-execution of budget across all provinces in Nepal.⁶⁹ However, Province 1 recorded the highest budget execution rate among all provinces in recent years – 59% in FY 2018/19 and 96% in FY 2019/20 (Table 3-25 and Table 3-26, respectively).

⁶⁸ Government of Nepal, Consolidated Financial Statement Fiscal Year 2018/19, May 2020

⁶⁹ IMF (2019).

(3) Project management

The survey team could collect very limited information on project management from the provincial government in Province 1 because of the difficulty in online access to officials in charge of planning of the government. However, one of the officials in other section interviewed reported that the provincial government had approved the establishment of a Provincial Project Bank (PPB), but no budget had been allocated for its establishment, nor a section in charge of PPB.

(4) Human resource management

The understaffing situation of the provincial government was serious at the time of the first situation assessment conducted in September 2019. The personnel adjustment by the federal government filled only about 2,400 out of 3,800 positions. Just like other provincial governments, the government in Province 1 was also facing the shortages of personnel that fit their requirements.

The shortage of personnel appears to have been somewhat improving since 2020. Although staff are still significantly short at the ministry level⁷⁰, the provincial government took action to recruit personnel in FY 2020/21 through the PPSC that was established in January 2020. The PPSC conducted an O&M survey of the provincial government and drafted a new organogram based on its results. It is expected to accelerate recruitment activities when the draft is approved. The PPSC is currently working more for local governments within the province. It has so far recruited 1,759 personnel mainly for technical services in response to local governments' demand for 2,627 new civil servants.⁷¹

Training of civil servants has been moving forward as well. The PCGG was established in September 2020 and has been conducting various training courses under the PLGSP.

Impact of the COVID-19 pandemic on recruitment. It was reported that the provincial government in Province 1 cut personnel cost for FY 2019/20 by nearly 60% in the face of the COVID-19 pandemic.⁷² It seriously limited its capacity to fill vacant posts.

Mindset of civil servants. In the first situation assessment, elected representatives pointed out the persisting mindset of civil servants who had been serving the unitary state for a long time. In the eyes of provincial political leaders, adjusted civil servants still adhere to federal policies and make it difficult to initiate change at the provincial level.

(5) Legislature

The Provincial Assembly in Province 1 consists of 93 members to exercise legislative powers. The assembly established eight committees: 1) Justice Committee; 2) Administration and Legislative Committee; 3) Good Governance and Planning Committee; 4) Finance Committee; 5) Public Account Committee; 6) Social Development Committee; 7) Industry, Tourism and Environment Committee; and 8) Natural Resource and Infrastructure Development Committee. It was reported that all those committees had been working actively.

The Provincial Assembly passed 55 bills so far (Table 7-2).⁷³

⁷⁰ This is based mostly on the information from the websites of respective ministries, which may not be the latest.

⁷¹ PPSC Annual Report, FY 2019.20

⁷² Ibid.

⁷³ The survey team could not obtain the whole list. This table covers the laws published on the Provincial Assembly website only.

Table 7-2 Laws adopted by the Provincial Assembly in Province 1

1. Amendment of the Provincial Vehicle and Transport Management Act, 2076	31. Province Sports Bill, 2075
2. Amendment of the Facilities for Members of District Assembly and District Coordination Committee Act, 2075	32. Guaranteeing Good Governance in the Province Bill
3. Amendment of the Facilities for Rural Municipal and Municipal Council Members Act, 2075	33. Security of the People of Antar Pradesh Bill
4. Amendment of Provincial Assembly Rules, 2074	34. Appropriation Bill, 2075
5. Amendment of the Disaster Management Act, 2075	35. State Radio, F.M. And Bill for television broadcasting
6. Amendment of Province Economic Procedure, 2076	36. Facilities to be Provided to the Members of the District Assembly and District Coordination Committee Bill, 2075
7. Province 1 Provincial Assembly Rules, 2074	37. Facilities to be Provided to the Members of the Rural Municipal and Municipal Assemblies Bill
8. Province Public Roads Bill, 2077	38. Remuneration and Facilities of the Office Bearers and Members of the Provincial Assembly Bill
9. Provincial Police Bill, 2077	39. Remuneration and Facilities of the Chief Minister and Ministers Bill, 2075
10. Province Appropriation Bill, 2077	40. Functions, Duties and Rights of the Chief Justice and the Service and Other Conditions Bill
11. Province Finance Bill, 2077	41. Operation of the District Assembly Bill, 2075
12. Children's Rights Bill, 2076	42. Province 1 Contingency Fund Operations Bill, 2075
13. Public Health Bill, 2076	43. Rural Municipal Assembly and Municipal Assembly Operation (Procedure) Bill, 2075
14. Provincial Forest Management Bill, 2076	44. Province Public Deed Certification (Procedure) Bill, 2074
15. Provincial Industrial Business Bill, 2076	45. Appropriation Bill, 2074
16. Registration, Renewal and Other Related Arrangements at the Provincial Level Bill, 2076	46. Province Economic Procedure Bill, 2074
17. Protection of the Provincial Environment Bill, 2076	47. Provincial Assembly Secretariat Bill, 2075
18. Manmohan Technical University Bill, 2076	48. Irrigation Bill, 2075
19. Public-Private Partnership and Investment Authority Bill, 2076	49. Province Domestic Violence Bill, 2075
20. Provincial Transport and Transportation Bill, 2076	50. Levying and Collecting Tax and Non-tax Revenue of the Province Bill
21. Provincial Cooperatives Bill, 2075	51. Province Finance Management Bill, 2075
22. Electricity Bill, 2075	52. Administrative Procedure (Regularization) Bill
23. Formation of Provincial Autonomous Body Bill, 2076	53. Province 1 Social Development Institutions Bill, 2075
24. Provincial Public Service Commission Bill, 2076	54. Disaster Management Bill, 2075
25. Building Construction Bill, 2075	55. Functions, Duties and Rights of the District Assembly Bill
26. Province 1 Commission of Inquiry and Investigation Bill	
27. Province Tourism Bill, 2075	
28. Province Appropriation Bill, 2076	
29. Bill for Implementation of the Proposal of the Provincial Government regarding Finance, 2076	
30. Development of Large Areas Bill, 2075	

Source: Website of the Provincial Assembly <https://assembly.p1.gov.np/>

Delay in federal legislation. Some of the laws critical to the functioning of the federal system are yet to be enacted. The delays of provincial legislation are reportedly caused by the delays in legislation at the federal level. Though the Provincial Police Act, one of the most-awaited law, finally came into effect following federal level legislation, the PSCA, another critical law for provinces, still cannot be formulated because of the absence of federal legislation. Legislation related to concurrent jurisdictions have also been delayed for the same reason. The provisions of the Federal, Provincial and Local Level (Coordination and Interrelation) Act 2020 allow provincial and local governments to institute laws on concurrent jurisdictions without waiting for federal legislation but its impact has yet to be seen.

Limited capacity of law-drafting in civil service. The provincial government in Province 1 faces its own challenges as well. Chief Minister pointed out the lack of experience, practice, and awareness among assembly members on the roles and responsibilities of Provincial Assembly. Regarding provincial civil servants, law-drafting was reported as a challenge. Most of adjusted civil servants are young and have little experience in law-drafting. In addition, provincial ministries do not have a legal officer deputed from the Ministry of Law, Justice and Parliamentary Affairs, unlike federal ministries.

Impact of COVID-19. The pandemic has affected the work of the Provincial Assembly. It has reduced the number of meetings and failed to have a quorum a few times, which was also partly because of the impact of political instability at the national level. Consequently, legislation has been delayed. In addition, concerned committees has not been able to secure sufficient time for deliberations on bills.

(6) Gender equality and social inclusion

The Social Development Division under the MoSD is responsible for formulating GESI policies and facilitating the implementation of GESI-related projects and programs. Five permanent staff are assigned for this Division. All positions have been filled. The budget for GESI in FY 2018/2019 was NPR 18.5 million, among which NPR 16.1 million (87%) were executed. The PG received conditional grants for GESI from the federal government. The achievement of GESI-related programs in FY 2018/2019 included: 1) provision of skill development training for women and single women; 2) implementation of the 1st Provincial Women Conference; and 3) provision of grant for establishment of new business.

Formulating provincial GESI policy. The officials interviewed reported that the provincial government has yet to formulate a Provincial GESI Policy. They also reported that mainstreaming GESI had not been much successful since low priority had been given to GESI projects in the process of budget formulation and planning at the provincial level.

(7) Citizen engagement

The Provincial Periodic Plan in Province 1 stresses the importance of citizen engagement. However, the provincial government has yet to ensure citizen engagement, particularly, marginalized and vulnerable groups as the target of programs. In Province 1, it was reported that the media was so active that it had been acting as a watch dog to promote citizen engagement in provincial governance and development.

7.1.3 Office facilities

The survey team was not able to obtain the present status of office facilities in the second survey. The issues provincial officials reported in the first survey are described below.

Limited space. Some ministries of the provincial government face the challenge of office infrastructure. Forest sub-division offices of Province 1, for instance, do not have permanent office building, and existing division offices and sub-division offices are reportedly too old. Some budget was allocated for

construction of the building of two offices in FY 2019/20. The GESI section officials reported that their office space was not enough to discharge their functions.

Shortage of equipment. In terms of equipment, some offices reported that vehicles, motorbikes, computers, and furniture were insufficient, although some budget had been allocated. The Provincial Financial Comptroller Office reported the need for database software and a server. Officers in that office claimed that the lack of equipment was affecting not only administrative functions but also monitoring and supervision work and emergency response.

7.2 Rangeli Municipality

7.2.1 Profile of Municipality

Rangeli Municipality is located five kilometers east of Biratnagar, the capital of Province 1. It is one of the 18 local governments in Morang District with nine wards.⁷⁴ Rangeli Municipality was formed by merger of former Rangeli Municipality with three former Village Development Committees (VDCs).⁷⁵ The basic information of Rangeli Municipality is presented in Table 7-3.

Table 7-3 Profile of Rangeli Municipality

Area (sq. km)	111.78
Population	52,013 (2011)
Ethnic composition of the population	N.A.
Number of assembly members	51 (Male 32, Female 19)
Party composition of assembly members (%)	Communist Party of Nepal 41.2, Nepali Congress 41.2, Socialist Party 17.6
Ethnic composition of assembly members (%)	Indigenous Nationalities (Tarai) 39.2, Indigenous Nationalities (Hill) 7.8, Brahman/Chhetri 19.6, Dalit (Tarai) 19.6, Dalit (Hill) 2, Other 11.8
Number of the municipal government employees	Permanent 18, Contractual 23 (as of September 2019)
Annual budget (NPR millions)	[2019/20] 752,723, [2018/19] 617,551
Annual expenditure (NPR millions)	452,156
Local tax and non-tax revenues (NPR millions)	[2018/19] Tax 102.7, Non-tax 4.1

Source: Rangeli Municipality, Annual budget book of Rangeli Municipality

7.2.2 Current situation of the implementation of governance functions

(1) Development planning

Rangeli Municipality formulates annual plan every year. It prepares annual plan based on the following sources: 1) LGOA; 2) Local-level Plan Formulation Guideline (2018-19) (model) provided by the NPC; and 3) Budget Allocation Act of Rangeli Municipality.

Rangeli Municipality had no periodic plan at the time of the first assessment. A main reason was reportedly the lack of understanding among municipal officials about the importance of periodic plan. It had a plan to prepare its first periodic plan, but the present status is not known.

⁷⁴ Local-level Website of MoFAGA, <http://103.69.124.141/gis/>

⁷⁵ Rangeli Municipality Website, <http://rangelimun.gov.np/>

Almost all municipal officials were involved in annual planning for FY 2019/20. Mayor, Deputy Mayor, and the CAO took the lead, and all committees of Municipal Assembly, particularly Budget and Program Preparation Committee, Municipal Executive, concerned sections of the municipal government, and Ward Committees played their respective roles. The federal or provincial governments were not involved in the planning process, except for the provision of budget ceilings and a guideline concerning fiscal transfer.

In annual planning for FY 2019/20, Rangeli Municipality followed the steps and timeline given in the Local-level Plan Formulation Guideline, despite a delay in budget ceiling notification by the federal and provincial governments. Municipal Assembly approved the draft annual plan by the end of the previous fiscal year. Regarding project selection, resident citizens of each settlement including marginalized groups participated in a meeting to discuss and finalize a list of projects. The number of citizens participated in this meeting was reportedly around 200. This small number of participants might indicate a possibility that discussions at the settlement level was not fully inclusive, as is often the case in local governments.

Limited capacity of municipal officials in planning. In the first situation assessment survey, municipal officials recognized limited capacity of planning in the planning process of annual plan. They reported that they had received no formal training in planning, and both municipal officers and elected members needed practical knowledge of planning, skills in project prioritization and planning-related software.

Challenge of project implementation. It was also reported in the first survey that the municipal government had encountered larger challenges at the implementation stage of annual plan than the planning stage. Various factors hampered the execution of projects, such as political conflict, shortage of trained officers, and insufficient project preparation. Furthermore, the delay in budget disbursement from federal and provincial governments caused delays in some projects.

Establishing an effective planning system including project selection and prioritization. In Rangeli Municipality, excessive political influence on project selection and prioritization was not reported in the first assessment. However, given the fact that two major parties have the same share in Municipal Assembly seats, one of the main challenges in Rangeli Municipality may be to establish an appropriate planning system including project selection and prioritization mechanisms. In addition, it is necessary to prepare a periodic plan that will serve as the basis for planning and implementation of annual plan.

(2) Budget management

Financial resources

Rangeli Municipality has several financial resources in three categories – 1) tax, 2) non-tax, and 3) grant. The amount of tax collected was NPR 101,695,000 in 2017/18-2021/22. NPR 3,950,000 were collected from non-tax, and NPR 331,000,000 from grants. The municipality received NPR 150,100,000 as equalization grant, and NPR 180,900,000 as conditional grant from the federal government.

Revenue Sub-Section of the municipality is responsible for collecting tax and non-tax resources. Although no specific section has been established for grant administration, Revenue and Account Section handles grant administration. Municipal Financial Act was introduced for tax and non-tax administration.

Major taxes collected by the municipality are 1) house rent tax, 2) business registration tax, and 3) land tax. Major sources of non-tax revenue are 1) judicial fee, 2) relation approval fee, 3) education services fee, 4) housing map approval fee, and 5) recommendation fees.

Expenditure

Planning and Monitoring Section of the municipality formulates annual budget. Budget planning process

begins at the municipality level on February 15 each year by conducting resource projection and setting total budget ceiling for the upcoming two years. The amount of budget allocation from the federal and provincial governments are informed on May 30 and June 15, respectively. The municipality announces budget ceilings and guidelines to wards under its jurisdiction on March 15. The municipality submits the annual budget to the assembly on June 25.

Under-execution of budget is one of the key issues of Rangeli Municipality as well. Actual expenditure in FY 2018/19 was NPR 452,155,594 against the budget whose amount was NPR 617,551,000. The budget execution rate was 73.2%. The gap between budget and actual expenditure explains the legacy of an unrealistic budget envelope and uneven spending capacity of the public sector in Nepal.⁷⁶

(3) Project management

The survey team could not collect information on project management in Rangeli Municipality because of the COVID-19 pandemic.

(4) Human resource management

Rangeli Municipality was not working on personnel recruitment, appointment, transfer and promotion of civil servants at the time of the first survey as they did not have the authority. While local governments now have a certain level of power to handle those matters, the present situation of the municipality on HRM is not known. As of September 2019, it had 18 personnel adjusted by the federal government for 50 approved posts.

Shortage of staff and assignment of unqualified personnel. Rangeli Municipality was suffering from staff shortage and assignment of unqualified personnel through adjustment at the time of the first assessment. Consequently, officers were overloaded. There was conflict of policies over personnel deployment between the municipal government and federal government.

Limited training opportunities for municipal officials. As of September 2019, most of the municipal staff had not received training, whereas elected representatives and CAO had been given some training opportunities by the federal government, DCC, and international NGOs. It was reported that officers generally lack professional skills and knowledge in their respective fields. Elected officials identified a variety of areas for their capacity development such as good governance, laws and policies, resource generation, planning and budgeting, and coordination with stakeholders. It was suggested to undertake a capacity gap assessment and formulate a comprehensive HRM plan.

(5) Legislature

The Municipal Assembly consists of 51 members. It established the Legislative Committee.⁷⁷ The municipality also constituted nine executive committees. It was reported in the first assessment that many committees had not been functioning well because of insufficient awareness on the roles and responsibilities and the lack of knowledge among assembly members.

Limited progress in legislation due to the lack of law-drafting capacity. Apart from annual legislations

⁷⁶ IMF Report No. 19/60, February 2019

⁷⁷ In addition, the municipality constituted nine executive committees: 1) Local Revenue Advisory Committee; 2) Resource Projection and Budget Ceiling Determination Committee; 3) Budget and Program Formulation Committee; 4) Public Service and Capacity Development Committee; 5) Economic Development Committee; 6) Social Development Committee; 7) Infrastructure Development Committee; 8) Environment and Disaster Management Committee; and 9) Committee for Recommendation of Facilities of Authorities and Staff.

related to the budget, Rangeli Municipal Assembly enacted the Cooperative Act 2018 only by the time of the first assessment survey whereas the Municipal Executive had prepared only a few regulations. The limited progress in law-making in Rangeli had been reportedly caused by the lack of law-drafting skills of officers. However, the conflict between two main political parties, neither of which holds a majority in the assembly, was also posing a challenge to the assembly.

(6) Judiciary

The Judicial Committee, consisting of Deputy Mayor as coordinator and two assembly members selected by Municipal Assembly, operates in accordance with the LGOA, *Muluki* (general) Code, and Mediation Act. At the time of the first assessment, no legislative action had been taken at the municipal level regarding judicial functions. Municipal officials reported that there was urgent need to frame the Judicial Committee Operation Act, the Mediation Act, and the procedures on the operation of the Judicial Committee. The municipal officials also pointed out that some provisions of LGOA would need amendment by the federal government.

The Judicial Committee of Rangeli Municipal Assembly performs their responsibilities in cooperation with some other officials and organizations. A legal advisor hired by the municipal government assists the work of the committee. In addition, the District Court also supports operation of the committee. Furthermore, the committee works with Mediation Centers at the ward level in mediation, CSOs/NGOs in coordination between two conflicting parties, and the Nepal Police and Community Policing Center in bringing accused persons to the committee.

The Nepal Police and Community Policing Centre work in the municipality for enforcing law and order.

It was reported that the demand for dispute settlement through the Judicial Committee had been very high. According to the municipal officials, 130 disputes were brought into the committee in FY 2018/19, among which 105 were settled through mediation, 25 brought to regular judicial processes, and 23 in ongoing mediation. The municipal government allocated NPR 500,000 to the committee in FY 2019/20.

The effectiveness of the Judicial Committee may be a subject for further investigation. The survey team found in the first assessment that the average time spent on dispute settlement was extremely short, *i.e.*, average 1.5 hours in mediation and 7 days in regular judicial process. This appears to be too short to go through formal procedures and refer to any law or precedents in the mediation process.

Need for capacity development of committee members and concerned officials. At the time of the first survey, the committee was facing several challenges, including: 1) insufficient laws and policies they can refer to; 2) long administrative procedures; 3) insufficient equipment; 4) shortage of volunteers for mediation at the community level; and 5) limited capacity of volunteers. The municipal officials interviewed reported that they needed skills such as: 1) decision-making from a legal perspective; 2) legal knowledge; 3) mediation skills; and 4) computer skills. The legal advisor also pointed out the need for manuals and guidelines for the committee's operation.

(7) Gender equality and social inclusion

The Women, Children and Social Development Section is responsible for policy making and formulation and implementation of programs related to GESI. Only two staff have been assigned.

Rangeli Municipality drafted the Guidelines for Implementation of Social Inclusion Programs. The budget for GESI activities in FY 2018/2019 was NPR 70.69 million, out of which NPR 40 million (56.7%) was executed. The officers of the municipality reported that major achievements on GESI in FY 2018/2019 were increased public awareness of GESI, particularly on child marriage. They reported that only two staff had been assigned to the Section, and therefore were difficult to cover various GESI

programs. They also pointed out gender responsive budget, gender audit and gender-based violence as the key areas for capacity development of staff. The survey team was unable to update the information in 2021.

(8) Citizen engagement

Rangeli Municipality conducted public hearing and public audit to ensure transparency and accountability. However, it has not established any committees, except for social audit implementation committee at the time of first survey (Table 7-4). This might be because the absence of clear description of the implementation mechanism and procedures of these activities, although the LGOA (2017) and Good Governance Promotion Strategy and Action Plan, 2074 (2017) state that local government is responsible for conducting social audit, public hearing, public audit and grievance redress, and management. The survey team was unable to update the information in 2021.

Table 7-4 Status of committees to ensure citizen participation in Rangeli Municipality

	Name of Committee	Status of establishment	Remarks
1	Good governance promotional and monitoring committee	No	
2	Public hearing implementation committee	No	Public hearing was conducted.
3	Social audit implementation committee	Yes	The program-wise audit was undertaken through User's Committee.
4	Grievance redress and management implementation committee	No	

Note: As of September 2019

7.2.3 Office facilities

Need for own municipal office buildings. The survey team was not able to obtain the present status of office facilities in the second survey. At the time of the first survey, Rangeli Municipality did not have their own office buildings for some ward offices, although some budget had been allocated for purchase. Interviewees also reported that it did not have vehicles and motorbikes to conduct monitoring and evaluation of activities and projects.

7.3 Gaurigunj Rural Municipality

7.3.1 Profile of the Rural Municipality

Gaurigunj Rural Municipality is one of the 15 local governments in Jhapa District with six wards. This rural municipality was formed through merger of four VDCs. The basic information of the rural municipality is provided in Table 7-5.

Table 7-5 Profile of Gaurigunj Rural Municipality

Population	36,145 (2011)
Area (sq. km)	101.35
Ethnic composition of the population (%)	Rajbansi 25.1, Brahman/Cheetri 24.3, Maithali 21.3, Sujaupuri 12, Santhal 8.3, Tajpuriya 3.1, Limbu 1.1, Newar 0.8, Muslim 0.7, Other 3.4

Number of assembly members	34 (Male 22, Female 12)
Party composition of the assembly (%)	Nepali Congress 70.6, CPN 26.5, National Democratic Party 2.9
Ethnic composition of assembly members (%)	Rajbansi 14.7, Brahman/Chhetri 11.7, Newar 5.9, Other 67.7
Number of the municipal government employees	Permanent 32, Contractual 13
Annual budget (NPR millions)	[2020/21] 565, [2019/20] 521, [2018/19] 449
Annual expenditure (NPR millions)	[2019/20] 53, [2018/19] 307
Local tax and non-tax revenues (NPR millions)	[2018/19] Tax 1.0, Non-tax 81.6

Source: Gaurigunj Rural Municipality and its website (<https://gaurigunjmun.gov.np/>)

7.3.2 Current situation of the implementation of governance functions

(1) Development planning

Gaurigunj Rural Municipality prepares the annual plan every year. The periodic plan is not in place because municipal officials reported that it had not been able to find appropriate experts. In annual planning, the municipality follows: 1) LGOA; 2) Budget Allocation Act of the municipality, 3) Local-level Plan Formulation Guideline (model) prepared by NPC; and 4) budget guidelines provided by the federal and provincial governments.

The Chairperson of Rural Municipal Executive and CAO led the annual planning process for FY 2019/20, and the Executive Committee and the Budget and Program Formulation Committee of Rural Municipal Assembly took the responsibility for annual planning.

The federal and provincial governments were not involved in the annual planning of the rural municipality, except the provision of budget ceilings and a budget guideline that facilitates annual planning in line with federal policies and plans. In annual planning for FY 2019/20, the provision of budget ceilings and guideline from the federal and provincial governments was delayed for two to three months until June, contrary to the timing stipulated in the Local-level Plan Formulation Guideline (the middle of March from the federal government, and the middle of April from the provincial government).

Gaurigunj Rural Municipality faced some difficulties in the planning process. Firstly, in annual planning for FY 2019/20, project prioritization by Ward Committees took a long time. This has left only a few days for the Rural Municipal Executive and concerned committees to formulate an integrated municipal plan and about a week for the Rural Municipal Assembly to approve it. Secondly, COVID-19 severely affected citizens' participation in the planning process for FY 2020/21. Municipal officials reported that they had been unable to hold settlement-level meetings in which 300 citizens reportedly participated in the previous year. Instead, the Ward Chairperson and Ward Committee members prepared a priority project list for their respective ward.

Limited skills for development planning. The municipal government has no official who has knowledge of development planning. Although the officials of the municipality have the intention to prepare a periodic plan, they are not technically equipped. Municipal officials reported that they needed not only development of their own skills, but also experts' support for the formulation of the periodic plan.

Difficulty in project prioritization. It was reported that the lack of planning skills, political rivalry, and the absence of periodic plan made project prioritization in annual planning more difficult than necessary for Gaurigunj Rural Municipality.

(2) Budget management

Financial resources

Gaurigunj Rural Municipality has three categories of financial resources – 1) tax, 2) non-tax, and 3) grant. In 2018/19, the amount of the resources by category was NPR 963,096.25 from tax collection, NPR 81,639,190.15 from non-tax resources, and NPR 288,755,000 from grants.⁷⁸ In 2019/20, the rural municipality received NPR 124,504,000.00 as equalization grant, NPR 171,600,000.00 as conditional grant, NPR 20,000,000 as special grant, and NPR 100,000 as conditional grant.⁷⁹

Revenue Unit of the rural municipality is responsible for administration of tax and non-tax. Municipal Financial Act was introduced for tax and non-tax administration. No specific section has been established for grant administration.

Major tax collected by the municipality is land tax. In FY 2019/20, the municipality collected NPR 7,750,000 as land tax.⁸⁰ Major sources of non-tax revenue are legal fee and vital registration fee.

Expenditure

In the Gaurigunj Rural Municipality, planning process begins from February 15 each year. The municipality receives budget allocation from the federal government on May 30 and from provincial government on June 15. The municipality submits the annual budget to the assembly on June 25.

As in many municipalities, under-execution of budget is the key issue. In FY 2018/19, annual expenditure was NPR 305,898,345 and annual budget was NPR 449,100. The budget execution rate was thus 68.2%. The dependency of the inter-governmental transfer increased since 2019/20 (Table 7-6).

Table 7-6 Composition of budget in Gaurigunj Rural Municipality

	Budget (in thousand NPR)			
	Current	Capital	Finance	Inter-governmental Transfer
2018/19	272,015	177,085	0	0
2019/20	76,600	159,553	0	284,570
2020/21	66,300	170,000	0	381,850

Source: Budget Book of Gaurigunj Rural Municipality.

(3) Project management

Gaurigunj Rural Municipality formulated public investment projects in the annual planning process mentioned above. Since the municipality had neither an MTEF nor a sector specific plan covering entire municipality, there was no linkage between public investment projects and these plans.

The Municipality formed the Infrastructure Monitoring Committee as per the Infrastructure

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<https://gaurigunjmun.gov.np/sites/gaurigunjmun.gov.np/files/SUTRA%20%20%20आम्दानी%20र%20खर्च%20पाैष%20महिना%20सम्म.pdf>

⁷⁹ Details of Income and Expenditure of Gaurigunj Rural Municipality, Published on 7th April 2021.

<https://gaurigunjmun.gov.np/content/3A%E2%80%8Dव-२०७७।०७८-काे-दाेश्राे-चाैमासिक-सम्मकाे-आय-व्यय-विवरण>

⁸⁰ Gaurigunj municipal government

Management Act 2018. It consists of: 1) vice-chairperson of LG as the Chairperson; 2) coordinator of Infrastructure Development Committee; 3) two members from Executive including female; and 4) Chief of Infrastructure Section as Member Secretary. Also, a Ward Level Monitoring Committee was established, which is composed of Chairperson (Chairperson of Ward Committee), four Members (Ward Committee Members) and the Member Secretary (Sub-Engineer of Ward).

As for monitoring activities, the members of these Committee visited and observed project sites. The monitoring results fed information to stakeholders and used the information for the basis of making approval of payment for contractor hired by the Municipality. This Committee sometimes recommends that the contractor should be published if the committee finds problem in the contractor's performance. An official interviewed reported that the Infrastructure Management Act stipulates the roles and responsibilities of the Committee, but not the procedures for monitoring. Accordingly, the Committee does not prepare or submit monitoring reports to any stakeholders.

(4) Human resource management

The manpower situation of the municipal government has remarkably improved. It was facing a serious staff shortage with only 13 adjusted civil servants at the time of the first assessment as other municipalities in remote areas were. The adjustment of some personnel who are not qualified for the positions was exacerbating the problem. However, by the time of the second assessment, 32 out of the 37 approved posts in the municipal government had been filled, although municipal officials were reportedly still overloaded. The Gaurigunj municipality has not yet recruited civil servants through the PPSC but was reported that it had some financial resources to employ more civil servants.

Transfer of the CAO. The power to recruit and appoint civil servants has been largely shifted to the provincial and local levels. By contrast, the transfer of top officials is still in the hands of the federal government under the existing laws. As in many other local governments, the CAO of Gaurigunj Municipality was replaced twice during the survey period.

Insufficient capacity of municipal officers. Municipal officials interviewed reported that they fully recognized the lack of capacity in respective areas of responsibility, and yet had not had any training opportunities except some for CAO and engineers. Although the municipal government had developed a training plan and allocated some budget in FY 2019/2020, the training plan was not implemented due to COVID-19 and no budget was allocated in FY 2020/21.

(5) Legislature

The Gaurigunj Rural Municipal Assembly consists of 34 members. The Assembly has established the Legislative Committee, Account Committee and Good Governance Committee, and the Municipal Executive formed nine committees.⁸¹

The Gaurigunj Rural Municipal Assembly enacted 18 laws so far (Table 7-7). In addition, about 10 procedures and directives have been endorsed. Some procedures were also developed in FY 2020. However, no laws other than annual budget-related ones have been formulated since the first assessment.

⁸¹ The executive committees are: 1) Resource Projection and Budget Ceiling Determination Committee; 2) Local Revenue Advisory Committee; 3) Budget and Program Formulation Committee; 4) Project & Program Monitoring Committee; 5) Economic Development Committee; 6) Social Development Committee; 7) Infrastructure Development Committee; 8) Environment and Disaster Management Committee; and 9) Institutional Development and Governance Committee.

Table 7-7 Laws enacted by Gaurigunj Rural Municipal Assembly

1. Financial Act 2020	10. Education Act 2018
2. Budget Allocation Act 2020	11. Budget Allocation Act 2018
3. Administration Management Act 2019	12. Health and Sanitation Act 2018
4. Financial Act 2019	13. Infrastructure Management Act 2018
5. Budget Allocation Acts 2019	14. Judicial Committee Operation Act 2018
6. Child Rights Act 2018	15. Financial Act 2018
7. Cooperative Act 2018	16. Budget Allocation Act 2018
8. Disaster Reduction and Management Act 2018	17. Financial Act 2017
9. Financial Act 2018	18. Budget Allocation Act 2017

Source: Gaurigunj Rural Municipality website (<https://gaurigunjmun.gov.np/act-law-directives>)

The Rural Municipal Assembly will need to enact many more laws. During the first assessment, Chairperson and Vice-Chairperson admitted that insufficient laws and policies was a key constraint to the functioning of the municipality.

Capacity development for law-making and law-drafting. In Gaurigunj Rural Municipality, it appears that limited capacity of officials is the main cause of slow progress in law-making rather than external factors such as delayed legislation at the federal and provincial levels. Elected officials interviewed during the first assessment reported that capacity development of elected officials would be essential. Chairperson felt that elected officials did not have basic knowledge concerning the governance system and local autonomy under federalism. They also expressed the need for more knowledge of law and policy making.

(6) Judiciary

Gaurigunj Rural Municipal Assembly established the Judicial Committee. This committee operates in accordance with the LGOA and the Judicial Committee Operation Act 2018 of the Rural Municipal Assembly. The Vice-Chairperson of the Rural Municipal Assembly, who serves as Coordinator of the committee, pointed out that some provisions of the LGOA would need to be amended at the federal level.

The operating environment of the committee has been improving. It is now supported by a legal advisor and works with six mediation centers, both of which were not in place at the time of the first assessment. Especially the establishment of medication centers have substantially reduced the burden on the committee.

In the area of law enforcement, the Nepal Police, Armed Police Force, CDO, and the Community Policing Center work for securing law and order in Gaurigunj Rural Municipality.

The Judicial Committee settled many disputes (Table 7-8). The average time for settlement took two days for mediation and a week for regular judicial process.

Table 7-8 Performance of the Judicial Committee of Gaurigunj Rural Municipality

	Total No. of cases	Settled through mediation	Settled through regular judicial process
FY 2018/19	120	96	24
FY 2019/20	116	35	81

Source: Gaurigunj Rural Municipality

Need for overall capacity development to meet high demand for dispute settlement. The municipality is facing multiple difficulties. First, the committee must deal with District Court cases against the decisions of the committee. Second, there is threat from losers of disputes settled by the committee. Third, all the committee members lack knowledge of laws and computer skills, both of which are

necessary for the committee's work. Fourth, there are no legal officers to assist the committee though it has a supporting staff member. Last of all, there is no office and little equipment for the committee to perform their job. To address all issues above, the committee needs to establish effective, efficient institutional arrangements for judicial work of the municipality.

Suspension of the committee's operation during lockdowns. Because of its remote location, Gaurigunj Municipal Government does not have stable internet access and therefore cannot use online tools. The Judicial Committee was unable to provide services during lockdowns.

(7) Gender equality and social inclusion

The Women, Children and Social Development Unit is responsible for formulating policies and programs and implementing them on GESI. Only one staff has been deputed to this Unit. The budget for GESI related activities in FY 2018/2019 was about NPR 6.8 million, among which NPR 6.6 million was disbursed. Gaurigunj Rural Municipality formulated and enacted Child Rights Act 2018 and the Procedure for distribution of ID card for Disable People 2018. It faced several challenges including: 1) difficult to target *Dalit* (untouchable caste) women for programs because high caste groups opposed such a targeting approach; 2) inadequate staff and budget; and 3) inadequate training for GESI awareness, capacity development and business promotion. At the time of the second assessment in March 2021, the number of staff increased from one to two people, but two more positions were still vacant. The achievements of GESI in FY 2019/2020 included implementation of skill promotion training programs, right-based training programs and awareness raising workshops related to GESI. According to the concerned official interviewed, the above issues raised in 2019 continues as a challenge for them. In addition, the influence of COVID-19 affected the implementation of training programs and workshops as well as awareness campaigns.

(8) Citizen engagement

Gaurigunj Rural Municipality formulated Infrastructure Management Act 2018 that stipulates that 10 % of total budget in a project needs to be borne by Users' Committees. The Users' Committees participated in the implementation of projects by contributing cash or kind. However, it was reported in the second assessment that this had not worked well. The users' committees in the southern part of municipality refused to contribute to their labor, and instead employed a contractor. This was partially because the political leaders sometimes demanded to engage their voters in construction of infrastructure as labor.

The municipality created opportunities for the communities to participate in the annual planning process and prioritize their needs at the community level. Furthermore, the municipality undertook public audit through website, mobile application, Facebook, and Users Assembly to ensure transparency and accountability. However, in the second assessment in March 2021, a municipal official interviewed noted that there were no committees described in Table 7-9 formed, except the public hearing committee in Ward 3. He pointed out that citizen engagement had not worked effectively.

Table 7-9 Status of establishment of committees to ensure citizen participation

	Name of Committee	Status of establishment	Remarks
1	Good governance promotional and monitoring committee	No	
2	Public hearing implementation committee	Except for ward 3, No	It was formed in Ward No. 3.
3	Social audit implementation committee	No	Social audit has been organized through Users' Committees at the time of the first assessment. However, it was found that social

				audit was not effectively conducted at the second assessment.
4	Grievance management committee	redress and implementation	No	It has provided Complaint Box and mobile application for grievance hearing. However, according to the official, they have not worked effectively.

Note: As of March 2021

7.3.3 Office facilities

Limited office space and equipment. Gaurigunj Rural Municipality has limited office space at the municipal and ward levels and new municipal office building was under construction. Some budget had also been allocated to the construction and maintenance of ward offices. Municipal officials also reported that they did not have enough motorbikes, computers and office furniture to conduct activities for service delivery and execute projects.

7.4 Bagmati Provincial Government

7.4.1 Profile of Bagmati Province

Bagmati Province has the largest population and provincial budget among the seven provinces. The nation's capital, Kathmandu is in this province. It has the lowest multi-dimensional poverty rate (12.2% in 2014) and the second lowest rate of people living below the national poverty line (15.3% in 2018).⁸² There are 45 urban municipalities and 74 rural municipalities in the province. The basic information about the province is summarized in Table 7-10.

Table 7-10 Profile of Bagmati Province

Population	5,529,452 (2011)
Area size (sq. km)	20,300
Ethnic composition of the population (%)	Tamang 20.4, Bramhan 18.3, Chhetri 17.3, Newar 16.9, Magar 4.9, others (110 castes) 22.2
Economic growth rate (%) (at purchaser price)	[2019/20] 1.2 (estimate), [2018/19] 6.4
Share of national GDP (%) (at purchaser price)	[2019/20] 35.8 (estimate), [2018/19] 36.4
Cabinet (Council of Ministers) members	Chief Minister and 6 ministers (Internal Affairs and Law; Economic Affairs and Planning; Physical Infrastructure Development; Land Management, Agriculture and Cooperatives; Social Development; and Industry, Tourism, Forest, and Environment), all from CPN - UML
Number of assembly members	110 (Male 70, Female 39, 1 vacant)
Party composition of assembly members	CPN 81 (UML 58, Maoist 23), Nepali Congress 21, Bibeksil Sajha 3, Majdur Kisan 2, Rastriya Prajatantra: 2, Naya Sakti 1
Ethnic composition of assembly members (%)	Khas Arya 48.6, Janajati Ethnic 45.9, Others 5.5
Number of permanent and contractual employees of PG	Permanent: 3,764 Contractual: Data not available

⁸² Ministry of Finance (2019)

Annual budget (NPR millions)	[2020/21] 51,427, [2019/20] 47,607, [2018/19] 35,610
Annual expenditure (NPR millions)	[2019/20] 27,950, [2018/19] 20,649

Source: Bagmati Government, Central Bureau of Statistics (<https://cbs.gov.np/province-statistics/>), Ministry of Finance (2019), Ministry of Finance (2020), Financial Comptroller General Office (2020)

7.4.2 Current situation of the implementation of governance functions

(1) Development planning

a) Periodic planning

The Bagmati provincial government prepared its periodic plan and MTEF. It followed the Provincial Plan Formulation Guideline 2075 (2018-19) (model) prepared by the NPC. Although the government has not formulated its own guideline, it localized some of the periodic planning steps described in the model guideline.

The PPC led periodic planning with support of the Directive Committee, Technical Committee and sectoral committees. The MoEAP was tasked to coordinate all concerned ministries in the executive branch of the provincial government.

The federal government has been involved in provincial periodic planning through several consultation meetings between the provincial government and the NPC, although no formal coordination mechanism is in place on periodic planning. The MoEAP officials reported that the guideline of the NPC, SDGs, and sectoral policies of the federal government provide the basis for periodic planning. They also reported that the provincial government found it difficult to establish the link between plans of three levels of governments.

The periodic planning process took far longer than the model guideline envisages. It started in August 2018 by forming required committees and was completed in February 2020. The preparation of detailed periodic plan turned out to be a cumbersome step. The reasons that the MoEAP officials reported include: 1) difference of opinions between the PPC and MoEAP; 2) confusion about the division of responsibilities among three levels of governments on concurrent powers; 3) shortage of personnel; and 4) limited planning capacity of sectoral ministries. The officials of PPC and MoEAP also stressed the challenges of data collection for planning and resource projection and linking the plan with the federal five-year plan (currently the Fifteenth Plan).

b) Annual planning

The Bagmati provincial government has been preparing the annual plan every year, following the NPC model guideline mentioned above. As in periodic planning, the PPC and MoEAP lead the annual planning process. In addition, the Economic Development Committee of the Provincial Assembly plays an important role by providing suggestions on critical matters such as project selection and budget allocation.

The federal government provides provincial and local governments with model guidelines in line with federal policies. However, the Bagmati provincial government faced some difficulties, for instance, the overlap of projects between different levels of governments, unclear demarcation of concurrent powers, and the absence of coordination mechanisms.

The provincial government prepared the annual plan for FY 2019/20 and the one for FY 2020/21 as scheduled. It managed the process almost exactly as suggested in the NPC guideline but there were some constraints in the process for FY 2020/21 due to the COVID-19 pandemic. It shortened the time for

budget discussions and the number of meetings as well as that of attendees were limited. The provincial government also faced some difficulties in aligning the plan with the MTEF owing to political interests and public pressure.

During the annual planning process, the provincial government held discussions with representatives of the Federation of Nepal Chamber of Commerce and Industries, the Association of Industry and Commerce, and some private organizations on the draft budget and programs in the annual plan.

Capacity development of civil servants and elected officials about planning. Many of adjusted civil servants in the provincial government have been engaging in the planning process with little training or experience, although some of them possess abundant experience in periodic and annual planning at the then central government. They reported that there were significant gaps of knowledge and skills to carry out planning effectively. The officials interviewed identified some specific areas for capacity development of civil servants: 1) result-based planning and budgeting; 2) prioritization of resources and projects; 3) linkage among different plans; 4) MTEF preparation; 5) inclusive planning; and 6) coordination among stakeholders. Unlike civil servants, some elected officials reportedly received training in most of those topics but the Chief Minister, PPC members, and civil servants interviewed pointed out that elected members would need skills in planning, particularly prioritization of projects, and linking the annual plan with the periodic plan. Civil servants were under direct pressure from elected officials that they had not experienced in the then central government. To address this challenge, it was suggested that elected officials would need better understanding about prioritization, and a rigorous system of prioritization with a set of criteria would need to be developed.

Unclear division of responsibilities among three levels of governments on concurrent powers. The officials reported that this was one of the biggest challenges for the provincial government in periodic and annual planning. They felt that this would become even more pronounced when provincial ministries prepare sectoral plans.

(2) Budget management

Financial resources

Bagmati provincial government has several financial resources in three categories – 1) tax, 2) non-tax, and 3) grant. The survey found that the provincial government collects vehicle tax only in the tax category, and service fee, tariff, penalty and fine in the non-tax category.

Provincial Comptroller Office oversees tax and non-tax administration. Tax administration is defined by ‘Provincial Act for Tax and Non-tax’ and ‘Provincial Financial Management Act.’ No law has yet to be enacted for non-tax collection.

The provincial government has not conducted tax revenue potential study to identify scientific bases for taxation and tax rates. This is the same for non-tax revenue. Potential sources for non-tax revenue have yet to be identified.

Among four types of grants – 1) equalization, 2) conditional, 3) matching, and 4) special, Bagmati Province receives equalization and conditional grants, NPR 759,640,000 and NPR 746,490,000, respectively, in FY 2019-2020.⁸³

Expenditure

Budget and Program Formulation Section of the provincial government formulates annual budget based

⁸³ Intergovernmental Fiscal Transfer. Ministry of Finance (2019).

on the ‘Guidelines for Provincial Planning and Budget Planning’ of the federal government.

Under-execution of budget is a major issue in Bagmati provincial government. Its budget execution rate was 57.8% of total expenditure in FY 2019-20, the fourth among seven provinces in Nepal (Table 3-26).

(3) Project management

The officials of Bagmati Province reported that the provincial government followed the provision of new project proposal and its format in the National Project Bank (NPB) Guidelines to formulate and appraise projects.

They also reported that they had prepared software for maintaining a Provincial Project Bank. As of April 2021, however, no section in charge of the Provincial Project Bank has been established within the Provincial Planning Commission (PPC), or personnel assigned for the Provincial Project Bank. The survey team could not collect information on M&E through online.

(4) Human resource management

The level of staffing in the Bagmati provincial government has been improved. There were around 2,700 personnel adjusted by September 2019 for approximately 3,500 posts of the government. As of March 2021, the gap was fully filled by adjustment.

The authority over HRM of civil servants at the provincial level has largely shifted from the federal government to the Bagmati provincial government, with the establishment of the PPSC in August 2019 and *de facto* completion of personnel adjustment. The Bagmati government conducted an O&M survey and created a new organogram with posts determined according to its own needs. It also initiated recruitment through the PPSC based on the new organogram and recruitment for local governments within the province. It now handles the recruitment, appointment, and transfer of civil servants at the provincial level except secretary-level officials. However, the civil servants it can recruit are currently limited to assistant levels because of a lawsuit filed by some civil servants for setting of civil servant grades for some posts, it intends to start officer-level recruitment once the case is settled.

Various training activities were also started since the establishment of the PCGG in September 2020. The PCGG has been providing training for assistant level staff at both the provincial and local levels in the areas including planning, monitoring and evaluation, accounting, audit, budget formulation, procurement, and governance. They plan to train 300 provincial-level staff and 3,600 local-level staff in FY 2020/21.

Confusion caused by the absence of PCSA. Although the Bagmati provincial government is taking initiatives in major HRM activities at the provincial government now, the law governing the operation and service conditions of civil servants at the provincial level is still not in place. This has caused some inconsistency in grade setting for some posts between the existing Civil Service Act (1993) and the PPSC’s vacancy announcement, which has led to a lawsuit. An official of the Office of Chief Minister and Council of Ministers (OCMCM) pointed out the need for coordination on civil service management until the PCSA comes into effect.

Frequent transfer of top officials. Secretary-level officials have been getting transfer frequently since the beginning of the personnel adjustment. This has hampered the work of the Bagmati provincial government as well as the institutional development of both the entire government and each ministry. Frequent transfer has also fostered the feeling on the side of elected representatives that adjusted civil servants look to the federal government.

Need for capacity development of provincial officials. The PCGG is currently targeting assistant level

in its capacity development support but high-rank civil servants require capacity development. Provincial secretaries, for instance, are facing the challenges in: inter-ministerial coordination; human resource management; logistics and asset management; and resource and project prioritization. For elected officials, it was reported that the major challenges lie in: 1) resource prioritization; 2) understanding of federalism and its structures; 3) law-making; 4) inter-governmental coordination; 5) inter-ministerial coordination, and 6) inter-party coordination. The former Principal Secretary of Province 3 stressed the need to conduct a systematic capacity need assessment.

(5) Legislature

The Bagmati Provincial Assembly consists of 110 elected members. It established six committees: 1) Provincial Affairs Committee; 2) Economic and Development Committee; 3) Public Account Committee; 4) Education, Health and Agriculture Committee; 5) Industry, Tourism and Environment Committee; and 6) Working System Consultation Committee. According to the Provincial Assembly Secretariat, those committees have been functioning well.

The Provincial Assembly endorsed 52 Acts by December 2020 (Table 7-11). In addition, the provincial government issued 19 rules/regulations, 138 working procedures, 20 executive orders/guidelines, and 3 codes of conduct.⁸⁴ Despite the significantly reduced number of assembly meetings in 2020, the assembly as well as committees managed to avoid substantial delays in legislation.

Table 7-11 Laws enacted by the Bagmati Provincial Assembly

1. Rural Municipal/District Assembly Operation (Procedure) Act 2018	26. Province Financial Management Act, 2018
2. Local Level Officials and Member's facility Act, 2018	27. Province Work Operation Fund Act, 2018
3. Act for Work, Duties, Right and Condition of Services of Chief Attorney, 2018	28. Province Financial Act 2019
4. Province Administrative Procedure (regulatory) Act 2018	29. Province appropriation Act 2019
5. The Act of Salary and Facility for Chief Minister and Ministers of Province, 2018	30. Province Public, Private, Cooperative Partnership Act, 2019
6. Province Public Service Commission Act, 2019	31. Province Financial Act 2020
7. Act of Security of Goods, Behavior and Facility for inter Province Residential, 2020	32. Province appropriation Act 2020
8. Province Good Governance Act, 2020	33. Province Financial Act (First Amendment), 2020
9. Some Province Level Document Authentication Act, 2017	34. Province National Forest Act, 2019
10. Act of Salary and Facility for Officials and Members of Province Assembly, 2018	35. Province Business and Commerce Act, 2019
11. Management of Province Assembly Secretariat Act, 2018	36. Province Industrial Business Act, 2019
12. Province Disaster Management Act, 2018	37. Environment Protection Act, 2020
13. Province Organizations Registration Act, 2018	38. Province Milk Development Board Act, 2018
14. Province Communication's Means Management Act, 2018	39. Province Milk Development Board (First Amendment) Act, 2019
15. Recommendation of Adornment (Bibhusan), Recognition and Medal Act, 2019	40. Province Cooperative Act, 2019
16. Province Information Right Act 2019	41. Province Seed Sowing Act, 2019
17. Some Province Acts Amendment Act, 2020	42. Province Aquatic-lives Protection and Management Act, 2016
18. Province Police Act, 2020	43. Agro Business Promotion Act, 2019
	44. Province Vehicle and Transportation Management Act, 2018
	45. Province Vehicle and Transportation Management (First Amendment) Act, 2019
	46. Province Health Service Act, 2018
	47. Province Sports Development Act, 2018
	48. Province Technical and Vocational Education

⁸⁴ Bagmati Provincial Government (2020)

19. Province Emergency Fund Act, 2017	and Training Council establishment and
20. Province Economic Procedure Act, 2017	Operation Act, 2018
21. Province Accumulated Fund Procedure Act, 2017	49. Madan Bhandari Health Science Academy Act, 2019
22. Government Vehicle Purchase Standard, 2017	50. Province Children Act, 2019
23. Province Financial Act 2018	51. Province Youth Council Act, 2019
24. Province appropriation Act 2018	52. Province Public Service Commission Act, 2019
25. Tax and Non-Tax Revenue Act 2018	

Source: Bagmati Provincial Government (2020)

Need to enact laws on concurrent jurisdictions. Although some important laws were enacted between the first and second situation assessments, legislation on concurrent jurisdictions such as PPSA has been still delayed. As the Federal, Provincial and Local Level (Coordination and Interrelation) Act 2020 allows provincial governments to institute necessary legislations on concurrent jurisdictions without waiting for federal ones, the provincial government needs to accelerate law-drafting.

Capacity building in law-making and resource prioritization. In both the first and second situation assessment, public and elected officials of the Bagmati provincial government identify law-making and resource prioritization as critical areas for capacity building. As Chief Minister pointed out, resource prioritization is a challenging task for the provincial government in the face of high expectation of citizens.

(6) Gender equality and social inclusion

The Social Development Division headed by Chief Women Development Officer of the MoSD comprises two sections: 1) Gender Empowerment and Mainstreaming Section; and 2) Child Right and Social Welfare Section. These sections are responsible for: 1) formulation of provincial GESI policies, laws, and guidelines; and 2) overall management including implementation, monitoring, evaluation, and coordination with stakeholders at the local level. The budget for GESI programs in FY 2018/2019 was NPR 450 million, among which only NPR 250 million (55%) was executed.

The major achievements of GESI activities in FY 2018/2019 included: 1) implementation of leadership training to all local government representatives of Dhading district and 30 local governments of Chitwan district; 2) implementation of skills development for 151 people of Ramechhap, Lalitpur and Chitwan districts; and 3) provision of training for 76 differently abled persons to repair cell phones and computers.

The achievements of GESI-related activities in FY 2019/2020 were: 1) promotion of movement against child marriage, encouragement for the adoption of a declaration for child friendly local government, and support of re-establishment program for differently abled persons in all 119 local governments under Bagmati Province; 2) training for women journalist and skills development for women in poor, excluded, and marginalized communities; and 3) orientation program on gender issues for the Provincial Assembly Members. MoWCSC of the federal government provided support to and coordinated with the provincial government in activities such as : 1) support material distribution and restoration program for differently abled persons; 2) data collection and update regarding women, children, old people, differently abled persons; 3) program of inter-generational transfer knowledge, skill and experience of old people; and 5) targeted program for women such as skill development, leadership development and entrepreneurship development.

One of the challenging issues was the shortage of staff members. Because Section Chief was transferred, only one staff was deployed at the time of the second assessment in March 2021. There were four vacant positions in this section. Another challenge was that this section needed to implement a multi-dimensional program of GESI for various target groups with only one staff, such as senior citizens, differently abled persons, women, children, monitories, and marginalized people. Because of this, the

provincial government has yet to formulate GESI policies and laws. Moreover, this has led to a relatively low budget execution rate. Both institutional and individual capacity needs to be strengthened for policy formulation, law-drafting, and regulations of GESI.

(7) Citizen engagement

The provincial government has yet to formulate Provincial Public Procurement Procedure and Provincial Public Procurement Law and its guidelines. It engaged its citizen in planning and policy making, policy dialogues, and implementation of projects through users' committees. The provincial government strived to ensure responsiveness, transparency, and accountability to citizen through audit, press meeting, information dissemination by spokesperson using website. An official interviewed reported that there was still room for improvement in promoting accountability of the provincial government through better organizing weekly press meetings and more information disclosure on its website.

7.4.3 Office facilities

Shortage of office space. The officials of provincial government reported a shortage of office space to perform functions in most of the ministries. They reported that some office buildings were inherited from old directorates of the Central Region of Nepal and their design did not meet the present requirements. The buildings of the MoEAP and the Ministry of Industry, Tourism, Forest, and Environment were reportedly too old for use. They allocated some budget to renovation and construction of some buildings in FY 2020/21.

7.5 Budanilkantha Municipality

7.5.1 Profile of the Municipality

Budanilkantha Municipality is one of the 11 local governments in Kathmandu District with 13 wards. Adjacent to Kathmandu Metropolitan City, the municipality has a large population around 156,000. The basic information of the municipality is summarized in Table 7-12.

Table 7-12 Profile of Budanilkantha Municipality

Population	156,329
Area (sq. km)	53.8
Ethnic composition of the population (%)	Khas Arya 52.0, Ethnic 45.2, Dalit 1.8, Others 1.0
Number of assembly members	70 (Male 39, Female 31)
Party composition of assembly members (%)	Communist Party of Nepal 85.7, Nepali Congress 14.3
Ethnic composition of assembly members (%)	Khas Arya 52.6, Ethnic 34.3, Dalit 17.2
Number of the municipal government employees	Permanent 151, Contractual 90
Annual budget (NPR millions)	[2020/21] 2,675, [2019/20] 1,584, [2018/19] 1,212
Annual expenditure (NPR millions)	[2019/20] 1,702, [2018/19] 798
Local tax and non-tax revenues (NPR millions)	[2019/20] Tax 113, Non-tax 859, [2018/19] Tax 95, Non-tax 132

Source: Budanilkantha Municipality

7.5.2 Current situation of the implementation of governance functions

(1) Development planning

a) Periodic planning

The Budnilkantha Municipality prepared its periodic plan following the Local-level Plan Formulation Guideline 2075 (2018-19) (model) provided by the NPC. It has not localized the guideline although municipal officials consider it necessary. The municipal assembly endorsed the plan in August 2020.

The planning process took a year until completion, three times longer than four months suggested by the model guideline. The process was seriously affected by the measures by the federal government to deal with the COVID-19 pandemic, including a four-month lockdown. Municipal officials also reported that they had faced some difficulties in data collection.

The municipality has not prepared an MTEF. It plans to prepare the first MTEF for FY 2021/22, however. The provisions of the Inter-government Fiscal Management Act 2017 make the preparation of MTEF mandatory for local governments.

b) Annual planning

Budanilkantha Municipality has been preparing the annual plan, following the LGOA and the above model guideline each year. The federal government and the Bagmati provincial government were not much involved in the annual planning process of the municipality, except the provision of budget ceilings and a guideline that facilitates the link of municipal plan with national plans such as SDGs and Five-Year Plan, and the consideration of GESI and fundamental rights of people.

Annual planning for both FY 2019/20 and FY 2020/21 followed all the steps and timeline given in the model planning guideline, and yet the participation of citizens in settlement-level meetings was restricted to a great extent due to COVID-19. Only 15 citizens in each settlement participated in the settlement-level meeting, contrasting with participation of many more citizens for the same meeting in the previous year.

Limited planning capacity of both elected and public officials. Now that the periodic plan is in place, the municipality can prepare the annual plan and budget from a medium-term development perspective and more rationally prioritize projects based on the direction of the periodic plan. However, the officials interviewed still reported a need to fill skills gap of officials in project prioritization, inclusive planning, and linking the annual plan with the periodic plan. They reported that both elected representatives and civil servants would need knowledge and skills in those areas.

(2) Budget management

Financial resources

Budanilkantha Municipality has three categories of financial resources – 1) tax, 2) non-tax, and 3) grant. In FY 2019/20, the amount of tax collected was NPR 112,779, NPR 853,625 of non-tax revenues, and NPR 516,026 of grants (Table 7-13).

Table 7-13 Trend of financial resources in Budhanilkantha Municipality

2018/19			2019/20			2020/21 (expected)		
Tax	Non –tax	Grant	Tax	Non –tax	Grant	Tax	Non -tax	Grant
95,244	384,846	522,111	112,779	853,625	516,026	148,000	878,053	646,303
	(Incl. revenue sharing)			(Incl. revenue sharing)			(Including revenue sharing)	

Unit: NPR

Source: Budanilkantha Municipality.

The municipality collects vehicle tax, entertainment tax, advertisement tax, land and house registration fee, land tax, property tax, business tax, and house rent tax. In 2019/20, the municipality collected the amount of taxes in Table 7-14.

Table 7-14 Collected amount of tax in Budhanilkantha Municipality FY 2019/20

Name of tax	Amount collected
Vehicle Tax	Not available
Entertainment Tax	Not available
Advertisement Tax	1412.920
Land and House Registration Fee	Not available
Land Tax	4,577.152
Property Tax	53,721.862
Business Tax	12,570.491
House Rent Tax	40,496.610

Unit: thousand NPR

Source: Financial Procedure Act in Budanilkantha Municipality

The following two tables show the amount of non-tax collected and grant in the municipality, respectively (Table 7-15 and Table 7-16).

Table 7-15 Collected amount of non-tax in Budhanilkantha Municipality FY 2019/20

Name of non-tax	Amount collected
Registration fee for building construction	48,294.709
Recommendation Fee	24,570.709
Penalty	878.091
Natural resource (Dahattar Bahattar)	4,628.505
Land registration fee	643416.742
Revenue sharing from federal and provincial governments	122,943.413
Other income	7,479.903

Unit: thousand NPR

Source: Financial Procedure Act in Budanilkantha Municipality

Table 7-16 Collected amount of grant in Budhanilkantha Municipality FY 2019/20

Name of grant	Amount collected
Equalization Grant from federal government	265,100.00
Conditional grant from FG	201,976.00
Equalization Grant from PG	12,023.00
Conditional grant from PG	10,559.00
From Road Board	2,114.108

Unit: thousand NPR

Source: Financial Procedure Act in Budanilkantha Municipality

Revenue Section of the municipality is responsible for tax and non-tax administration. No specific section has been established for grant administration. Municipal Financial Act was enacted for tax and non-tax administration. The act is issued yearly with budget speech.

The municipality is implementing a four-year revenue reform plan that includes measures to increase tax and non-tax collection, such as 1) provision of incentives for timely taxpayers, 2) seminar for local

business communities, 3) tax awareness program, and 4) widened tax bases by decreasing tax rate.

The interview with a concerned municipal official reported that there were confusions over tax sharing system of the provincial government.

Expenditure

Budget and Planning Section is responsible for the formulation of budget in the municipal government. The municipality received budget ceiling and guideline from the provincial government on April 12 and decided budget ceiling based on resource projection on April 22 in 2021, and announced a guideline with budget ceilings to wards on April 27. The municipality usually submits the list of projects to the provincial government around the last week of May and annual budget is submitted to the assembly on June 25.

Under-execution of budget is the key issue of Budhanilakantha Municipality. Actual expenditure FY 2019/20 was NPR 743,490 out of the budget NPR 1,584,056. The budget execution rate was around 47% (Table 7-17).

Table 7-17 Budget and expenditure in Budanilkantha Municipality FY 2017/18-FY 2020/21

Fiscal Year	Total Budget	Actual Expenditure	Budget execution rate
2017/18	734,330	442,896	60.3%
2018/19	1,212,140	680,204	56.1%
2019/20	1,584,056	743,490	46.9%
2020/21	2,675,132	Not available	

Unit: thousand NPR

Source: Annual Development Plan and Financial Act in Budanilkantha Municipality

(3) Project management

Budanilkantha Municipality formulates and implement public investment projects in the annual planning process. However, the Municipality has not identified or developed any rules or guidelines that provide guidance for the formulation, appraisal and selection of public investment projects.

As for M&E, the Monitoring and Supervision Committee chaired by Deputy Mayor is responsible for overall monitoring process, and the Administration, Planning and Monitoring Section with three non-technical staff keep record of monitoring the progress of public investment projects.

The Municipality has not formulated any monitoring manual. However, the Committee conducted monitoring with the following steps: 1) making the monitoring work plan, 2) undertaking field interview and observation by the standard format and reporting monitoring results to the Executive every two months and holding discussions at the Executive Committee; 3) holding the progress review meetings bi-monthly, four-monthly and annually; 4) providing instruction by the Executive to the concerned implementing bodies including users groups, contractors, advisors and staff members; and 5) following the direction of Executive Committee by concerned implementing bodies.

A concerned staff reported that all projects had been monitored in FY 2018/2019 and FY 2019/2020, including infrastructure development projects. Monitoring was a challenging work for small projects, however. It took about 90 days per year for monitoring activities. The concerned staff pointed out that the results of monitoring had not been fully reflected in the formulation of next annual plans.

(4) Human resource management

The Budanilkhantha municipality is among the local governments that enjoy favorable environments to recruit human resources. It has already filled a required number of 151 civil servants through adjustment, most likely because of good urban location near Kathmandu capital city. In addition, they hired many staff on a contract basis to compensate for the shortage of civil servants. This makes the total number of staff far more than the number of posts specified in the organogram (see Appendix 2 for organogram). In fact, the model organogram does not match the need of a large municipality like Budanilkhantha Municipality.

The municipality assessed the required number of staff through an O&M survey and filled the gap by hiring contractual staff. As the PPSC is in operation, the municipality plans to request the PPSC to recruit civil servants that will replace the current contractual staff.

Shortage of technical personnel. Among many civil servants adjusted to the municipality, the number of technical personnel is minimal. As they have sufficient financial resources to employ required personnel, the municipality is expected to take quick action for recruitment through the PPSC.

Mismatch between demand and supply of personnel. In both the first and second assessments, municipal officials raised the issue that the adjusted personnel do not match the need and requirements of the municipality. To make matters worse, it was reported that adjusted civil servants had received almost no training prior to and after adjustment.

Need of training for elected members and public officials. Scarce training opportunities are another key issue for municipal officials. Whereas Mayor and Deputy Mayor received various training from different providers including the federal government, assembly members and civil servants in managerial positions received almost no training. Elected members are facing challenges in, above all, planning and project prioritization.

(5) Legislature

The Budanilkhantha Municipal Assembly consists of 70 members. It established two committees: Legislative Committee and Accounts Committee.⁸⁵ Despite the impact of the COVID-19 pandemic, it has continued holding meetings without failing to have a quorum.

The Budanilkhantha Municipality has been showing a notable progress in legislation and formulation of rules, regulations and guidelines since 2020 in spite of the pandemic. The laws the assembly has enacted are listed in Table 7-18. The municipality also framed about 50 rules and regulations, working procedures, guidelines, criteria, and code of conduct. Another 19 have been submitted to the assembly for approval as of March 2021.

Table 7-18 Laws enacted by the Budanilkhantha Municipal Assembly

1. Budhanilakantha Municipality Drinking Water Board Bill, 2021	7. Administrative Procedure (regulatory) Act 2019
2. Budhanilakantha Municipality Disaster Risk Reduction and Management Bill, 2021	8. Financial Act 2019/20
3. Financial Act 2020/21	9. Appropriation Act 2019/20
	10. Cooperative Act 2018
	11. Judicial Committee Operation Act 2018

⁸⁵ The municipality formed nine executive committees including five thematic/sectoral committees, two committees on budget and planning, the Revenue Advisory Committee, and the Monitoring and Evaluation Committee. Among them, the Infrastructure Development Committee is not functioning well because of the lack of technical knowledge.

4. Appropriation Act 2020/21	12. Financial Act 2018/19
5. Municipal Police Regulation Act 2020	13. Appropriation Act 2018/19
6. Environment and Natural Resource Protection Act, 2020	14. Financial Act 2017/18
	15. Appropriation Act 2017/18

Source: Budanilkantha Municipality

Apart from legislative work, the Municipal Assembly responded to the pandemic by instructing the municipal executive to formulate and implement plans to protect health of citizens.

Need for capacity building in law-making. Although the municipality has been stepping up its effort to enact laws and frame rules, regulations, and guidelines, it still faces the challenge in law-making because of limited capacity of elected representatives as well as officials. It was reported that neither of them had received training on legislation.

(6) Judiciary

The Judicial Committee of Budanilkantha Municipality consists of Deputy Mayor as coordinator and two assembly members selected by the Municipal Assembly and operates in accordance with: 1) LGOA; 2) Judicial Committee Operation Procedural Act of the municipality; 3) *Muluki Samhita* (General and Civil Code); and 4) Mediation Act. For the settlement of each dispute, the committee applies other federal and municipal laws relevant to respective cases. A committee member and a legal advisor interviewed pointed out that the jurisdiction and judicial power of local governments should be articulated more clearly by the federal government.

The Judicial Committee performs their responsibilities with support of three officers and a legal advisor hired by the municipal government and in collaboration with mediation centers and external organizations. The municipal government employs a legal advisor. He assumes a role of legal officer in the judicial processes and provides legal advice to the committee, municipal executive, and the poor. In addition, a legal facilitator was deputed by the provincial government until 2020 to support citizens, especially the poor and marginalized, on legal matters. The committee receives reports from the mediation centers formed in each ward to facilitate reconciliation between conflicting parties. Other actors such as CSOs, NGOs, Nepal Police and Community Policing Center also support the work of the committee.

Regarding law enforcement, Nepal Police, Chief District Officer, Community Policing Center and communities themselves work to maintain law and order in the municipality.

The Judicial Committee seems to be handling cases for dispute settlement efficiently. As much as 76% of the cases that were brought to the committee in FY 2018/19 had been settled (Table 7-19). Although the pace was slowed in FY 2019/20 in the face of the pandemic, the committee responded to the situation with, for example, the use of mobile services. It was reported that the time spent on a case through mediation was 1.5 month on average. This is half of the time limit prescribed in the LGOA. The municipal government increased budget allocation to the committee from NPR 500,000 in FY2018/19 to NPR 2,000,000 in FY2019/20 to meet increasing demand for settlement.

Table 7-19 Performance of the Judicial Committee of Budanilkantha Municipality

	Total No. of cases	Settled through mediation	Settled through regular judicial process
FY 2018/19	98	53	22 (as of Sep. 2019)
FY 2019/20	89	15	31 (as of Mar. 2021)

Source: Budanilkantha Municipality

Need for qualified mediators and facilities. The Judicial Committee of Budhanilkantha Municipality is institutionally more developed than that of other municipalities surveyed because supporting staff, a legal advisor, and mediation centers, and cooperation of external bodies are all in place. Yet, committee members and legal advisor interviewed mentioned some challenges at the organizational level: 1) lack of mediators with appropriate background; 2) lack of transport to verify actual situations and collect evidence; and 3) lack of a digital record keeping system.

Capacity building of members and mediators. The survey team assessed that the committee in Budhanilkantha municipality is more advantaged not only institutionally but also in terms of human resources than the other municipalities studied. However, the committee members and legal advisor felt the need for capacity building of members and mediators of the municipality in the following areas: 1) land disputes; 2) mediation techniques; 3) legal hearing techniques; and 4) decision-making on cases.

Enforcement of decisions of the committee. This is a common challenge for all Judicial Committees studied under the current survey. Interviewed officials reported that some orders issued by the committee had not been observed by conflicting parties. The case in point is the elderly protection orders given to the family members of the elderly.

(7) Gender equality and social inclusion

The Women, Children and Social Welfare Section of the municipality is responsible for the formulation of laws, policies and guidelines, budget formulation and planning and implementation of programs on GESI. Five permanent staff positions are all filled.

Budhanilkantha Municipal Government formulated the Disable and Senior Citizen Identity Card Guideline 2076 before the first assessment. After one and half year, the second assessment found that the municipality developed the following GESI-related procedures and guidelines: 1) Gender Violence Fund Operation Procedure 2077; 2) Seed Money Mobilization (for empowerment of women) Guideline 2077; 3) Child Fund Operation Guideline 2077; 4) Formation and Operation of Local Children Committee procedure 2077; and 5) Local Committee Formation and Management of Human Trafficking Control Procedure 2077. Furthermore, the municipality drafted the other important policies and regulations such as GESI Policy, Single Women Protection Fund Operation Procedure, and Institutional Development of Women Guideline and Human Trafficking Control Policy.

The budget for GESI activities in FY 2018/2019 was only about NPR 0.18 million, out of which NPR 0.15 million (82%) was spent for training and awareness programs. The major achievements in FY 2018/2019 included: 1) implementation of leadership training for women groups and organizations; 2) celebration of women day, children day and others; and 3) implementation of awareness program for women and children.

In FY 2019/2020, the municipality significantly increased the budget for GESI activities to NPR 12 million. However, only 4.9 million was spent because of the pandemic. The major achievements in FY 2019/2020 include: 1) formulation of GESI related policies and procedures; 2) establishment of funds for entrepreneur women, seed money for women and fund for children; and 3) promotion of collaboration with women groups and concerned organizations in program implementation. The officials interviewed noted that GESI would need to be mainstreamed in the development of wards, particularly, inclusive development. Furthermore, the gender responsive budget and the gender audit have not been in place because of the inadequate capacity of stakeholders. Finally, the officials pointed out a duplication of the programs between the federal and provincial governments because of the absence of coordination.

The institutional capacity to formulate inclusive policies and to establish a separate unit for GESI needs to be improved in the Budhanilkantha Municipality. It was also reported that there was room for

improving capacity of five staff members through training and motivation schemes, including application of gender responsive budget system and GESI audit.

Budhanilkantha Municipality established the Disable and Senior Citizen Identity Card Distribution Committee under the chairmanship of Deputy Mayor. Twenty-eight groups, generally women-based cooperatives actively work on GESI.

(8) Citizen engagement

Budhanilkantha Municipality formulated the User's Group Formation Procedure and the Project Implementation and Management Procedure in 2018 to ensure citizen participation. It still needs to frame a local procurement law and the user's committee guideline. Regarding users' contribution, the Municipal Assembly decided: 1) 15% for infrastructure projects, mainly road construction; 2) 10% for community or public building construction; and 3) 10% for construction of infrastructure for women and child related programs such as the Child Park. For further promotion of civil engagement, the municipality also formulated the Internal Co-financing Criteria 2077.

According to the Mayor and the Chief Administrative Officer, the municipality undertook open discussion with civil society, professional groups, and interest groups before formulation of policies and programs. Moreover, it carried out financial audit, public hearing and information uploading in its website to ensure responsiveness, transparency, and accountability to citizens. However, it has not formed various committees yet as per the Good Governance Promotion Strategy and Action Plan (2017) (Table 7-20).

Table 7-20 Status of committees for citizen participation in Budhanilkantha Municipality

	Name of Committee	Status of establishment	Remarks
1	Good governance promotional and monitoring committee	Yes	It was established in 2017. It is also called as the public service delivery and capacity development committee.
2	Public hearing implementation committee	No	In February 2018, the public hearing was held ward-wise in which media and different organizations participated. It was also held in January-February 2021.
3	Social audit implementation committee	No	
4	Grievance redress and management implementation committee	No	The concerned division has received grievance.

Note: As of March 2021

7.5.3 Office facilities

Insufficient office space and equipment. A new municipal office building was constructed in 2019. Although it has greatly improved the working and service environments, the space was still not sufficient. The municipality allocated some budget in FY 2020/21 to construct additional floor for the office. Municipal officials also reported that they did not have enough vehicles and motorbikes for the implementation and monitoring of service delivery.

7.6 Sunkoshi Rural Municipality

7.6.1 Profile of the Rural Municipality

Sunkoshi Rural Municipality is one of the nine local governments in the hilly District of Sindhuli with seven wards. It was created by merging five VDCs. The basic information of Sunkoshi Municipality is provided in Table 7-21.

Table 7-21 Profile of Sunkoshi Rural Municipality

Population	21,473
Area (sq. km)	154.68
Ethnic composition of the population (%)	Chhetri 18.8, Bramhan 10.9, Janajati 47.2, Dalit 8.6, Other 14.5
Number of assembly members	50 (Male 25, Female 25)
Party composition of the assembly (%)	CPN 75, Nepali Congress 25
Ethnic composition of assembly members (%)	Janjati 47.5, Dalit 17.5, Others 35
Number of the municipal government employees	Permanent 19, Contractual 20 (as of September 2019)
Annual budget (NPR millions)	[2019/20] 371, [2018/19] 384
Annual expenditure (NPR millions)	346
Local tax and non-tax revenues (NPR millions)	[2018/19] Tax 3.5, Non-tax 13.9

Source: Sunkoshi Rural Municipality

7.6.2 Current situation of the implementation of governance functions

The survey team was unable to update the information on Sunkoshi Rural Municipality in April 2021 because the access to the municipality was not possible through online facility. As a result, the following information is based on only the first assessment conducted in 2019.

(1) Development planning

Sunkoshi Rural Municipal prepares annual plan every year. It has yet to develop periodic plan. In annual planning, it follows the LGOA and the Local-level Plan Formulation Guideline (2018-19) (model) provided by the NPC, budget guidelines from the federal and provincial governments.

Vice-Chairperson led the annual planning process for FY 2019/20 with involvement of all elected officials and municipal officers. Among the committees involved, the Budget and Program Formulation Committee played a leading role. NGOs and development partners were also involved.

The involvement of the federal and provincial governments was minimal. They only provided budget ceilings and guidelines on fiscal transfer. Both the Local-level Plan Formulation Guideline and the budget guidelines instruct alignment of local programs and projects with the Five-Year Plan, SDGs and federal policies on GESI and fundamental rights of people. However, there was no coordination between the rural municipality and other levels of governments. The municipal officials pointed out that the projects funded by the federal or provincial government had been implemented in the jurisdiction of the municipality without consultation.

According to municipal officials, Sunkoshi Municipality prepared the annual plan for FY 2019/20 following the steps and timeline specified in the Local-level Plan Formulation Guideline. First, the municipality held a meeting in each settlement to collect public demands and make a list of projects. They reported that 70% of the population had participated in the process. Second, the ward offices and sectoral committees of the municipality discussed the project lists and prioritized them in accordance with the criteria set in the LGOA and the need of settlements. The Rural Municipal Assembly approved the annual plan by the end of the previous fiscal year.

Formulation of periodic plan. This issue was highlighted as one of the most important issues in Sunkoshi Municipality at the time of the first survey. In the absence of periodic plan, the municipality carried out project prioritization and resource allocation without consideration of long-term development goals and impact. The political influence and interests dominated the decision making in the formulation of annual plan.

Establishing a rigorous mechanism for prioritization. The officials interviewed reported that setting up a more rigorous mechanism for prioritization and improvement of planning skills of officials would be critical to better manage the annual planning process. They reported that prioritization of projects had been the most challenging task since a big gap existed between the demand of people and resource envelope. They also recognized the need for capacity development in development planning.

Capacity building in planning. The Chairperson and Vice-Chairperson interviewed during the first assessment survey emphasized the need for capacity building of officials in planning. It was reported that neither elected members nor public officials had received training in planning. Training needs were identified in the following areas: 1) result-based planning and budgeting; 2) inclusive planning; 3) incorporation of cross-cutting issues into plans; 4) project prioritization; 5) monitoring and evaluation.

Coordination among three levels of governments in the planning process. The officials interviewed reported that the lack of coordination between the municipality, provincial and federal governments had created the risk of duplication of projects and overstepping jurisdiction among three levels government.

(2) Budget management

Financial resources

Sunkoshi Rural Municipality has three categories of financial resources – 1) tax, 2) non-tax, and 3) grant. The municipality collected NPR 3,505,000 from taxes and NPR 13,920,000 from non-tax resources in FY 2019-20. The total grant received from the federal government was NPR 262,988,300 in which NPR 92,497,300 was equalization grant and NPR 170,491,000 was conditional grant.

The municipality collects several types of taxes: 1) land tax; 2) integrated property tax; 3) house rent tax; 4) natural recourse use tax; 5) business tax; 6) vehicle tax; 7) entertainment tax; 8) advertisement tax. The non-tax revenues include: 1) firm registration and renewal fee; 2) building map approval fee; recommendation fee; 3) tender fee; 4) revenue from natural resources; and 5) penalty collection. Revenue from natural resources is shared with provincial government as per Intergovernmental Fiscal Arrangement Act.

Revenue Section of the municipality is responsible for tax and non-tax administration. No specific section has been established for grant administration. Municipal Financial Act was introduced for tax and non-tax administration.

Expenditure

Administration, Account, Planning and Monitoring Section is responsible for the formulation of budget in the municipality. The municipality received budget ceiling and guideline from the provincial government in the second week of April 2021 and decided budget ceilings based on resource projection on April 22. The municipality announced a guideline with budget ceilings to wards on April 27. The municipality usually submits the list of projects to the provincial government around the last week of May and annual budget to the assembly on June 25. The Local Government Operation Act 2017 makes provision that annual budget should be submitted before June 25. The budget execution rate of the municipality was 90% in FY 2018/19. This is rather high compared to other municipalities.

(3) Project management

The survey team was unable to update the information on project management of Sunkoshi Rural Municipality in March 2021 because of the COVID-19 pandemic.

(4) Human resource management

Sunkoshi Rural Municipality filled all positions and completed personnel adjustment by the time of the first assessment survey and prepared their TOR. The present situation of the municipality on HRM is not known. The organogram of the municipal government is provided in Appendix 3.

Mismatch of supply and demand in municipal personnel. The municipal officials attributed the relatively fast pace of adjustment to the location of the rural municipality that is close to Kathmandu, and competence of progressive administration. However, they reported some cases of mismatch between the qualifications of adjusted personnel and the requirement of the municipal government. They also pointed out that the positions created by the federal government do not always fit their needs. They reported in the first survey that the implementation of an O&M survey would be pending until the FCSA and PCSA are in place.

Limited training opportunities for municipal officials. The officials interviewed during the first survey reported that little training opportunities had been provided for municipal officials. Chairperson and Vice-Chairperson received some orientations whereas officers and assembly members received no orientation/training from the federal or provincial governments. It was reported that the key areas of training include: 1) planning and project prioritization; 2) judicial administration; and 3) legislative procedures.

(5) Legislature

Sunkoshi Rural Municipal Assembly consists of 50 elected members. It formed the Legislative Committee and the Municipal Executive established five thematic/sectoral committees. According to the Chairperson and Vice-Chairperson, all the committees have been established with TOR and holding meetings regularly.

Table 7-22 shows the laws that the Municipal Assembly has endorsed. It is based on the information collected from the municipal government in the first survey and its website, which might not provide a complete list. The Municipal Executive also framed various regulations, procedures and guidelines.

Table 7-22 Laws developed by Sunkoshi Rural Municipal Assembly

1. Organization Registration Act 2020	8. Appropriation act 2019/20
2. Financial Act 2020/21	9. Financial Act 2018/19
3. Appropriation Act 2020/21	10. Appropriation act 2018/19
4. Municipal Police Act 2019	11. Financial Act 2017/18
5. Health and Sanitation Act 2019	12. Appropriation Act 2017/18
6. Rural Municipality Agro Business Promotion Act 2019	13. Cooperative Act
7. Financial Act 2019/20	14. Organization Registration Certificate Act
	15. Elderly Citizen Act

Source: Sunkoshi Rural Municipality and its website (<https://sunkoshimunsindhuli.gov.np/act-law-directives>)

During the first assessment survey, it was reported that Sunkoshi Rural Municipal Assembly and Municipal Executive had been developing laws, regulations, and guidelines by localizing model laws and regulations provided by the federal government. Otherwise, the municipal government followed federal legislations. In localizing model laws and regulations, the municipality consulted external

experts and the public, if necessary, and this consultation process was reportedly working well as the municipality had not received grievance from citizens.

Enactment of more laws and regulations. The municipal officials interviewed during the first assessment survey identified about 25 laws and rules/regulations/procedures that would need to enact including 15 legislations on concurrent jurisdictions.

Changing mindset of lawmakers. During the first survey, the Chairperson stressed that a major challenge would be to transform mindset of assembly members to meet their new responsibility as local government under federalism. Other challenges identified by elected members of the assembly include: 1) internalization of the federal system; 2) result-based planning; 3) budgeting; 4) prioritization of projects; and 5) enhancement of judicial performance.

(6) Judiciary

The Judicial Committee consists of Deputy Mayor as chairperson and two assembly members selected by the Rural Municipal Assembly in accordance with the LGOA, Muluki Samhita (General and Civil Code) and the Mediation Act. For the settlement of each dispute, the committee also applies other federal and municipal laws relevant for respective cases.

The Judicial Committee performs their responsibilities in cooperation with Medication Centers it established, CSOs/NGOs, Nepal Police, Chief District Officer and the Community Policing Center. The committee has no legal advisor hired by the rural municipality, and yet supporting staff deputed from the provincial government provides help the operation of the committee.

In the area of law enforcement, Nepal Police, Chief District Officer, and the community itself work for maintaining law and order in the rural municipality.

At the time of the first assessment, the Judicial Committee was actively working and well-responding to high demand for its work. 51 disputes were brought into the committee in FY 2018/19, among which 35 were settled through mediation and 16 through a regular judicial process. The average time for dispute settlement was a month for the former and two months for latter. Both are less than the limit of three months prescribed in the LGOA. Meeting increasing demand, the municipality increased allocation of budget to the committee from NPR 200,000 in FY 2018/19 to NPR 1,000,000 in FY 2019/20.

Clarifying the dispute settlement process and enhancing knowledge and skills. According to the Coordinator and members of the committee, the dispute settlement process is not clearly stipulated in the laws.

Enhancing legal knowledge and mediation skills. The municipal officials interviewed in the first survey reported that all concerned personnel, including the coordinator and members of the committee, mediators deployed at the ward level and supporting staff deputed by the provincial government, need to enhance their legal knowledge and mediation skills. They suggested that the federal government would provide technical support of expert to help them improve the operation of the committee.

(7) Gender equality and social inclusion

The Women, Children and Social Development Unit of Sunkoshi Municipality is responsible for policy making and formulation and implementation of programs on GESI. Only one staff has been deputed to this Unit. The clause 83 of the LGOA 2017 stipulates that local governments need to conduct O&M survey for their organization structure, but Sunkoshi Rural Municipality had not conducted it. The municipality therefore has not decided how many positions are needed for each Unit/Section.

The budget for GESI in FY 2018/2019 was about NPR 4 million and all most 100% was executed. Sunkoshi Rural Municipality formulated the Women and Children Development Policy, the Children Protection Policy and the Senior Citizen Act in FY 2018/2019. Now the Local Disable related policy and law are under preparation. The following major achievements of GESI activities were reported: 1) increase in self-employment among women; 2) establishment of Senior Citizen Committee and implementation of welfare activities; and 3) enhancement of capacity of *dalit* people. The budget execution rate was very high but not enough to carry out the GESI activities because the municipality puts less priority on GESI than infrastructure and other social sectors. Thus, there is a resource gap to conduct GESI program. Gender responsive budget has not been applied for the budget at the local level. Sunkoshi Rural Municipality faces the challenge of creating employment opportunities especially for women and the differently able people. Moreover, mobilization and management of severely disabled people is considered as another issue.

(8) Citizen engagement

Sunkoshi Rural Municipality followed the Procurement Law of federal government. Municipality needs to formulate the users' committee participation laws and policies in the local context. To engage citizen in policies, plans and operations of local government, Sunkoshi Rural Municipality holds open discussions with civil society, professional groups and interest groups. In addition, it conducted financial audit, public audit and social audit. At the time of the first survey in September 20219, it has yet, however, to establish various committees except for the public hearing implementation committee, to ensure the citizen participation (Table 7-23).

Table 7-23 Status of establishment of committees to ensure citizen participation

	Name of Committee	Status of establishment	Remarks
1	Good governance promotional and monitoring committee	No	
2	Public hearing implementation committee	Yes	It was established on June 15, 2019 to arrange public meetings.
3	Social audit implementation committee	No	
4	Grievance redress and management implementation committee	No	Grievances have been handled by the Chairperson, Vice Chairperson, Chief Administrative Officer, or the judicial committee. Grievance is neither unsolved nor pending.

Note: As of September 2019.

7.6.3 Office facilities

Insufficient office space. The survey team was not able to obtain the present status of office facilities in the second survey. At the time of the first survey, the municipal office building was small and hampering smooth operation of the municipal government. Particularly, the operation of the Judicial Committee was affected by the lack of proper space for judicial proceedings.

8 Effects of COVID-19 and government responses

8.1 Effects of COVID-19 on economy and society

8.1.1 Trends of the COVID-19 pandemic

The first case of COVID-19 in Nepal was reported on January 23, 2020.⁸⁶ The patient was a Nepali national who had returned from Wuhan City in Hubei Province of China, where the first case of COVID-19 was reported in December 2019.

Like many other countries in the world, Nepal has been experiencing repeated surges and declines in COVID-19 since January 2020. The daily new confirmed COVID-19 cases increased rapidly from August 2020 and touched a high of 5,743 cases on October 21, 2020. After this peak, daily new cases declined until March 2021, but started increasing again in April 2021.⁸⁷

A comparison of Nepal with some neighboring countries such as India, Pakistan, and Bangladesh can shed some light on the pattern of COVID-19 in Nepal (Figure 8-1).

First, the trend of the outbreak in Nepal appears to have followed a similar pattern as that in India, although Nepal tended to lag behind India by about a month or so. In contrast, the trends in Bangladesh and Pakistan were considerably less similar with that in Nepal.

The similar patterns for Nepal and India may be associated with the proportion of Nepalese migrants to India who account for more than a third of Nepalese international emigration.⁸⁸

Second, Nepal recorded the highest number of new COVID-19 cases per million people among the four countries from October 2020 to January 2021. This indicates the extent of severity of the outbreak in Nepal during this period.

Finally, the daily new confirmed COVID-19 cases per million people have been spiking again since late March 2021 in all four countries. Although the number of Nepal's new cases was lower than those in the other countries as of April 15, 2021, the trend in the other countries, particularly India, has been a cause of concern because Nepal's trend tends to follow India's with some lags.

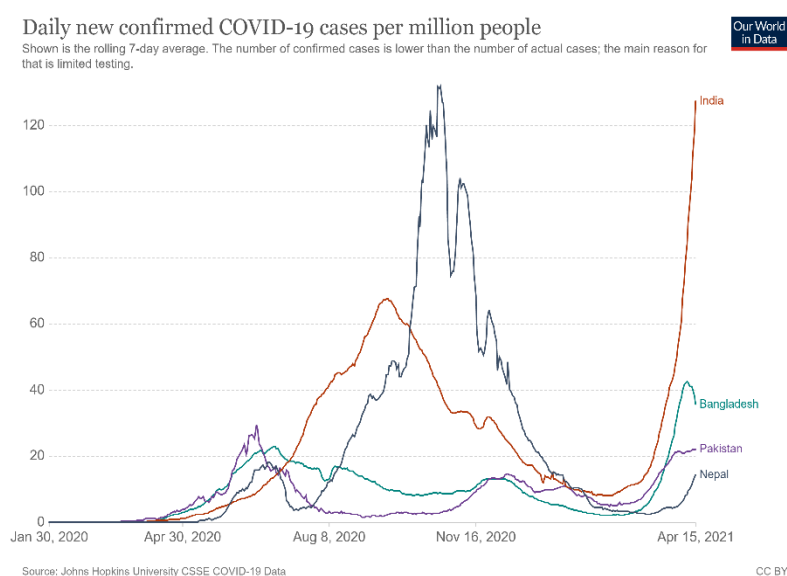


Figure 8-1 Daily new confirmed COVID-19 cases per million people

⁸⁶ Ministry of Health and Population (2020).

⁸⁷ Our World in Data (OWID) COVID-19 Dataset (April 16, 2021).

⁸⁸ Figure 42, Sharma, et.al (2014).

8.1.2 Effects of COVID-19 on the economy, society, and public finance

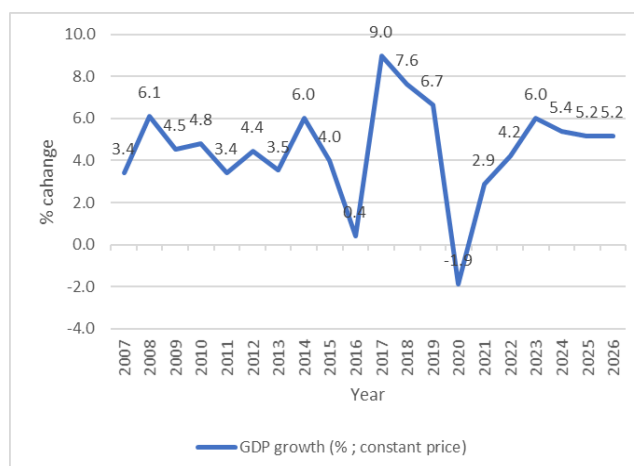
(1) Economy

Economic growth

Like in many other countries, Nepal's economy was severely affected by the COVID-19 pandemic in 2020. According to the IMF World Economic Outlook issued in April 2021, Nepal's real GDP growth dropped sharply from 6.7% in 2019 to -1.9% in 2020 (Figure 8-2).

It should be noted that the adverse impact of COVID-19 on economic growth is even larger than the devastating economic impact of a major earthquake that hit Nepal in April 2015, as a result of which real GDP growth dropped to 0.4% per annum.

The real GDP growth in Nepal is estimated to bounce back to 2.9% in 2021. However, GDP growth in 2022–2026 is projected to hover between 5% and 6%, a modest level compared with the robust growth period immediately before the COVID-19 pandemic in 2017–2019.

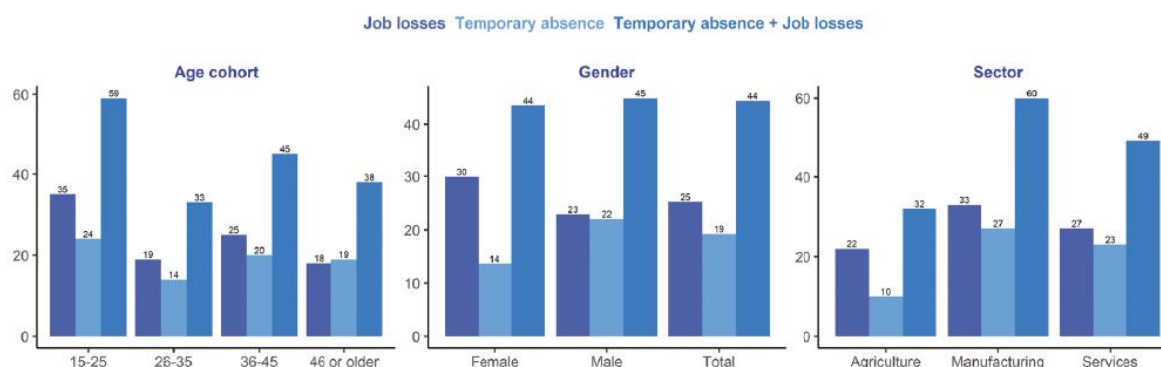


Source: IMF (2021). World Economic Outlook database, April.

Figure 8-2 GDP growth in Nepal 2007–2026

Jobs and employment

The COVID-19 pandemic caused widespread losses in employment among the economically active population in 2020, according to the World Bank COVID-19 monitoring survey (Figure 8-3).⁸⁹



Source: World Bank's Random Digital Dialing Survey.

Figure 8-3 Losses in effective employment (% of economically active population) in 2020

First, the incidence of job losses or temporary absence caused by the pandemic was the highest among workers aged 15–25 at 35% and 24%, respectively. The adverse impact appears to be less severe among the older age cohorts; nevertheless, 18% of workers aged 46 years or older have lost their jobs

⁸⁹ This figure is adopted from Figure 10 of the World Bank report (2021). In the World Bank monitoring survey, economically active population is defined as current labor market participants (either working for pay or unemployed in the past seven days prior to the interview), or those who were ever employed in 2020.

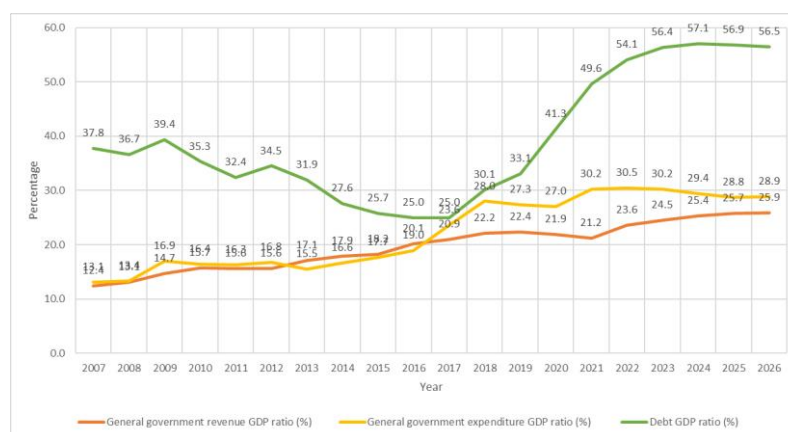
permanently. Second, the pandemic-driven loss of employment was much higher among female workers (30%) than male workers (23%). Finally, the rate of job losses or temporary absence in the working population was the highest in the manufacturing sector at 60%, followed by 49% in the service sector and 32% in the agriculture sector. It should be noted that the extent of job losses in Nepal was the largest among the South Asian countries where the World Bank conducted similar monitoring surveys.⁹⁰

Tourism is arguably the hardest hit industry by the COVID-19 pandemic in Nepal. International tourist arrivals saw a sharp decline in 2020 and remained extremely low as of April 2021 (Figure 8-4). The recovery of tourism and related industries such as hotels, restaurants, and transport will likely be dependent on the extent to which the COVID-19 pandemic is contained in Nepal and around the world.

(2) Public finance

The COVID-19 pandemic triggered a drop in public revenues, particularly tax revenues, in 2020. Public revenues relative to GDP declined from 22.4% in 2019 to 21.9% in 2020 (Figure 8-5). This drop was precipitated by falling trade-related taxes, value-added tax, and excise tax because of trade restrictions, supply chain disruptions, and weak demand in 2020.⁹¹ Public revenues as a percentage of GDP are projected to decline further in 2021 but rise from 2022 onward.

Responding to a decline in government revenues, the government tightened the spending on capital expenditure to curb fiscal deficit in 2020, while increasing health-related recurrent expenditure to address COVID-19. Overall, government expenditure relative to GDP declined slightly from 27.3% in 2019 to 27% in 2020. Government expenditure is projected to increase to around 30% of GDP from 2021 to 2023.



Source: IMF (2021). World Economic Outlook database. April.

Figure 8-5 Trends in government revenue, expenditure, and debt

The pandemic has accelerated the trend of a growth in public debt in Nepal. Even before COVID-19, the debt-GDP ratio had risen from 25% in 2016 to 33% in 2019. Amidst the pandemic, the ratio reached 41% in 2020 and has climbed up further to nearly 50% in 2021. However, the risk of fiscal distress in Nepal appears to be low, according to a debt sustainability analysis (DSA) conducted jointly by the IMF and World Bank in April 2020. The report concluded that “Nepal continues to be assessed at low risk of

⁹⁰ World Bank (2021)

⁹¹ World Bank (2021)

distress for both the external and public debt.”⁹²

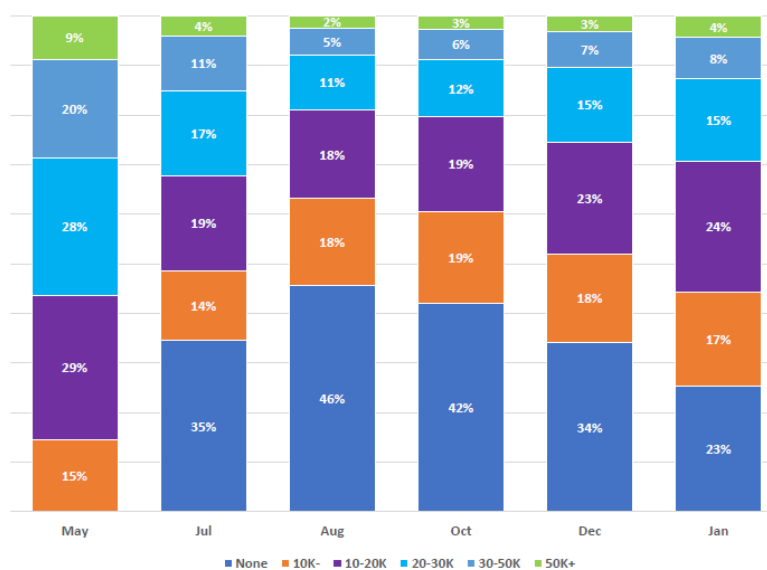
(3) Society

Income poverty

Measuring the precise impact of COVID-19 on poverty and inequality requires a full-scale household survey that has yet to be conducted in Nepal. However, the Child and Family Tracker, which involved monthly socio-economic surveys of households with children from May 2020 to January 2021, provides indicative evidence on the changing income poverty scenario in Nepal.⁹³

Figure 8-6 shows the change in the percentage of households with children according to six income groups: (1) no earnings; (2) less than 10K NPR; (3) 10–20K NPR; (4) 20-30K NPR; (5) 30–50K NPR; and (6) 50K+ NPR. The first two income groups are at significant risk of income poverty.

The surveys revealed that the percentage of households at significant risk of income poverty more than tripled from 15% in May 2020 to 49% in July 2020, resulting from the national lockdown imposed by the government in response to the COVID-19 pandemic in the end of March 2020. The percentage of those poor households continued increasing to reach 64% in August 2020. As the government started relaxing the lockdown measures gradually after August, the percentage of poor households started declining gradually to 61% in October, 52% in December, and 40% in January 2021. Although there are some signs of recovery, the percentage of the poor at 40% in January 2021 is still much higher than the 15% in May 2020.



Source: UNICEF (2021). Child and Family Tracker. January

Figure 8-6 Income of households with children May 2020–January 2021

Education

The COVID-19 pandemic has had an impact on where and how children study. According to the Child and Family Tracker by UNICEF, 70% of the households interviewed reported in October 2020 that their children were undergoing “home schooling” (Figure 8-7). The percentage of “home schooling” students declined sharply to 14% in both December 2020 and January 2021, reflecting the decline in COVID-19 cases and increased confidence to return to school over time. Second, responding to the question about how their children were studying, 15% of the households reported in October 2020 that their children had used “textbooks for this year,” and this percentage increased dramatically to 70% in December 2020 and 90% in January 2021. By contrast, “self-study” by children declined from 47% in October 2020 to just 4% in January 2021. The Child and Family Tracker in January 2021 also reported that the confidence level about sending children back to school had improved considerably in recent months. Only 49% of

⁹² IMF (2020)

⁹³ UNICEF (2021)

the households reported they were confident in October 2020, but the percentage increased to 70% in December 2020 and 80% in January 2021.

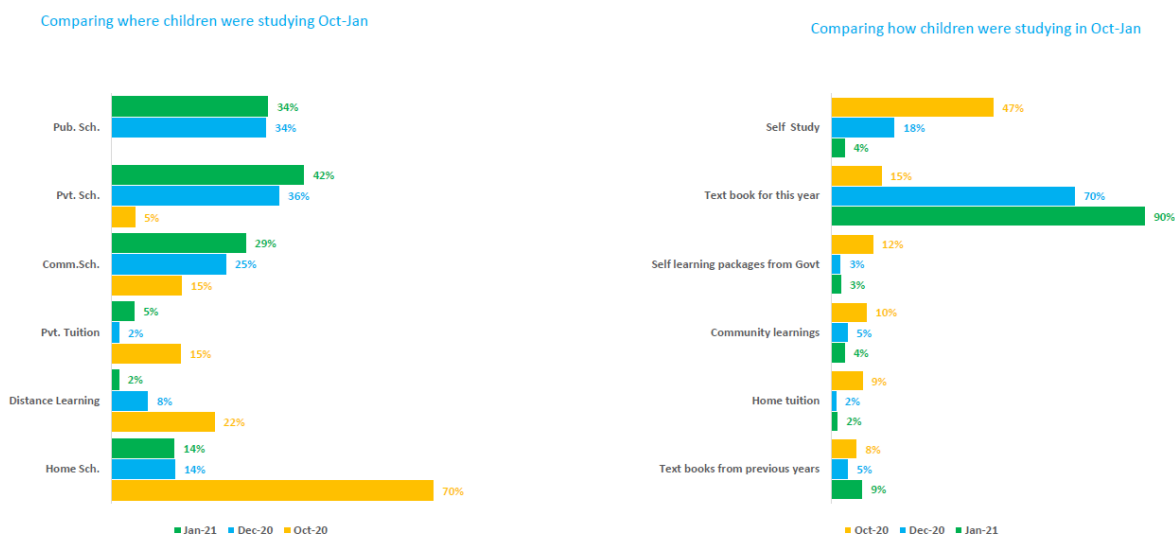


Figure 8-7 Where and how children study: October 2020 to January 2021

Nutrition

The COVID-19 pandemic has significantly affected food availability of low-income households with children. According to the Child and Family Tracker, the percentage of households struggling to provide sufficient food for family reached 51% in the low-income groups (households at significant risk of poverty with income below 10K NPR) in October 2020 (Figure 8-8).

The Child and Family Tracker conducted in October 2020 and January 2021 indicated improvements in food sufficiency in all income groups over time. The percentage of low-income households with food insufficiency declined to 33% in December 2020 and further down to 28% in January 2021. The decline in food insufficiency was also observed in higher income groups as indicated by the uniform downward shift of the curves in Figure 8-8.

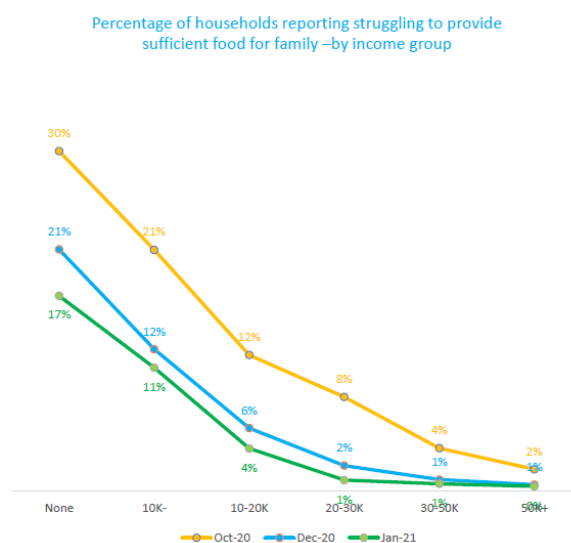


Figure 8-8 Food insufficiency by income group

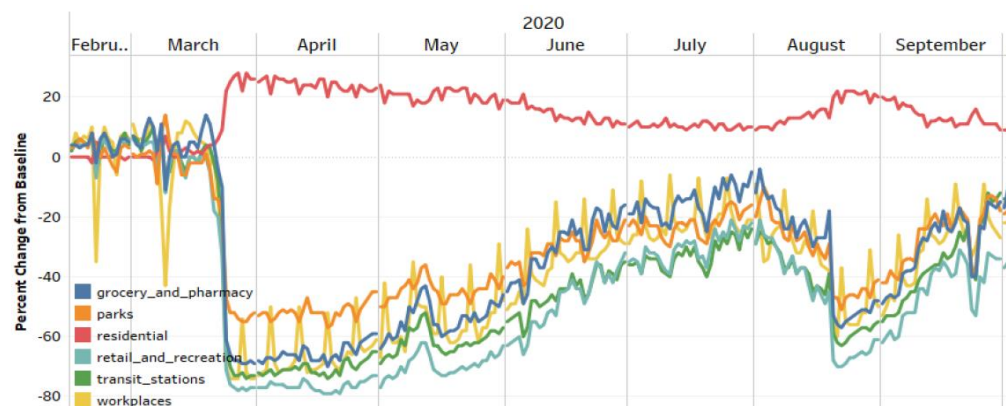
8.2 Government responses to COVID-19

8.2.1 Policy measures by the federal government

The government of Nepal took the first measures to prevent the COVID-19 pandemic on March 13, 2020. These measures included (1) suspension of arrival visa for foreign visitors; (2) submission of PCR test documentation upon arrival; and (3) self-quarantine for two weeks after arrival in Nepal. These measures were intended to be preventive since the number of confirmed COVID-19 cases was only one

at the time of announcement by the government.⁹⁴

These measures were followed by a nationwide lockdown on March 24, 2020. As part of this lockdown, the government ordered strict control on the movement of people within the country. This caused a dramatic reduction in public mobility (Figure 8-9).



Source: Google LLC "Google COVID-19 Community Mobility Reports" Accessed: October 6, 2020.

Source: Figure 1, Uematsu, Katwal and Maharajan (2020)

Figure 8-9 Changes in mobility patterns of people in Nepal in 2020

Trend of policy responses

Figure 8-10 shows the COVID-19 stringency index, a composite index based on nine policy response indicators on a scale of 0 to 100 (most strict), for the governments in Nepal and the three major neighboring countries.

A few points can be observed from the COVID-19 stringency index.

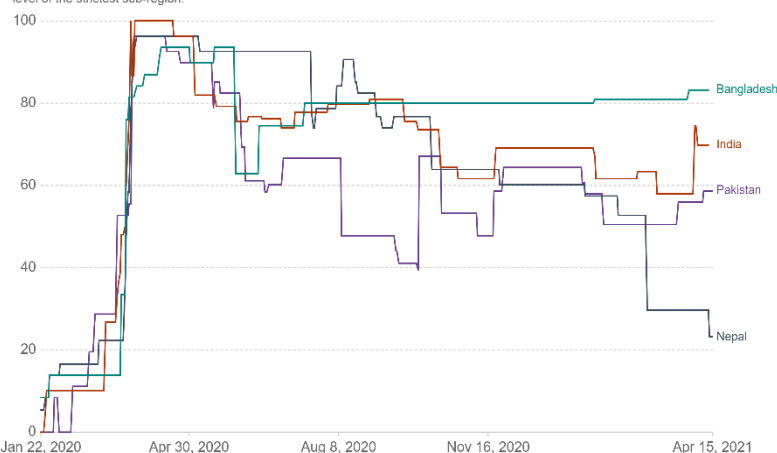
First, the timing of Nepal's first policy measures against the COVID-19 pandemic in March 2020 coincided with that in the major neighboring countries of India, Pakistan, and Bangladesh. From March to April 2020, all four countries retained highly stringent policy responses to fight the COVID-19 pandemic.

Second, Nepal maintained its stringent policy measures until October 2020, including a continuation of the lockdown in Kathmandu Valley. The same trend can be observed in India and Bangladesh during this period,

whereas Pakistan gradually relaxed restrictions from May to October 2020.

COVID-19: Stringency Index

This is a composite measure based on nine response indicators including school closures, workplace closures, and travel bans, rescaled to a value from 0 to 100 (100 = strictest). If policies vary at the subnational level, the index is shown as the response level of the strictest sub-region.



Source: Hale, Angrist, Goldszmidt, Kira, Petherick, Phillips, Webster, Cameron-Blake, Hallas, Majumdar, and Tatlow (2021). "A global panel database of pandemic policies (Oxford COVID-19 Government Response Tracker)." *Nature Human Behaviour*. – Last updated 23 April, 19:00 (London time) OurWorldInData.org/coronavirus • CC BY

Figure 8-10 COVID-19 stringency index in Nepal and neighboring countries

⁹⁴ COVID-19 database in Our World in Data (OWID) by Oxford University

Finally, as the first wave of the pandemic started subsiding after its peak in October 2020, the government of Nepal started relaxing restrictions faster than its neighboring countries (Figure 8-10). Those measures included the resumption of trekking and mountaineering in October 2020, and the reopening of schools in Kathmandu Valley, resumption of issuance of on-arrival tourist visas, and reopening of cinema halls in December 2020.

FY 2021 budget to support COVID-19-impacted individuals and firms

In addition to the above-mentioned policy measures, the government also adopted a set of support measures for individuals and industries adversely affected by the COVID-19 pandemic and associated measures such as the lockdown. The government made substantive allocations in the FY 2021 budget for the following policy areas: (1) work for relief program; (2) concessional loans; (3) discount on electricity fees; (4) refinancing facility; (5) extension of insurance policy; (6) support for migrant workers; (7) waiver of social security contribution; and (8) discount for domestic airlines. The details are described in Table 8-1.

Table 8-1 Support measures for individuals and firms affected by COVID-19

Policy area	Estimated cost	Description
1) Work for relief program	NPR 3 billion	<p>Objective: Provide relief support for workers in the informal sector impacted by COVID-19.</p> <ul style="list-style-type: none"> Provide wages to workers who are willing to participate in construction works initiated by the federal, provincial, and local governments Provide non-workers with food relief equivalent to 25% of daily wages paid to workers who participate in construction works
2) Concessional loans	NPR 14 billion	<p>Objective: Provide financial support to small- and medium-sized industries and the COVID-19-affected tourism sector</p> <ul style="list-style-type: none"> Create a fund of NPR 50 billion to provide loans at a 5% interest rate for the purpose of operation of business and payment of salaries
3) Discount on electricity fee	NPR 8 billion	<p>Objective: Reduce electricity fees for individuals and industries</p> <ul style="list-style-type: none"> Offer a 25% discount for individuals consuming electricity up to 150 units per month Offer a 15% discount for individuals consuming electricity up to 250 units per month Waive fees for individuals consuming electricity up to 10 units per month Offer a 50% discount on demand charges for industries during the lockdown period
4) Refinancing facility	NPR 20 billion	<p>Objective: Provide refinancing facility through Nepal Rastra Bank (NRB) for COVID-19-affected industries</p> <ul style="list-style-type: none"> Provide up to NPR 100 billion in refinancing at a 5% interest rate Businesses affected by COVID-19 in the agriculture, cottage, small and medium-sized enterprise, hotel, and tourism sectors are eligible
5) Extension of insurance policy	N.A.	<p>Objective: Provide extension of insurance policies for COVID-19-affected industries and transportation until the end of the lockdown</p>
6) Support for migrant workers	N.A.	<p>Objective: Provide support for bringing back Nepalese migrant workers overseas who have lost jobs, whose visas have expired, or who have health risks</p>
7) Waiver of social security contribution	NPR 1.5 billion	<p>Objective: Waive social security contribution of workers and firms during the lockdown period</p> <ul style="list-style-type: none"> The government shall make contributions on behalf of workers to the Social Security Fund during the lockdown period
8) Discount for domestic airlines	NPR 1.5 billion	<p>Objective: Provide discounts on parking fees, airline licensing renewal fees, flight qualification certification charge, and infrastructure tax on aviation fuel</p>

Source: Box 1, World Bank (2021). The original information in Box 1 was based on the information presented during the press conference by the Ministry of Finance after the announcement of the budget speech on May 28, 2020.

COVID-19 vaccination program

The COVID-19 vaccination program in Nepal started in February 2021. The share of people who have received at least one dose of the COVID-19 vaccine had increased to 6.5% by mid-April 2021 (Figure 8-11). Among the four countries compared, Nepal has covered a greater share of the population under its vaccination program than Bangladesh and Pakistan, and is behind only India, which has been producing COVID-19 vaccine domestically.

However, the shortage of vaccination supply remains a major concern in Nepal. Nepal had been primarily importing vaccines from India until the latter started restricting exports and boosting its domestic vaccination drive as COVID-19 cases have been skyrocketing in India since late March 2021.

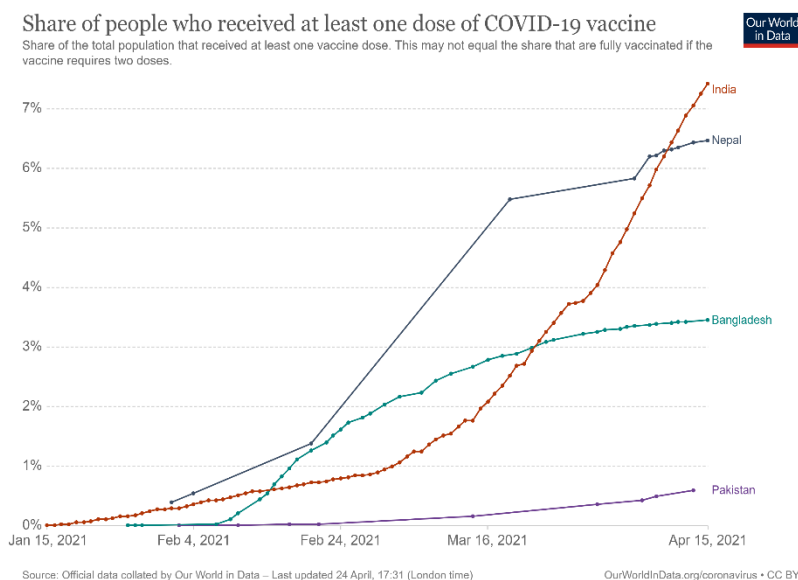


Figure 8-11 People who received at least one dose of COVID-19 vaccine

8.3 Effects of COVID-19 and government responses

8.3.1 Province 1

(1) COVID-19 situation in Province 1

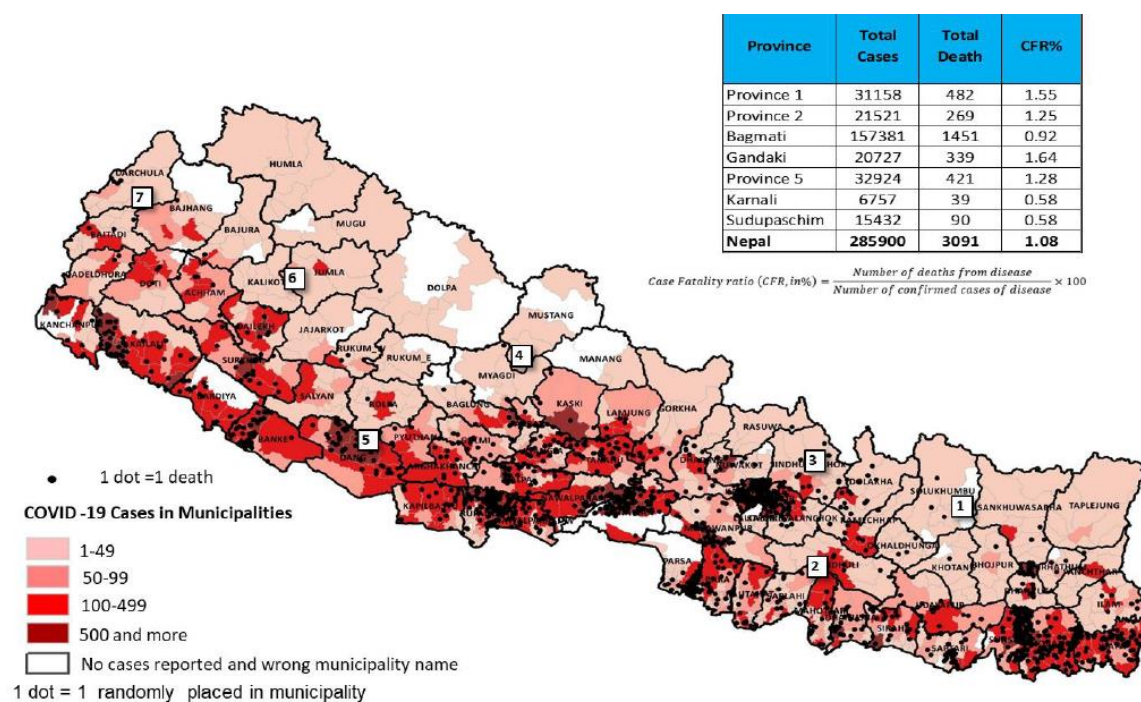
In Province 1, the cumulative confirmed COVID-19 cases reached 31,158 as of April 20, 2021 (Table 8-2), the third highest among the seven provinces in the country and accounting for about 11% of Nepal's cases. The case fatality rate (CFR), or the number of deaths as a percentage of the cumulative number of confirmed cases, was 1.55 in Province 1, much higher than the national average of 1.08 and the second highest after Gandaki Province's CFR (Figure 8-12). The transmission of the pandemic in Province 1 has predominantly happened through well-defined clusters that are not directly linked to imported cases, but are all linked by time, geographic location, and common exposures. The high number of cumulative confirmed cases in Province 1 may be explained at least partly by cross-border movements of people to and from India through the southern border of Province 1.

Table 8-2 COVID-19 cases, deaths, and transmission by province (April 20, 2021)

Province	Total confirmed cases	% of the total cases	Total deaths	Transmission classification	Total confirmed cases in the last 14 days	Total deaths in the last 14 days
Province 1	31,158	10.9	482	Cluster of cases*	438	0
Province 2	21,521	7.5	269	Cluster of cases	560	3
Bagmati	157,381	55.0	1,451	Cluster of cases	3,975	23
Gandaki	20,727	7.2	339	Cluster of cases	671	5
Province 5	32,924	11.5	421	Cluster of cases	1,536	12
Karnali	6,757	2.4	39	Cluster of cases	173	1
Sudurpashchim	15,432	5.4	90	Cluster of cases	337	3
Total	285,900	100.0	3,091	Cluster of cases	7,690	47

* Cases detected in the past 14 days were predominantly limited to well-defined clusters that were not directly linked to imported cases, but linked by time, geographic location, and common exposures. It is assumed that there are a number of unidentified cases in the area. This implies a low risk of infection to others in the wider community if exposure to these clusters is avoided.

Source: WHO (2021). *Nepal Situation Update #53 Coronavirus Disease 2019*. Reporting Date: April 13–19, 2021.



The boundaries shown used in the maps in this document do not imply the expression of any opinion whatsoever on the part of the World Health Organization concerning the legal status of any country, territory, city or area or of its authorities, or concerning the delimitation of its frontiers or boundaries.

Source: WHO (2021). *Nepal Situation Update #53 Coronavirus Disease 2019*. Reporting Date: April 13–19, 2021

Figure 8-12 Cumulative confirmed COVID-19 cases in Nepal

(2) Government responses in Province 1

The provincial government of Province 1 on March 12, 2020 published a 23-point Action Plan to respond to and manage the COVID-19 pandemic. It also established a public protection fund of NPR 250 million and solicited funds from donor agencies and NGOs for protecting people from COVID-19.

The Swiss Government provided significant support to the provincial government to fight COVID-19.

In addition, Tibet provided medical equipment worth NPR 100 million to treat patients infected by COVID-19.

Following the COVID-19 outbreak, the federal, provincial, and local governments took measures to expand their public health infrastructure to address the increasing need for medical services for COVID-19 patients.

Province 1 established a COVID-19 Treatment Center at Koshi Hospital with facilities such as isolation centers, quarantine holding centers, ICU beds, ventilators, and treatment centers. As of February 2021, it had a capacity of 4,354 general beds, 380 ICU beds, and 174 ventilators (Table 8-3). Among the seven provinces in the country, Province 1 has the second highest capacity in all three categories—general bed, ICU, and ventilators—after Bagmati Province. The number of laboratories for PCR tests has increased significantly from 1 before the COVID-19 outbreak to 83 as of February 2021.

Table 8-3 Development of public health infrastructure after COVID-19 by province

Province	Before COVID-19				After COVID-19 (February 2021)			
	General Bed No.	ICU	Ventilator	Lab/PCR	General Bed No.	ICU	Ventilator	Lab/PCR
Province 1	4,048	344	164		4,354	380	174	
Province 2	1,910	45	21		2,134	64	36	
Bagmati	3,209	421	139		5,314	556	255	
Gandaki	2,735	183	57		3,023	232	68	
Province 5	912	70	13		1,787	83	27	
Karnali	986	50	24		1,127	117	39	
Sudurpashchim	1,096	35	24		1,198	54	35	
Total	14,896	1,148	442	1 lab ⁽¹⁾	18,937	1,486	634	83 labs ⁽²⁾

Notes: (1) Six lab technicians at Sukraraj Tropical Hospital. (2) The number includes PCR test labs at the LG level and 5 labs with 110 lab technicians at Sukraraj Tropical Hospital.

Sources: HEOC, MoHP

8.3.2 Bagmati Province

(1) COVID-19 situation in Bagmati Province

Bagmati Province was the most severely affected province among the seven provinces in Nepal. The total number of confirmed COVID-19 cases in Bagmati Province was 157,381, or 55% of the national total, as of April 20, 2021 (Table 8-2). The death toll in Bagmati Province reached 1,451 or 47% of the total deaths in Nepal. The case fatality rate (CFR), or the number of deaths as a percentage of the cumulative cases, was 0.92 in Bagmati Province, somewhat lower than the national average of 1.08 (Figure 8-12). The relatively low CFR in Bagmati Province may be associated with better access to public health infrastructure in the Kathmandu area than the rest of the country.

The transmission of the pandemic in Bagmati Province has predominantly occurred through well-defined clusters like in the other provinces. The high population density in Kathmandu Valley as well as the high rate of movement of people in and out of Kathmandu through both air and ground transport may explain the high COVID-19 rate in Bagmati Province.

(2) Government responses in Bagmati Province

Bagmati Province implemented the nationwide lockdown imposed by the government of Nepal on March 20, 2020. This lockdown continued until the government announced relaxations on June 15, 2020. This helped bring down the number of COVID-19 cases for a while. However, Bagmati Province started experiencing the second wave of the COVID-19 pandemic in Kathmandu Valley, and imposed an even stricter lockdown in that area from August 24 to September 17, 2020. This lockdown helped contain the pandemic significantly, leading to the reopening of schools in Kathmandu Valley in early December 2020.

In addition to the two lockdowns, the Bagmati Provincial government responded to the pandemic with significant public health measures. It established a provincial fund of NPR 444 million and provided financial support to local governments to strengthen public health services against COVID-19. Bagmati Province increased the health infrastructure capacity by 65% in the general bed category, 32% in ICU, and 33% in ventilator following the COVID-19 outbreak (Table 8-3). PCR labs were also established in Bhaktapur, Dhulikhel, Hetauda, Sindhuli, Trishuli, and others, with the total number of labs in the province rising to 43 as of February 2021.

(3) Other effects of COVID-19 in Bagmati Province

COVID-19 has had noticeable effects on government operations both at the provincial and local level.

For example, it was reported that the number of provincial assembly meetings of Bagmati Province had nearly halved to 24 times in 2020 compared with the previous year. The number of officials who met to discuss matters such as budget had to be reduced to maintain social distancing, and the time for the discussions had to be shortened. Despite facing challenges and experiencing some delays, the provincial government managed to discuss the annual budget and development planning by taking all steps required by the rules and regulations.

9 Directions of JICA cooperation

9.1 Current situation and issues of transition under the federal system

Nepal made the transition to a federal, democratic republic with the promulgation of the Constitution of Nepal 2015, and the government of Nepal has made remarkable achievements in the last five years. Concretely, the country held general elections at the three levels of governments; 7 provincial governments and 753 local governments were newly established around the nation; the federal government enacted numerous laws, regulations, and guidelines to support the provincial and local governments; personnel adjustment from the federal to provincial and local civil services has been undertaken; provincial and local governments started enacting numerous laws and regulations at their respective levels; with the DPs that support the transition to federalism.

It is true that the COVID-19 outbreak has been imposing major constraints on the operation of all branches of government at all levels since early 2020. However, even amid the pandemic, some new laws, regulations, and guidelines had been enacted at all levels of government, and the federal government had operationalized a major support scheme for sub-national governments through the PLGSP, a flagship governance program, and other governance projects with the support of DPs.

A group of governance experts succinctly summarize the nature of the transition of Nepal in the following statement: “Implementing the shift to federalism in Nepal is a big task – one that only a few low-income countries around the world have attempted.”⁹⁵ Five years since the transition to federalism, however, many people might think that the reference to “a big task” in the above-mentioned expert statement should have perhaps been “an enormous task.” Indeed, the current survey found that Nepal continues facing numerous challenges and needs to address many key issues in all government functions studied in this survey. In addition to those challenges and issues in federalism, the COVID-19 pandemic has been requiring a new set of government interventions to mitigate the adverse impacts of the outbreak on the economy and society in Nepal.

Key issues in federal government

One of the most critical roles of the federal government in the transition under federalism is institutional development through laws, regulations, and guidelines (see Table 9-1 for a summary of key issues). Since the Constitution assigns legislation of concurrent powers only to the federal government, any delay in legislating can cause delays in the other activities that work toward implementing the transition to federalism.

Indeed, the survey found that the delays in the passage of some critical laws by the federal government have been causing major delays in the legislative activities of the provincial and local governments, hindering the transition to federalism. A case in point is the enactment of the Federal Civil Service Act (FCSA) in human resource management. The delay in the passage of the FCSA has been causing major delays in the enactment of the PCSA and the LCSA. This has been imposing various constraints on recruitment, assignment, promotion, and training of civil servants of provincial and local governments, resulting in the delays in administrative decentralization.

Regarding capacity building of civil servants, there is no federal policy or strategy on capacity building of civil servants necessary for transition under federalism as of today. The preparation of a new national training policy is underway, and yet, the roles of federal training institutions for capacity building of

⁹⁵ Page ii, World Bank and UNDP (2019)

provincial and local civil servants remain vague, and their training activities have been undertaken without medium- to long-term visions and objectives.

Key issues in provincial governments

Provincial governments in Nepal are a newly created body under the Constitution. In the federal system, provincial governments are expected to become a lynchpin in socio-economic development and service delivery in the respective regions. To this end, one of the critical functions of provincial governments is to perform “vertical coordination” with the federal government and local governments on the one hand, and “horizontal coordination” with other provincial governments on the other.

The National Assembly enacted the Federal, Provincial and Local Level (Coordination and Interrelation) Act (2020) to further clarify the ways of coordination and cooperation among the three levels of government. This is certainly an encouraging development enabling the provincial government to serve as a nexus between the three levels of government.

The most fundamental issue in provincial government is that the governance mechanism to lead and implement regional development has not been fully developed, and human resources for implementing the governance mechanism have not been developed sufficiently. The governance mechanism here includes, *inter alia*, development planning, budget management, project management, judiciary, and cross-cutting functions such as GESI and citizen participation.

The periodic plan (five-year plan) has yet to serve as a planning tool for vertical coordination of development planning with the federal government and local governments in each province. The Provincial Planning Commission (PPC) of Province 1 recognized the need to strengthen data collection for development planning, particularly disaggregated data. Bagmati Province has also completed the formulation of the periodic plan, and yet it faces the similar challenges.

In addition, establishing a functioning human resources management system of provincial civil servants is a major challenge, and the capacity of provincial government needs to be developed at the institutional, organizational, and individual levels. More concretely, 1) institutional capacity: enact the PCSA after the promulgation of the FCSA; 2) organizational capacity: conduct O&M survey to articulate the organogram and required manpower, operationalize the Provincial Public Service Commission; and 3) individual capacity: provide training to provincial civil servants through training programs. There is also a need to consider opportunities of the elected members of the provincial assemblies to participate in training programs.

Regarding capacity building at the provincial and local levels, a good progress has been made by establishing the PCGGs as implementing agencies for the PLGSP after transfer of the regional development training centers under the LDTA to provincial governments. As mentioned earlier, however, the government has yet to present a medium- to long-term capacity building policy (or strategy), although the federal government has been formulating a new national training policy.

Furthermore, project management of public investment projects faces several challenges. In the rural road sector studied, low budget execution rates of public infrastructure projects emerged as a major challenge. In addition, despite the increasing number of infrastructure projects that have been transferred from the federal government, technically trained staff is in short supply, the quality of project plan is low, and time-overrun of projects is common. Some provincial governments made a progress to establish a provincial project bank (PPB) and introduced the guidelines for project formulation, appraisal, selection, and prioritization. However, capacity building of provincial personnel will be urgently needed to manage the PPB and implement the new guidelines on the ground.

Key issues in local governments

The survey found that the key issues of local governments appear to be similar among the four municipalities studied, although their sizes and locations are different.

Like provincial governments, the big challenge of local governments is to establish and strengthen the governance mechanism to lead implementation of local development and build capacity of local personnel to deliver public services effectively and efficiently.

First, the LCSA needs to be enacted to fully operationalize municipal civil service. As pointed out earlier, the delays in the enactment of the FCSA and PCSA have hindered this process.

Second, shortage of personnel is a common challenge across the four local governments studied. This is related to the delay in the legislation of FCSA and PCSA mentioned earlier. This challenge appears to have been somewhat alleviated in some due after the establishment of PPSC, and yet there are many cases in which recruited officers cannot be posted in the positions of adequate ranks due to the lack of PCSA, and the number of the posts determined by the federal government is far less than the posts required by the local governments. The areas of expertise in short supply in the municipalities are 1) JT and JTA in the agriculture sector; 2) engineers and officials in the rural road and bridge sector; 3) planning officials in development planning; 4) law-making and law-drafting in municipal assembly and civil service; and 5) GESI experts in civil service.

Third, municipalities need to formulate a periodic plan. Because of the lack of a periodic plan, the municipalities faced difficulty in prioritization and selection of public investment projects in the annual planning process. The federal government identified management of public investment projects as one of the critical governance improvement areas in the Fifteenth Plan, and formulated the guidelines for project formulation, appraisal, selection, and prioritization and established the National Project Bank (NPB). In addition, the federal government plans to roll out the concept of NPB and the guidelines to provincial and local governments, thereby establishing a system to formulate quality public investment projects.

Fourth, there is urgent need to strengthen a capacity building system for elected representatives and civil servants of local governments. The MoFAGA and LDTA conducted orientation and training programs for elected officials after the general elections that were conducted for the first time in 20 years. However, this was not sufficient to build capacity for practical works in daily operations of assemblies. In addition, despite the increased scope and tasks after delegation of powers to local governments, capacity building activities are far from sufficient to meet perform tasks in local governance and other sectoral areas. This serious shortage of capacity building was partly caused by the reorganization and abolishment of district and regional offices of the federal government that used to provide technical services and support for local officials before federalism.

After the transition to federalism, PCGGs started providing short-term training programs for local government under PLGSP. However, long-term, stratified training programs for civil servants, the ones provided by federal training institutions such as NASC, has yet to be established for local governments.

Table 9-1 Key issues on governance and service delivery

Functions	Federal level	Provincial level	Local level
Governance			
1. Development planning	[F.1.1] Weak coordination mechanisms among the three levels of government	[P.1.1] Insufficient availability of provincial data, particularly disaggregated data [P.1.2] Weak technical skills of elected members and officials in development planning [P.1.3] Weak coordination with local governments	[L.1.1] Excessive political influence on annual budget and project selection [L.1.2] Absence of periodic plan in municipalities, except Budhanilkantha [L.1.3] Lack of effective prioritization system [L.1.4] Weak planning skills of elected members and officials
2. Budget management	[F.2.1] Increasing budget deficit [F.2.2] Under-execution of budget and its negative impact on development plans	[P.2.1] Develop and enforce policies on tax, non-tax revenue, and grants [P.2.2] Identify potential tax revenues [P.2.3] Absence of skilled budget officials	[L.2.1] Absence of skilled budget officials
3. Project management	[F.3.1] Build capacity of personnel to implement the National Project Bank (NPB) guidelines [F.3.2] Enact the M&E Bill 2020 [F.3.3] Establish and operationalize an M&E coordination mechanism with provincial and local governments	[P.3.1] Establish the Provincial Project Bank (PPB) and build capacity of personnel to implement guidelines [P.3.2] Establish an M&E reporting system and build capacity of personnel to implement the system	[L.3.1] Establish the Local Project Bank (LPB) and build capacity of personnel to implement guidelines [L.3.2] Establish an M&E reporting system and build capacity of personnel to implement the system
4. Human resource management	[F.4.1] Significant delay in enactment of Federal Civil Service Act (FCSA) [F.4.2] Improve matching of adjusted personnel with the needs of provincial and local governments [F.4.3] Absence of medium- to long-term capacity building policy/strategy at the provincial and local levels	[P.4.1] Enact Provincial Civil Service Act (PCSA) [P.4.2] Limited training opportunities for officials [P.4.3] Absence of medium- to long-term capacity building policy/strategy	[L.4.1] Enact Local Civil Service Act (LCSA) [L.4.2] Shortage of staff in rural municipalities [L.4.3] Limited training opportunities for elected members and officials [L.4.4] Need to conduct O&M survey
5. Legislature	[F.5.1] Need to enact more laws, particularly FCSA	[P.5.1] Need to enact more laws [P.5.2] Limited law-making capacity of officials [P.5.3] Absence of capacity building policy/strategy	[L.5.1] Need to enact more laws [L.5.2] Limited law-making capacity of officials [L.5.3] Absence of capacity building policy/strategy

Final Report			
Functions	Federal level	Provincial level	Local level
6. Judiciary			<p>[L.6.1] Need for capacity building of judicial committee members and officials</p> <p>[L.6.2] Shortage of qualified mediators</p> <p>[L.6.3] Poor facilities and equipment</p>
Service delivery			
7. Rural Road	<p>[F.7.1] Amend key policies and laws: 1) Local Infrastructure Development Policy (2004), Vehicle and Transport Management Act (1993)</p> <p>[F.7.2] Duplication of work between DOLI and IDO</p>	<p>[P.7.1] Shortage of MoPID staff despite increased budget</p> <p>[P.7.2] Poor project management</p> <p>[P.7.3] Limited capacity of contractors and low quality of work</p> <p>[P.7.4] Low budget execution rate</p> <p>[P.7.5] Increasing demand for rural roads</p> <p>[P.7.6] Duplication of work between DOLI and IDO</p>	<p>[L.7.1] Conduct O&M survey</p> <p>[L.7.2] Ensure users' participation and contribution in small-scale projects</p> <p>[L.7.3] Ensure right of way</p>
8. Agriculture	<p>[F.8.1] Legislate a new Agricultural Act; amend the Agricultural Policy and Agricultural Development Strategy 2015–2035</p> <p>[F.8.2] Limited coordination among the three levels of government</p>	<p>[P.8.1] Complete staff adjustment (many positions remain vacant)</p> <p>[P.8.2] Limited capacity of officials</p>	<p>[L.8.1] Shortage of staff in rural municipalities</p> <p>[L.8.2] Limited capacity of officials</p> <p>[L.8.3] Protect agricultural land and production in rapidly urbanizing municipalities</p>
Cross-cutting			
9. Gender equality and social inclusion (GESI)	<p>[F.9.1] Approve National Gender Equity Policy</p>	<p>[P.9.1] Mainstream GESI into provincial governance</p> <p>[P.9.2] Low priority of GESI in provincial programs</p> <p>[P.9.3] Shortage of skilled officials</p> <p>[P.9.4] Limited capacity on GESI-responsive budget and GESI audit</p>	<p>[L.9.1] Mainstream GESI into local governance</p> <p>[L.9.2] Shortage of staff and budget</p> <p>[L.9.3] Limited capacity on GESI-responsive budget and GESI audit</p> <p>[L.9.4] Limited opportunities for staff training</p>
10. Citizen engagement	<p>[F.10.1] Limited citizen engagement in projects funded by the federal government</p> <p>[F.10.2] Disseminate and promote the Model Procedure 2020 to provide clear guidance for local governments</p>	<p>[P.10.1] Limited capacity on social accountability, public hearing, and management of addressing grievance</p>	<p>[L.10.1] Absence of public audit, social audit, and public hearing mechanism</p>

9.2 Directions of JICA cooperation

The new Constitution assigns much larger powers to provincial and local governments more than ever in the history of Nepal. However, the transition required under federalism is still a work in progress, and the provincial and local governments currently face enormous challenges in executing their powers as stipulated in the Constitution and subsequent laws. They are severely constrained by the shortage of human, physical, and financial resources as well as technical knowledge and skills. Because of this, the provincial and local governments need to fill the gaps between assigned powers and available resources in one way or another.

There is wide scope for DPs to provide support to fill those gaps. As one of the most trusted development partners of Nepal, JICA is expected to play a significant role in filling the gaps by providing technical and financial assistance projects in the governance sector.

JICA's capacity development (CD) approaches are characterized by building institutions on actual situations at the field level and strengthening capacity of organizations and human resources through practices over a long-term. In addition, the CD approaches emphasize the importance to enhance ownership and leadership of stakeholders and strengthen capacity through practical training on day-to-day works in their workplace. All cooperation projects in the governance area studied in Chapter 6 took the CD approaches and successfully achieved numerous outcomes. JICA could utilize the strength of the CD approaches when considering future cooperation to address the key governance issues identified.

Considering the importance of key issues, division of works with other DPs, and the strengths of JICA, it may be worthwhile considering future cooperation in the following three broad areas – (1) regional governance improvement, (2) public investment management, and (3) access to justice for all. Table 9-2 below summarizes the direction of JICA cooperation, key issues to be addressed, and other points.

Table 9-2 Direction of JICA cooperation

Support area	Direction of cooperation	Key issues	Other points
(1) Regional governance improvement	Strengthening the capacity building system for governance officials at the provincial and local governments	<ul style="list-style-type: none"> Improving governance mechanism for regional development of provincial and local governments (incl. development planning, budget management, project management, judiciary, GESI, citizen participation) Building personnel capacity to implement the governance mechanism 	<ul style="list-style-type: none"> PLGSP implements institutional, organizational, and human resource development nationwide. Need to examine actual situations in respective provincial and local governments, support contents, and the scope for cooperation. Achievements and experiences of ILGT-CERA need to be utilized effectively.
(2) Public investment management	<ul style="list-style-type: none"> -Improving quality- at-entry of public investment projects -Establishing effective PDCA cycle of provincial public investment projects -Improving monitoring and evaluation (M&E) 	<ul style="list-style-type: none"> Developing project management system of public investment projects to implement provincial periodic plan Establishing project formulation, appraisal, selection, and prioritization 	<ul style="list-style-type: none"> Coordination with Public Financial Management Reform Program 2 (PFMRP2) needed. Effective use of the achievements and experiences of SEMES.

Support area	Direction of cooperation	Key issues	Other points
	of provincial periodic plan and public investment projects	<ul style="list-style-type: none"> • Improving project implementation capacity • Establishing M&E system • Capacity building of personnel in the above areas 	
(3) Access to justice for all	-Improving access to justice at the local level -Strengthening judicial committees of local governments toward governance system to protect human rights	Improving inclusiveness of access to justice	Effective use of achievements and experience of COMCAP

First, the importance of regional governance improvement has become more significant as provincial and local governments are the leading implementation entity of regional development after the transition to federalism. Efforts to develop governance mechanism of provincial and local governments has been making good progress with major support of PLGSP and other DPs. The PLGSP has been proving support to develop institutions such as model laws and guidelines, periodic plans, and financial accounting systems, and build capacity of officials of for all provincial and local governments. However, there appears to be a need for support to develop the capacity building system of provincial and local governments in the medium- to long-term with using the CD approaches of JICA, and through cooperation with PLGSP and other DPs.

The second support area could be to strengthen project management of public investment projects at the stages of preparation (project formulation, appraisal, selection, prioritization), implementation, and monitoring and evaluation (M&E), and thereby strengthening the PDCA (Plan, Do, Check and Action) cycle of project management.

The third support area could be to improve access to the judiciary for all citizens by strengthening judicial committees of local governments, utilizing the strength of JICA's CD approaches and the achievements and experiences of the past JICA cooperation projects in the judiciary area.

In the following, the directions of the three support areas are discussed in turn (see Table 9-3 for more detailed information).

Table 9-3 Direction of JICA cooperation, key issues, other DP support, and strength of JICA

Support areas	Direction of JICA cooperation	Key issues	Support of other DPs	Strengths of JICA
(1) Regional governance improvement	Strengthening the capacity building system for governance officials at provincial and local governments	<p>Overall issues Developing governance mechanism for regional development of provincial and local governments, and building capacity of personnel to implement the mechanism</p> <p>Capacity development needs -Institutional development [L.1.3] Lack of effective prioritization system [L.9.3] Limited capacity on GESI-responsive budget and GESI audit [L.10.1] Absence of public audit, social audit, and public hearing mechanism -Capacity building [P.3.1] Establish the Provincial Project Bank (PPB) and build capacity of personnel to implement guidelines [P.3.2] Establish an M&E reporting system and build capacity of personnel to implement the system * Establishment of PPB and the M&E reporting system P.3.1 and P.3.2 may be a pre-requisite for support. [L.1.4] Weak planning skills of elected members and officials [L.2.1] Absence of skilled budget officials [L.3.1] Establish the Local Project Bank (LPB) and build capacity of personnel to implement guidelines [L.3.2] Establish an M&E reporting system and build capacity of personnel to implement the system * Establishment of PPB and M&E reporting system L.3.1 and L.3.2 may be a pre-requisite for support.</p>	<p>1) technical assistance for governance improvement PLGSP</p> <ul style="list-style-type: none"> • 2019-2022 • DFID, SDC, Norway, EU, UN • 3-year program targeting all 7 provincial governments and 753 local governments • Institutional development includes developing model laws and guidelines, periodic plans, financial accounting systems. It also provides human resource development for all provincial and local governments. <p>2) Lending support for regional development and governance improvement World Bank NUGIP</p> <ul style="list-style-type: none"> • 2021.7-2025.6 • 33 local governments in Provinces 1, 2, Gandaki, and 5 <p>ADB RUDP</p> <ul style="list-style-type: none"> • 2017.12-2023.6 • 8 local governments in Provinces 1, 2, Rumbini, and Sudurpashchim 	<p>Utilizing the experiences and achievements of ILGT-GERA project</p> <ul style="list-style-type: none"> • Built capacity of LDTA and its local training centers • Developed training programs (incl. immovable asset taxes, local development plan, social accountability, GESI budget, child-friendly local administration, effective administrative services, leadership, empowerment) <p>Utilizing experience and achievements in Bangladesh</p> <ul style="list-style-type: none"> • 3 lending projects combining infrastructure development and governance improvement for local governments in cooperation with WB and ADB • Technical cooperation

Support areas	Direction of JICA cooperation	Key issues	Support of other DPs	Strengths of JICA
(2) Public investment management	-Improving quality-at-entry of public investment projects -Establishing effective PDCA cycle of provincial public investment projects -Improving monitoring and evaluation (M&E) of provincial periodic plan and public investment projects	<p>Overall issues Developing project management system of public investmanagement systems of public investment projects for implementation of provincial periodic plans, and building capacity of personnel to implement the mechanism</p> <p>Capacity development needs -Institutional development [P.1.3] Weak coordination with local governments -Capacity building [P.1.2] Weak technical skills of elected members and officials in development planning [P.3.1] Establish the Provincial Project Bank (PPB) and build capacity of personnel to implement guidelines [P.3.2] Establish an M&E reporting system and build capacity of personnel to implement the system * Establishment of PPB and the M&E reporting system P.3.1 and P.3.2 may be a pre-requisite for support.</p>	<p>1) technical assistance for strengthening PFM of provincial and local governments as part of a PFM reform plan of the Nepal government PFM Reform Plan (PFMRP) Phase 2</p> <ul style="list-style-type: none"> • DFID, Norway, DFAT, USAID, EU, Switzerland, World Bank • A sub-component to support provincial and local governments in accounting, financial management information systems, financial reporting, budget preparation, etc. <p>Integrated PFM Reform Project (IPFMRP)</p> <ul style="list-style-type: none"> • World Bank • Support PFMRP Phase 2 <p>2) technical assistance targeting selected provincial/local governments Sajhedari (Support to Federalism) Project</p> <ul style="list-style-type: none"> • USAID • Lumbini Province, Sudur Paschim Province, and 10 local governments <p>Strengthening the Decentralized Government Structure in Nepal (SDGSN)</p>	<p>projects in the governance area</p> <ul style="list-style-type: none"> • Technical cooperation to strengthen M&E capacity of NPC through SEMES (1,2) • Technical cooperation projects on public investment management in Bangladesh, Laos, Mongolia, and Sri Lanka

Support areas	Direction of JICA cooperation	Key issues	Support of other DPs	Strengths of JICA
			<ul style="list-style-type: none"> • GIZ • 15 local governments in the provinces of Lumbini, Karnali, and Sudur Paschim Province Support Program (PSP) <ul style="list-style-type: none"> • SDC Province 1 government	
(3) Access to justice for all	Improving inclusiveness of access to justice	<p>Overall issues Improving access to justice and strengthening governance system to protect human rights (a priority area of the 15th FYP)</p> <p>Capacity development needs -Institutional development [P.9.1] Mainstream GESI into provincial governance [P.9.3] Shortage of skilled officials -Capacity building [L.6.1] Need for capacity building of judicial committee members and officials [L.6.2] Shortage of qualified mediators [P.9.4] Limited opportunities for staff training</p>	Limited support for judicial committees both within and outside PLGSP	Utilizing the experiences and achievements of: <ul style="list-style-type: none"> • Support to civil law drafting • COMCAP • SCC • GemSIP

(1) Regional governance improvement

As indicated in Chapter 3, the laws stipulated that provincial and local governments develop periodic plans, annual plans, sector plans and lead development in line with the needs in their regions. Also, provincial and municipal assemblies have been established to assess and approve development plans. Furthermore, federal grants are allocated for provincial and local governments to finance their own development plans through a newly established inter-governmental fiscal transfer system, functions of public service delivery have been devolved, and federal personnel have been adjusted to provincial and local governments. Therefore, in formulating a support program, it is important to keep in mind that provincial and local governments have become lead entities to implement regional development, unlike the situations before the transition to federalism.

Key issues

As discussed in Chapters 3, 4, and 7, governance improvement of provincial and local governments is the urgent issue since only a few years have passed since their establishment. More concretely, they face several challenges of institutional, organizational, and individual capacity in such areas as development planning, budget management, project management, and judiciary. In addition, GESI-sensitive local governance and mechanisms of citizen audit, social audit, and public hearing have not been well established.

Furthermore, despite huge needs for capacity building in provincial and local governments, capacity building has not been provided sufficiently. In addition, after the transition to federalism, the scope and responsibility of training institutions for public officials continue to remain unclear due to the lack of capacity building policy of the federal government.

Support of other development partners

The PLGSP is the largest technical assistance program for improving governance in provincial and local governments. It is a three-year program started in 2019 with support of the DFID, SDC, Norway, EU, and United Nations, providing support for 7 provincial governments and 753 local governments in Nepal (USD 130 million).

The PLGSP has been supporting institutional development, such as the preparation of model laws and guidelines for reference to legislation of provincial and local governments, provincial periodic plans, and financial accounting systems. It also started providing orientation and training programs for elected representatives and civil servants of the provincial and local governments. The training programs are planned and implemented based on the need assessments conducted by respective provincial governments. However, future vision of the capacity building system has yet to be presented due to the absence of medium- to long-term capacity building policy or strategy.

Strength of JICA and lessons from JICA cooperation projects

As reported in Chapter 6, JICA has achieved good outcomes and experiences in building capacity of LDTA and its local development training centers through the Project for Improving Local Governance Training through Capacity Enhancement on Research and Analysis (ILGT-CERA). The training programs developed under the project are hoped to be used in some PCGGs under the PLGSP.

In addition, JICA has achieved good outcomes in enhancing capacity of local people and officials and improvement of local public services by using capacity development (CD) approaches under the Participatory Watershed Management and Local Governance Project (PWMLGP), Gender Mainstreaming and Social Inclusion Project (GeMSIP), and Strengthening Community Mediation Capacity for Peaceful and Harmonious Society Project (COMCAP).

Directions

An option for JICA would be to support formulation of capacity building policy or strategy of provincial

and local governments, and development of capacity building systems through the implementation of the policy or strategy.

The above support could be combined with the strengthening of concerned organizations and personnel through practical activities in the project.

Regarding regional development support combining governance improvement with infrastructure development, JICA has ample experiences and achievements in Bangladesh. Since the World Bank and ADB have been already implementing similar projects in Nepal, JICA might consider a regional development support in coordination with them about target regions and provincial governments. In this support, regional development could be combined with capacity building of human resources and/or project management capacity of public investment projects.

Furthermore, an option might be to provide technical cooperation support for capacity building at the federal level together with the sub-national ones. The LDTA of the federal government is expected to assume new responsibilities as the direction of its restructuring becomes clear. Once the new roles of LDTA and/or NASC have become clear in the new capacity building policy under formulation, it is worth considering the possibility to contribute to strengthening provincial and local governments through support for those federal training institutions. In this case, it is important to cooperate and coordinate with PCGGs through which PLGSP has been providing capacity building support.

Points for considerations

The following points may be considered:

- ***Confirming the progress of institutional development by the federal government.*** The federal government prepares various model laws and guidelines for institutional development of provincial local government, based on which the provincial and local governments prepare their laws and guidelines. In addition, the federal government is preparing a new national capacity building policy. It is therefore important to confirm the progress and contents of concerned model laws and guidelines in the support area of JICA and assess potential risks due to their delay.
- ***Confirming the roles of federal government at the provincial and local level.*** In some sectors, there are cases in which the demarcation of roles is unclear between newly established provincial offices of the federal government and provincial governments (see Chapter 4 on the local road sector). There is a clear need to confirm the roles of provincial offices of the federal government and examine the contents and implementation structure of the project supported by JICA.

(2) Public investment management

Under the federal system, it is essential for the provincial and local governments to develop a system in which the governments formulate public investment projects to implement their periodic plans, allocate and implement federal grants and own-source revenues for the projects effectively and efficiently, and monitor and evaluate the progress and achievements of periodic plans and public investment projects.

Key issues

The public investment management (PIM) system consists of the three management cycles: (1) public investment program/plans to contribute to achieving the goals of development plans; (2) budget management to ensure achieving the goals of public financial management (PFM); and (3) project management of individual public investment projects, and those three management cycles need to be

managed in a closely linked way.⁹⁶ However, some key issues are pointed out: (1) the formulation, appraisal, selection, and prioritization of public investment projects are not closely linked with the goals of provincial periodic plans; (2) time and cost overruns of public investment projects are prevalent at the project implementation stage; (3) budget execution rates of public investment projects are low; and (4) monitoring and evaluation system has not been developed and utilized for project implementation and achievements of provincial periodic plans. The situation analysis of provincial and local governments in Chapter 7 identified key issues such as the shortage of planning and budget management personnel, the lack of capacity building programs, and the absence of systems at the stages of project preparation, and monitoring and evaluation in project management.

Support of other development partners

With support of the DFID, Norway, DFAT, USAID, EU, Swiss, and the World Bank, Ministry of Finance implements the Public Financial Management Reform Program Phase 2 (PFMRP 2). The World Bank also provides support for the Integrated Public Financial Management Reform Project (IPFMRP) to support the PFMRP 2. One of the subcomponents in PFMRP 2 is concerned with provincial and local governments, providing support for institutional capacity development such as accounting and financial management information system, financial reporting, and budget formulation.

Besides, there are technical assistance support by other development partners with focus on selected provincial and local governments in specific regions. The USAID supports the Sajhedari Project, targeting provincial governments of Rumbini and Sudurpaschim Provinces and 10 local governments. The GIZ supports the Project for Strengthening Decentralized Government Structure in Nepal (SDGSN) targeting Rumbini, Karnali and Sudurpaschim Provinces and 10 local governments. The SDC supports the Provincial Support Program (PSC) targeting the provincial government of Province 1.

Strength of JICA and lessons from JICA cooperation

JICA supported the Nepal Planning Commission (NPC) to implement SEMES (Phases 1 and 2) to develop monitoring and evaluation system of the government. The findings that the outcome of the project is still utilized, and trained officials continue working in the government system point to the strength of JICA in this support area. The NPC drafted the monitoring and evaluation bill. After enactment of the bill into a law, the NPC is committed to developing the monitoring and evaluation system of periodic plan and public investment projects for provincial and local governments.

Directions

Many other development partners have been supporting PFM in Nepal. However, few development partners support project management of public investment projects, in particular the project preparation and M&E stages. An option for JICA might be to support capacity building of project management at the planning, implementation, and M&E stages, with the purpose to “enhance development impact of periodic plans and public investment projects under the federal system.” At the provincial level, Provincial Planning Commission (PPC) and Ministry of Economic Affairs and Planning (MoEAP) are central organizations, and Ministry of Public Infrastructure Development (MoPID) is a key project implementation organization for PIM. JICA might consider working with both organizations.

An option of JICA support might aim to “improve the quality-at-entry of public investment projects” through dissemination and operationalization of Provincial Project Bank (PPB) and guidelines that the federal government aims to roll out. Another might be to establish a PDCA cycle of project management of public investment projects. This might involve establishing and operationalizing the M&E system of target provincial and local governments and capacity building of personnel who manage the system.

⁹⁶ See JICA (2018b). Three objectives of public financial management (PFM) are fiscal discipline, strategic resource allocation, and efficient service delivery.

It should be noted that JICA support for PIM aims at capacity development (institutional development, organizational strengthening, individual capacity) of project management of public investment projects, whereas JICA support for regional governance improvement aim to develop a capacity building system across general governance areas. It is important to design JICA support to enhance synergy between the two support areas. Moreover, there is a need to develop training programs and materials on PIM for provincial and local governments, in cooperation with LDTA and PLGSP.

Points for considerations

The following points may be considered:

- ***Status of establishment of Provincial Project Bank (PPB) and personnel assignment.*** It is desirable that the target provincial government has already established the PPB at the start of JICA support.
- ***Organizational structure of periodic plan, budget management and project management.*** It is desirable that the organizations in charge of those functions have incentives to cooperate each other in the target provincial government.
- ***Confirming the personnel assignment and level of activities of Provincial M&E Committee.*** It is necessary to confirm whether the members of the Committee have been assigned to and working for the M&E committee. There is a possibility that the members may not have sufficient time to work for the project because of other tasks.

(3) Access to justice for all

As reported in Chapter 3, the Constitution stipulates the establishment of judicial committees under the jurisdiction of local governments as an entity for conflict resolution at the local level. In addition, the 15th Plan of the federal government adopts the strengthening of judicial committees as a key policy to improve access to justice and strengthen governance system for protecting human rights. This policy aims to improve access to justice for all Nepalese citizens, including women, minorities, and socially vulnerable groups, and therefore GESI shall be promoted together.

Key issues

The roles and responsibilities of judicial committee remain ambiguous because of the contradiction between the Constitution and LGOA and the contradiction concerning mediation. In addition, despite high needs for conflict resolution, judicial committees possess only limited organizational and human resource capacity, in particular the shortage and insufficient skills of mediators.

In addition, promoting GESI in the judiciary is an extremely important issue from the perspective of access to the judiciary for all people.

Support of other development partners

The support of other development partners for the judiciary is very limited, compared with regional development and other governance areas such as PFM. The PLGSP provides some training for the members of judicial committees. Besides PLGSP, UNDP supports the Ministry of Law, Justice and Parliamentary Affairs to implement Enhancing Access to Justice through Institutional Reform Project (A2J), and the Asia Foundation implement Subnational Governance Program in Nepal (SNGP) with support of DFAT. However, both projects are relatively small compared with those in other governance areas, and expected to be completed in April and June 2021, respectively.

Strength of JICA and lessons from JICA cooperation

In contrast with the limited support of other development partners, JICA has accumulated ample experiences and achieved good outcomes in the judiciary area. JICA's support include the drafting of civil code, Strengthening Community Mediation Capacity for Peaceful and Harmonious Society Project (COMCAP 1 and 2) in 2010-2018 and the Project for Strengthening the Capacity of Court for

Expeditions and Reliable Dispute Settlement (SCC) in 2013-2018. Furthermore, JICA supported the Gender Mainstreaming and Social Inclusion Project (GESI) in 2009-2014. Those projects achieved sustainable outcomes; for instance, the institutions developed have been rolled out to the whole nation, and the knowledge and skills acquired in the training programs continue being applied in respective work after completion of the projects. Those experiences and achievements are the strength of JICA and could be utilized in the judiciary area.

Directions

A possible direction of JICA cooperation could be to improve access to justice for all people, including women, minority groups and socially vulnerable people, since the support of other development partners are limited and JICA has ample experiences in this area.

For instance, JICA support could provide capacity development of judicial committees of local governments, aiming to “improve judicial services more effectively and inclusively.” The activities with high need may include reviewing and improving the legal framework concerning operation of judicial committees and strengthening a system to enhance access to judicial services for socially disadvantaged groups.

Points for considerations

The following points may be considered:

- There is a possibility that the revision of the legal framework on judicial committee might take some time. There is a need to design JICA support that can be implemented even if the revision has been delayed.
- It would be difficult to strengthen judicial committees unless judicial officers are appointed or delegated to other officers. Therefore, there is a need to select local governments in which judicial officers or delegated officers are in place as a precondition for the start of the project.

9.3 Others

The current report is concluded with a few remarks about the current survey.

Catching up with new developments to advance federalism. The survey team found that many new developments have occurred in the areas of policies, institutions, and organizations at the three levels of government since the current survey was launched in May 2019. The rapid pace of new developments over the last two years is impressive given that they took place despite the adverse impacts of the COVID-19 pandemic. Keeping up with government efforts at all three levels, assistance from development partners has also been gathering pace over the last two years to advance federalism. This implies that the information in this report is likely to become obsolete quickly, and that there will be a need to update the information when new programs and projects are formulated by JICA in the future.

Observing the changing needs and priorities of governments. Many of the new developments mentioned earlier will clearly change the needs and priorities of all levels of government within a relatively short period of time. In other words, the key issues identified in this report as of April 2021 may no longer be relevant after a year. This again points to the need to regularly update at least some of the information collected in this report to observe the changing needs and priorities of all levels of government.

Validating information from the perspective of public service users. It should be noted that the information collected and reported in this survey are primarily the views and opinions of government representatives and data provided by them. This is because the COVID-19 pandemic did not allow the survey team to conduct planned focus group discussions with users of public services in the target provincial and local governments. There is a clear need to validate the collected information through interviews of user groups in the future.

Investigating the political economy in the governance area. Political economy analysis is outside the scope of the current survey, but it is important to keep in mind that the nature of governance is inherently political. In the current survey, provincial officials reported that they had faced strong political pressure from elected representatives to approve new projects in a budget year. Procurement officials for development projects had reportedly been under pressure from interest groups and even elected representatives. Another point to keep in mind is corruption, namely abuse of public office for personal gain. Corruption could affect the operation of JICA cooperation projects, particularly lending projects. Political influence and corruption tend to be more prevalent at the sub-national level.⁹⁷

Considering the election cycle in the design of projects. In Nepal, the next general elections are to be held for all levels of government in 2023. The general elections will coincide with the formulation of the periodic plans of provincial and local governments. The election cycle should be kept in mind when project activities and outputs as well as the implementation plan are designed in the formulation of a new project.

⁹⁷ Nepal ranked 117th among 180 countries in the corruption perceptions index (CPI) of Transparency International in 2020. Nepal's rank has not changed since 2012.

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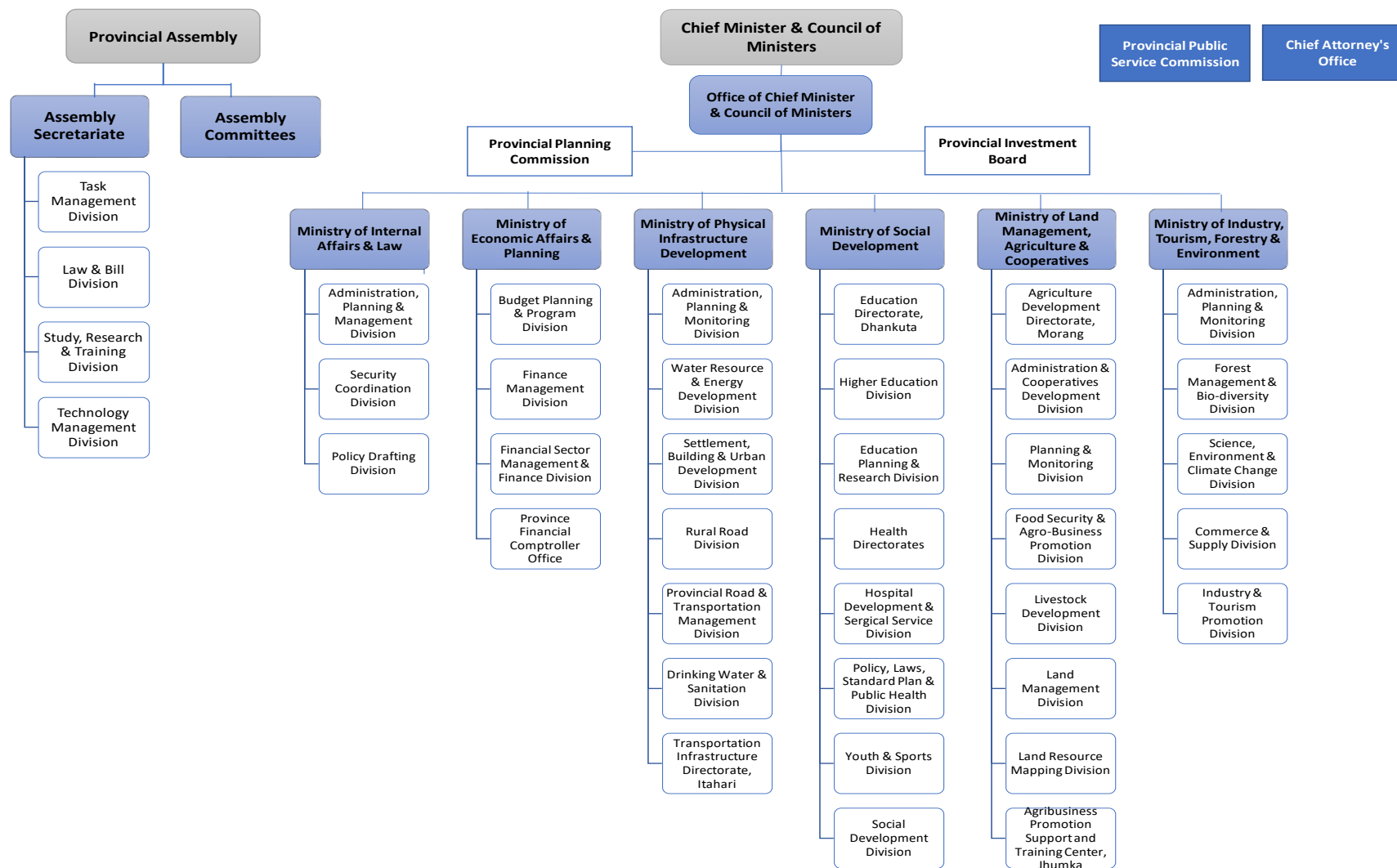
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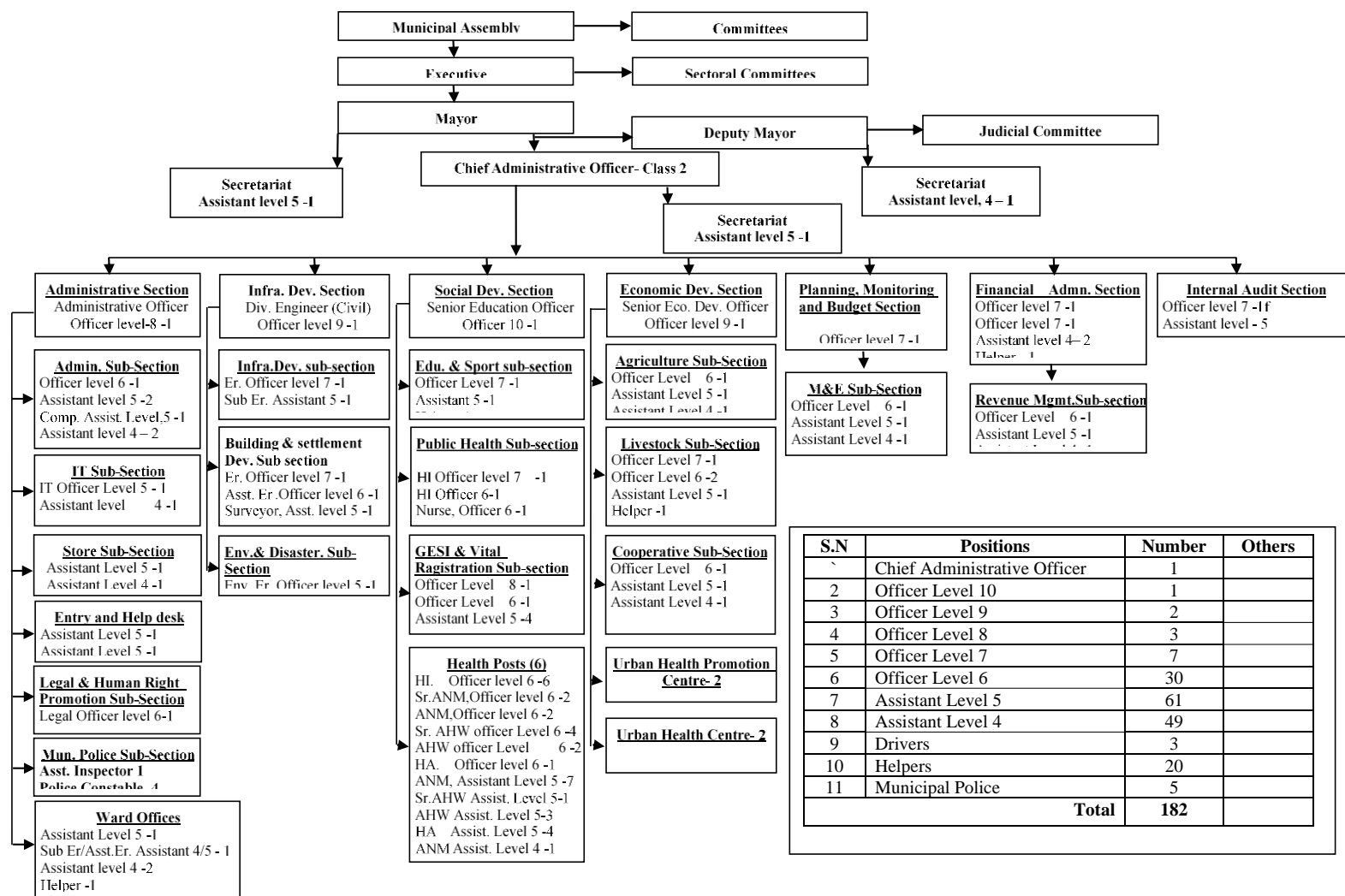
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Appendix 1 Organization structure of Province 1 Government

Note: The chart below was prepared by the survey team based on available information mainly on the websites of concerned organizations.



Appendix 2 Organogram of Budhanilkantha Municipality, Bagmati Province



S.N	Positions	Number	Others
1	Chief Administrative Officer	1	
2	Officer Level 10	1	
3	Officer Level 9	2	
4	Officer Level 8	3	
5	Officer Level 7	7	
6	Officer Level 6	30	
7	Assistant Level 5	61	
8	Assistant Level 4	49	
9	Drivers	3	
10	Helpers	20	
11	Municipal Police	5	
	Total	182	

Appendix 3 Organogram of Sunkoshi Rural Municipality, Bagmati Province

