

Decentralization in Nepal

1. Background

1.1 Conceptual Framework

Decentralization promotes democratization, equity, people's participation and effective service delivery at local level through transfer of authority, power, responsibilities and resources to lower or sub-national levels. The directive principle of the Constitution of Nepal 1990 has envisioned decentralization as a fundamental aspect of democracy. The over arching goal of decentralized governance is to promote good governance, building partnership with civil society, private sector and government units at local level for enhanced service delivery and reduction of poverty at large. Decentralization in Nepal is taken as a cross-cutting sector addressing the country's governance system with local accountability and active participation of the citizens in the decision-making process for their own betterment through elected representatives. Nepal has experienced different forms of decentralization, ranging from delegation to de-concentration and, eventually, to devolution as envisioned in the Local Self Governance Act, 1999.

1.2 Historical Perspective

During the Panchayat era (1962-90), the local authorities¹ were also placed within the constitutional framework; however, they had been used extensively as an extended arm of the central government and hence became centrally driven and non-effective. Later based on the recommendations from different committees and commissions the Decentralization Act 1982 and regulation 1984 was enforced. This had initiated a significant process of decentralization, putting all district level line agencies under the umbrella of respective District Panchyats; but in practice it gave less emphasis on fiscal decentralization and less orientation on local governance.

Following the constitutional changes in 1990, three different Local Body (LB) Acts² in 1992 took new initiatives, to strengthen political process involving people in the local governance system. The acts were the continuation of the past without much change in decision making power, accountability, and resources without breaking sectoral implementation against decentralization.

The increased expectation after the peoples' movement in 1990 had put pressure in favor of decentralization leading to a formation of a high level Decentralization Coordination Committee (1996) chaired by the prime-minister, which submitted a report to His Majesty's Government of Nepal (HMG/N). Based on the recommendation of the committee, the Local Self Governance Act (LSGA) 1999 has been promulgated and made effective. In the mean time, the Ninth Plan also emphasized decentralized governance focusing on poverty reduction and rural development. The current Tenth Plan has considered decentralization as a cross-cutting sector reassuring commitment for fiscal, administrative and functional devolution along with capacity building initiatives focusing entirely on achieving the goal of poverty reduction.

The elected local representatives practiced the local governance for two full terms after 1990 until their terms expired in July 2002.

2. Policy Context

Decentralization in the perspective of LSGA has goals and objectives of maximizing association of the 'sovereign people' in the governance, institutionalization of the participatory development process, strengthening of LBs to assume the responsibility and authority to plan and implement local level activities, mainstreaming deprived groups and build local leadership to take

¹ Village Panchyat, Town Panchyat and District Panchyat

² Separate acts for DDC, VDC and Municipality

appropriate decisions for their own development. The strengthening of local level institutions for delivering services and seeking of partnership with civil society & private sector has also been emphasized.

Decentralization is considered instrumental in reducing poverty and achieving overall development goals and targets in the context of geo-political and socio-economic diversity of the country.

2.1 Constitution

The constitution has aimed to provide social, economic and political justice to all citizen of Nepal through equitable distribution of resources. It has included decentralization as one of the guiding principles of the state policy in Article 25(4) which states decentralization as "the means of assuring optimum participation of people in governance and hence enjoy the benefits of democracy." The constitution under the article 45 (GA) has provisioned an electoral college consisting of elected representatives of LBs to elect member of the upper house, which indirectly links legislature and the local bodies in terms of policy congruence.

2.2 Local Self Governance Act, 1999

His Majesty's Government of Nepal has promulgated the Local Self-Governance Act, 1999 and Local Self Governance Regulation (LSGR) 1999, which has set an unprecedented policy shift by legally endorsing the concept of self governance and devolution of authorities to LBs. Hence, a hierarchy of political governance units based on the popular mandate has been legitimized.

The LSGA for the first time was successful in clearly defining the objectives, principles and policies, duties and responsibilities, inter-agency relationship for local governance in the country. The other features include the provision of a Decentralization Implementation and Monitoring Committee (DIMC) and its Working Committee, capacity building of LBs as a task of sectoral ministries, authority to open their own sectoral units, and the recognition of the local body associations.

Similarly, provision has been made for four fiscal pillars³ together with minimal and additional grant allocations, classification of LBs, local service, autonomy to set organizational structure/positions, participatory bottom-up planning processes with annual and periodic planning, resource map, separation of power between legislative council and executive committees, accountability and transparency, compulsory representation of women⁴ and representation of deprived / disadvantaged groups through nomination.

2.3 Others

The Decentralization Implementation and Monitoring Committee provided in LSGA is the apex body headed by prime minister and its working committee has the overall responsibility to monitor and direct decentralization efforts in the country. The committee has approved "Decentralization Implementation Plan (DIP)" with short and long term implementation actions to enhance the process of decentralization.

There is a provision for a Local Body Fiscal Commission (LBFC) to make recommendations to promote financial autonomy and fiscal decentralization system. The Immediate Action Plan (IAP) to improve governance and prioritize urgent efforts has become instrumental in moving the

³ The four fiscal pillars constitute expenditure assignment, revenue assignment, intergovernmental transfer and borrowings (loans).

⁴ 20% compulsory representation of women at VDCs and Municipalities.

agenda of decentralized actions with regard to revenue sharing, transfer of service delivering units and formation of Local Service.

The Tenth Plan/ Poverty Reduction Strategy Paper (PRSP) has considered decentralization as the cross cutting aspect, which is directly/indirectly linked with the poverty reduction and contributes to the four pillars⁵ of the plan. The focus of the plan is on the policy and legal reform, institutional development, resource mobilization, people's participation, local autonomy and capacity enhancement of LBs. The plan has emphasized sectoral devolution as an important strategy to promote local governance system.

3. Local Self-Governance System

Nepal has a two-tier local governance structure with district development committees-DDC (75) on the top tier and municipalities (58) and village development committees-VDC (3913) in the grass-roots tier. As the electoral constituencies the DDC is further divided into 9 to 17 llakas and VDC has 9 wards each, while wards in municipality vary from 9 onwards to a maximum which depends on population, geographical coverage, level of development, income and need for services.

The political system has provided a premise for LBs where they can freely exchange their views and ideas. Accordingly three associations of LBs - Association of District Development Committees in Nepal (ADDCN), Municipal Association of Nepal (MuAN) and National Association of Villages in Nepal (NAVIN) - came in early 1990s, and are active in policy advocacy and lobbying for decentralization.

DDC has become the focal institution of decentralized planning and coordination at the district level. These local self-government bodies have become prominent in implementation aspect of local development efforts where the people's representatives are involved in policy making planning and prioritization of development needs.

At the grassroots level the Municipality and Village Development Committees are formed on the basis of popular voting. The DDC chair, vice chair and members are elected by the electoral college of all elected members of the VDCs, and municipalities of the district. The respective councils are entitled to nominate the representative of the disadvantaged groups and women in the councils. All LBs have councils to approve budget and programs; hence they function as legislative bodies. The DDC officials, chairs and vice chairs of VDC and mayors and deputy mayors of Municipality constitute the electoral college for the election of 15 members in the upper house of parliament from the respective development regions. (3 from each region.)

Decentralized governance in Nepal has been an outcome of a close collaboration between government agencies, development partners, local bodies and civil society. The major development partners, such as UNDP, DANIDA are involved in the area of decentralized policy and governance whereas the World Bank, ADB, SDC, UNCDF, DFID, WFP are involved in rural infrastructure development. Similarly, IFAD, UNDP, NORAD, UMN, UNICEF, SNV GTZ, CIDA are involved in the sector of social mobilization and capacity development. Moreover, LBs, line agencies (LAs), Non-Governmental Organizations (NGOs), Community-Based Organizations (CBOs), and private sector are working together to enhance better service delivery through decentralized governance at local level.

A decentralized one window financing framework (DDF), as envisaged in the Act, has been institutionalized and operationalized for managing funds at district level. It will regularize fund flow system and enhance financial transparency at local level.

⁵ The four pillars are broad based economic growth, social and rural infrastructure, targeted program, and good governance.

LBFC is created to support and strengthen the fiscal decentralization system through establishing fiscal framework (expenditure and revenue assignment, intergovernmental transfers, and borrowing) to meet the fiscal gaps of LBs. This arrangement, in the long-term, will enhance the institutionalization of the funding criteria, fiscal sustainability and autonomy in local decision making.

4. Key Achievements

The key factors that laid the foundation for decentralization in the past include the enactment of Local Self-Governance Act and Regulation, Local Bodies (Financial Administration) Regulations and, accordingly, Financial and administrative By-laws which were adopted by local bodies. Similarly, the high level Decentralization Implementation Monitoring Committee (DIMC) has approved the Decentralization Implementation Plan (DIP), which provides a clear road map for the implementation of the decentralization. The Local Body Associations have been established, which are active in policy dialogues and lobbying for promoting decentralization. District Technical Office (DTO) has been established within the DDC as its technical arm, as per the recommendation of the Public Expenditure Review Commission (PERC).

The major achievements since the last NDF are highlighted in the following paragraphs.

A separate Act for the Kathmandu Metropolitan City has been drafted aiming at establishing an autonomous capital city authority, which is currently under discussion.

A Local Service Act has been drafted with an objective of constituting a separate local (personnel) service. Wider discussion with relevant stakeholders will follow.

LSGR and Local Body (Financial Administration) Regulations (LBFAR) are reviewed for necessary amendments in relation to the changing context.

Similarly, the other proposed policy measures initiated in support of decentralization are:

- preparation of Local Infrastructure strategy,
- study on restructuring of MLD
- preparation of a gender mainstreaming, budgeting and audit mechanism,
- drafting of the HRD plan for both MLD and LBs,
- formulation of periodic plan guidelines for municipalities and VDCs

A strategy is approved to coordinate NGOs at local level which includes compulsory submission of audit report, requirement of recommendation from LBs for renewal, and reflection of NGO plans and programs at local level. A guideline to simplify the process is being prepared.

Local Bodies Fiscal Commission (LBFC) has been constituted under the convenership of Vice Chairperson of National Planning Commission and its permanent secretariat has been established in July 2003 with full time working professionals. A detailed Road Map (RM) of LBFC has also been adopted in February 2003. The expenditure assignment study has been completed and its finding is being reviewed. In the mean time formula based⁶ grant allocation system has been introduced for the DDCs.

The District Development Fund (DDF) has been institutionalized to track all the income sources⁷ of the DDC. The fund will work as a treasury of the district and expenditure from this fund will occur only on the basis of approved programs and plans.

⁶ The formula includes weighted-- HDI (50%), Population (20%), Area (10%), and Cost Index (20%)

⁷ The income includes the grant allocation from the center- conditional or unconditional grants, internal income, revenue sharing, donor contribution, and others.

LBs have been provided with additional resources from the center through revenue sharing mechanism, as envisaged in the Act. The sharing mechanism adopted for hydropower is 50% of the royalties, 30% of tourism fee⁸, 50% royalty from mining, 10% of the revenue from the forest product, and 5 to 90% of the land registration fee.

Sectoral devolution in four sectors⁹ has been announced through the budget of 2001/2002. Accordingly, guidelines to facilitate the functions of the devolved sectors have been formulated and updated. However the devolution of the postal services has not been initiated. The regular budget for the devolved activities is now channeled through DDF.

Internal Audit mechanism has been developed at DDC, to carry out the audits of DDC and VDC accounts.

Social mobilization has been proved to be a successful tool for poverty alleviation at local level, currently being implemented through LBs, LAs, NGOs and the banking sectors. A mapping in this regard has been completed, which shows the coverage of about 58% of the VDCs in number.

Public Private Partnership (PPP) policy for LBs has been adopted¹⁰ to promote private sector involvement in local development activities. In addition, private sector has been encouraged to strengthen management capability and exploit area specific potentialities for income and employment generation.

A high level LBs Strengthening Recommendation Committee headed by the Minister of Local Development has been constituted to recommend policy measures to strengthen LBs and the process of decentralization.

5. Major Initiatives

Contradictory provisions with LSGA from other acts have been submitted (10 out of 23) before the Parliament for amendment. A number of other provisions are yet to be proposed for the amendments. High level committees with Chief Secretary as chair has been setup to expedite this function.

The LSGR and LBFAR are reviewed and necessary provisions have been accommodated to improve the aspects of taxation, financial management, revenue sharing, joint inter LBs committees and PPP.

Formula based DDC block grant allocation system is being implemented. Similarly, minimum conditions and performance measures are being developed to tie up the performance of DDCs with the grant allocations.

The role of MLD in the changed context is being reviewed to make it functional and compatible in relation to local governance and decentralization.

Sectoral devolution strategy is being prepared for the selected sector. At the same time a full devolution is being conceptualized and considered for the selected districts. SHP/ HP / PHC in health sector are being transferred¹¹ to local health management committees. Similarly, primary schools are being transferred¹² to SMC's. Agriculture extension including livestock services and rural infrastructure are also devolved to Local levels. The funds for the devolved sectors are channeled through DDF.

⁸ It includes mountaineering and trekking fee

⁹ primary education, basic health, agriculture extension including livestock and postal services

¹⁰ Based on the Private Sector Investment in Infrastructure Development and Operation Act, 2003.

¹¹ The transferred includes: 468 SHP in 12 district in 2003 and 566 SHP in 14 districts and 24 HP/ 12 PHC in 2004

¹² The transfer includes 100 primary schools in 2003 and 1000 in 2004)

Actions defined in the Immediate Action Plan (IAP 2003/2004) are being implemented with priority to define and monitor a set of critical actions necessary for the successful implementation of the PRS.

A draft local infrastructure development strategy has been prepared for sustainable rural infrastructure development and maintenance. The role of DOLIDAR is revised in line with the decentralized framework.

An integrated human resource development plan for local development is under discussion. The LDTA Act has been reviewed in order to contribute to HRD of LBs and establish its ownership.

The local governance processes is being maintained by temporarily nominating local political representatives to fill the local political vacuum.

HMG has declared a Forward Looking Strategy to address the conflict and issues of inclusion and decentralization.

LSGA/R is reviewed for further mainstreaming gender and the identified issue has been initiated for incorporation. Similarly, DAG and Dalits issues have been identified and recommended for necessary incorporation by concerned Foundation and Commissions¹³.

Studies on organizational development (OD) of many districts have been conducted and a comprehensive capacity development strategy of DDCs is under preparation.

Social mobilization strategy has been accepted as an entry point for community development activities at local level.

District Periodic Plans of most of the districts are prepared and some districts have also initiated its mid term review. Similarly, the guideline for the municipal periodic planning has been approved and preparation of periodic plan initiated in some municipalities. Some VDCs have also prepared their periodic plan and however a comprehensive guideline in this regard is being prepared.

District Management Information System (DMIS) is being experimented based on DPP monitoring indicators in two districts, which will be instrumental in monitoring the sectoral indicators at the district level, enhancing horizontal linkages and information sharing. Some of the municipalities are experimenting egovernance. Similarly, Geographical Information System (GIS) is initiated at the district level and poverty maps produced for some districts.

Based on the successful experimentation of community level mediation by some NGOs, a guideline has been prepared to devolve judicial functions to VDCs and municipalities as per the LSGA.

Donors' harmonization mechanism has been initiated for decentralization and local governance support, to bring synergy and coherence.

6. Gaps and Challenges

Despite the above achievements and initiatives, the absence of local elected representatives and conflict situation have constrained the effective implementation of decentralization and local governance system. The major gaps and challenges observed are enumerated below:

13 National Foundation for the Development of Indigenous Nationalities, National Dalit Commission, and National Women Commission

Policy / Planning

- ?? *The concept and meaning of decentralization/devolution are differently understood, and the different understanding among different sectors has resulted in the non-implementation of the DIP; the envisioned packages¹⁴ have become especially incoherent. Hence, the implementation of the DIP in promoting devolution has become slow.*
- ?? *The amendment of identified contradictory provisions with LSGA in various acts have yet to be finalized, which has hampered the effective implementation of decentralization and local governance.*
- ?? *Decentralization is yet to be recognized as a system of governance covering cross cutting sectors. Hence, orientation and commitment of central level government institutions towards decentralization in taking its advantages and ownership is not fully realized by the sectors.*
- ?? *The meetings of various committees envisioned in LSGA including DIMC - the apex body for decentralization monitoring and implementation, are not being held due to the absence of elected representatives at various levels.*
- ?? *Unclear mandates, resource constraints and guidelines recognizing local priorities have resulted in vertical planning from the LAs and shopping list from LBs.*
- ?? *Planning culture at the central level has failed to evolve for integration of sectoral planning with local level planning. Consequently, the coordination between annual District Development Plan (DDP) and District Periodic Plan (DPP) with the central level planning has become more difficult.*
- ?? *Resource constraint has been a perennial problem for proper implementation of DPP and decentralized activities.*
- ?? *Development of effective resource allocation system to address the diversified geographical and socioeconomic needs of LBs requires comprehensive packages of sectoral agencies, VDC and municipal resource allocation strategy, followed by capacity building measures. The fiscal transfer system has not been linked with the performance measure of LBs resulting in disincentives to better performing LBs.*
- ?? *Coordinating mechanism for mobilizing NGO, CBO and civil society and private sector is ineffective despite policy and legal framework.*
- ?? *Despite the provision for the inclusion of DAG, women and dalits at the local level, their effective participation in decision making and development planning has been inadequate.*

¹⁴ The devolution package : Functions, Resources, Functionaries, Accountability, Capacity development and M&E (DIP 2002)

Institutional

- ?? *The staff deployed from respective ministries to LAs could not be made accountable to LBs for devolved functions. Moreover, the traditional working culture and organisational structure of LBs along with the existing inefficient HR is not conducive to meet the required pace of development.*
- ?? *The economically un-viable structure and number of LBs undermines sustainability of the LBs and thus remains dependent on the center. This has resulted in high administrative expenses at the cost of development expenditure.*
- ?? *Code of Conduct for local representatives and officials is yet to be developed and implemented.*
- ?? *Due to lack of the local service act, the changes in the role of civil service at the local level could not be redefined and forecasted. It has hindered the overall HRD and personnel administrative system at local level and the right sizing of the central level civil service.*
- ?? *Decentralized responsibilities and resources devolved are beyond the current financial and management capacity of LBs. Similarly, the central level organisation has also limited capacities to regulate, facilitate and guide decentralized functions and services.*

Fiscal

- ?? *Financial system and its transparency have not been linked with the management capacity of LBs'.*
- ?? *The developed computerised accounting packages has not yet been institutionalized in absence of enhanced infrastructure and capacity building measures for the local staff.*
- ?? *Weak fiscal discipline and less transparency prevailed in the LBs has hampered local resource mobilization, causing high irregularities. The revenue sharing mechanism within the LBs is none existing as per LSGA provision, which also hampers predictability of the local resource forecasting.*
- ?? *A large chunk of the budget of the devolved sectors including that of the donor supported programs, flows out of the local funding framework.*
- ?? *Local development fee needs to be phased out as Nepal enters into WTO membership. In order to support the municipal revenue base after phasing out of the local development fee, an alternative resource base needs to be identified and developed. Moreover, implementation mechanism of government obligation and commitment relating to WTO needs to be developed.*

Procedural / Implementation

- ?? ***Destruction of the records and infrastructure due to insurgency has affected the overall service delivery of LBs. Additional services and infrastructure provisioning for the displaced people (out of the conflict) and their rehabilitation demand more resources.***
- ?? ***The devolution guideline prepared by respective line ministry is not compatible with the spirit of devolution and LSGA***
- ?? ***Quality standards for delivering goods and services have not yet been developed as per the requirement of the citizens. Moreover, the correlation between tax paid and service delivered is not maintained.***
- ?? ***The coverage of the population within the VDC is minimal despite the 58% VDCs coverage from Social mobilization. Moreover, the lack of political involvement and commitment in social mobilization, adequate targeting to women, dalits, DAG and poor is sub-optimal.***
- ?? ***Conflict situation has reduced the pace of development by severely affecting service delivery, staff mobility and obstructing participation of the people in development activities.***
- ?? ***Coordination both vertical and horizontal is poor to create synergy and convergence among the program and between the levels of government and donors.***
- ?? ***The weak MIS with regard to decentralization and local governance has further deteriorated the decentralized development processes.***
- ?? ***The provisions of judicial power to VDCs and Municipalities in LSGA have not been activated in absence of notification in the gazatte, causing inability of VDCs and Municipalities to resolve disputes through local mediation and arbitration.***
- ?? ***The functional coordination between poverty alleviation fund and LBs is not fully integrated to bring effectiveness and synergy in the poverty reduction efforts at local level.***

7. Future direction

A genuine collaboration of the development partners, academicians and the politicians is a precondition for effective decentralization and local governance system. Hence, decentralization to be effective in the present context requires partnering, new initiatives and supports in the following areas:

Decentralization and Devolution

- ?? ***Clear expenditure assignment (delineating roles and responsibilities) between central and local levels has to be demarcated.***
- ?? ***A package approach in devolution process needs to be initiated and strengthened to implement, bring convergence, and synergy among LBs, civil societies and development partners. Similarly, devolution of remaining sectors and piloting of full devolution strategy and its implementation mechanism has to be initiated.***
- ?? ***Local election is vital to legitimize LBs through people's representatives and to strengthen and enhance decentralization and democracy.***

- ?? ***It is necessary to bring changes in the mind set of political parties, central level institutions including line agencies towards decentralization and their accountability towards LBs.***
- ?? ***Participatory planning process needs to be strengthened and consolidated to integrate all devolved functions into the LB's planning, programming and management.***
- ?? ***Effective implementation and compliance of LSGA is required at all levels. There is a need to review rural-urban linkages for resources sharing, marketing, infrastructures development and vertical and horizontal coordination among DDC, VDC and municipality.***
- ?? ***Adequate inclusion of women, dalit, socially and economically deprived groups into the political representation administrative structure for mainstreaming in the overall development and decision making process.***

Fiscal Decentralization

- ?? ***Financial resources of local bodies should be strengthened through formula based grant allocation, and revenue sharing on equalization basis.***
- ?? ***Tax base and tax rate to LBs should be assigned as per the revenue potentials to meet the expenditure requirements. This should be followed by tax compliance measures and transparency for credibility of expenditure.***
- ?? ***It is necessary to strengthen and enhance LB's financial efficiency, resource planning, computerized accounting, financial reporting, and auditing mechanism including social audits.***
- ?? ***Local revenue mechanism including borrowing needs to be developed and strengthened to meet the growing capital needs of LBs. Local financial institutions such as local development bank, municipal development bank or funds, in this regard will be established and developed.***
- ?? ***New avenue for resource sharing and piggy bag taxing be explored.***
- ?? ***The phasing out mechanism and subsequent revenue generating strategy for local development fee needs to be worked out***
- ?? ***LBFC need to be strengthen to function as an independent, autonomous and professional institution to advise HMG/N in the matters relating to fiscal decentralization.***

Capacity Development

- ?? ***A comprehensive study has to be commenced to assess the number and size of LBs to make them economically viable and functional for service delivery.***

- ?? ***Establishment of Local service cadre, transitional adjustments, and phasing out of the existing staffs (local and central) needs to be worked out. This needs to follow the capacity building measures.***
- ?? ***Restructuring of MLD needs be commenced followed by capacity development measures to make it capable of facilitating and coordinating decentralized governance.***
- ?? ***Restructuring and strengthening of LDTA is necessary to support training needs of Local level leaders and cadre. Similarly, the capacity of LBs associations has to be developed to facilitate implementation of LSGA.***
- ?? ***MIS system has to be developed and institutionalized to monitor LBs performance in decentralized development process both qualitatively and quantitatively.***
- ?? ***Capacity for disaster preparedness and mitigation at regional and local level needs to be developed. Standards and codes for various construction works needs to be enforced.***
- ?? ***Gender mainstreaming, budgeting, and auditing mechanism should be instituted at all levels of local governance structure.***
- ?? ***The system, procedures and manuals need to be established along with the HR to cater the need of the devolved functions. For the remote districts and targeted groups, special attention has to be given to focus more on HR and capacity development.***

Civil Society

- ?? ***Strategy has to be worked out to include political leadership and their commitment to mobilize NGOs, CBOs, civil society and the private sector for enhancing local level development activities with adequate inclusion of women, dalits and DAG.***
- ?? ***Coordination mechanism at local, national and donors' level should be worked out to make donors, I/NGOs and civil society synergetic, accountable and transparent in their activities at local level.***

Poverty Alleviation and Social Mobilization

- ?? ***Social mobilization has to be strengthened for mass awareness, social and economic capital formation and empowering the people and linked up with bottom-up decentralized development process and local governance system.***
- ?? ***A proper legal arrangement need to be developed and capacity has to be strengthened of Local Development Fund (LDF) at local level.***
- ?? ***Self-assessment methods for the socially mobilized groups have to be strengthened to monitor the status and progress in line with the human and income poverty.***
- ?? ***Assessment of social mobilization efforts by different agencies should be made along with its mapping for the expansion (intensive and extensive), consolidation and***

graduation; and the issues related to overlapping and duplication should be avoided and more focused programme should be directed for ultra poor, disadvantaged and dalits.

?? *A decentralized poverty monitoring mechanism need to be developed and implemented to monitor poverty-related plans and programmes with a view to measure human and income poverty of ultra-poor.*

Service Delivery

?? ***Development of performance standards for LBs linking it with the reward and punishment system should be developed and implemented.***

?? ***Quick impact programs need to be initiated for rehabilitation and reconstruction of destroyed infrastructure in conflict prone areas and rehabilitation and reconciliation programmes for displaced people. Strategy for alternative service delivery has to be worked out in those areas.***

?? ***Complaint-hearing mechanism, in line with the provision of Citizen Charter, needs to be developed and institutionalized at the local level.***

8. Roles and Responsibilities

Commitment to decentralization reforms has been prioritized in different plans such as Decentralization Implementation Plan, Local Body Strengthening Advisory Committee, Road Map for Fiscal Decentralization, Draft of Local Service Act, PRSP/Tenth Plan, Immediate Action Plan, Corruption Control Strategy and Forward Looking Strategy of HMG. These plans are instrumental in improving the decentralized governance system in the country. In this context the key roles of HMG/N and development partners are highlighted below.

8.1 HMG/Nepal

The changed role of central agencies with regard to policy and regulatory functions, financial support and coordination, technical support and backstopping, monitoring and evaluation becomes important in strengthening, local bodies.

Issues identified need to be addressed through policy reforms and amendments of the contradicting Acts in line with the devolution spirit and there is a need to translate them into practice.

It is necessary to review and initiate new policies, strategies and actions in keeping with the citizens' expectations for effective service delivery through local governance. It is also necessary to sanction policy, programme and activities that impede decentralization policy and re-tune them as per the principles of devolution.

It is necessary to restructure local bodies (number and representation) to make them viable units, and to restructure center level institutions (Ministries, Departments and Commissions).

8.2 Development Partners

There is a need to review donor supported ongoing projects to tune them with the decentralized frame.

Reorient technical/advisory teams (consultants and visitors) involved in the design of the project / program towards decentralization and local governance initiatives of Nepal.

Support institutional and human resource capacity development of central and local level agencies involved in the decentralization process.

8.3 Joint HMG/N Donor Collaboration

A consortium of government and development partners needs to be established for collaborative programme formulation for decentralized development.

A collaborative forum has to be institutionalized to share experiences on policy, plan, strategy and programmes to provide feedback for improvement.

Support for reconciliation, rehabilitation and reconstruction of damaged infrastructure and displaced people is urgently needed.

Efforts are needed to strengthen and enhance support mechanism through LBs interfacing with civil societies.

It is necessary to assess and strengthen institutional, infrastructural and human resource capacity of local bodies more focusing to remote districts and disadvantaged communities.

It is necessary to facilitate and support districts for rural infrastructure (roads, drinking water, irrigation, health, schools, rural energy etc.) and institutional development of LBs by integrating DPP and DTMP.
