



**Local Governance in Absence of Elected Councillors:  
Case of Village Development Committees (VDCs) of Nepal.**

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## List of Acronyms

ADB	Asian Development Bank
CBOs	Community Based Organizations
COs	Community Organizations
CIDA	Canadian International Development Agency
CPA	Comprehensive Peace Accord
DDCs	District Development Committees
DFID	Department of International Development (UK)
DPs	Development Partners
GoN	Government of Nepal
HH	Household
HDR	Human Development Report
ILO	International Labour Organization
JICA	Japan International Cooperation Agency
LBs	Local Bodies
LSGA	Local Self Governance Act
LSGR	Local Self Governance Regulations
LBFC	Local Bodies Fiscal Commission
LGCDP	Local Governance and Community Development Programme
LDCs	Least Developed Countries
LDO	Local Development Officer
M&E	Monitoring and Evaluation
MC	Minimum Conditions
MCPM	Minimum Conditions and Performance Measures
MoLD	Ministry of Local Development
MoFALD	Ministry of Federal Affairs and Local Development
OECD	Organization for Economic Cooperation and Development
PRAD	Policy Research And Development
SDC	Swiss Development Cooperation
UC	User Committee
UML	United Maoist Leninist
UN	United Nations
UNDP	United Nations Development Program
UNCDF	United Nations Capital Development Fund
UNICEF	United Nations International Children's Emergency
UNFPA	United Nations Population Fund
UNV	United Nations Volunteer
VDCs	Village Development Committees
VC	Village Council
WVAF	World Vision Advocacy Forum

WCF  
WCs

Ward Citizen Forum  
Ward Committees



## **Abstract**

Nepal has been adopting the decentralization principle as a national policy reform especially after re-establishment of democracy in 1990s. The main aim of decentralization is to distribute the benefits of development equally to all the citizens in the country who are marginalized, excluded and deprived of their social, political and economic rights. Towards this end, the local bodies- District Development Committees, Municipalities and Village Development Committees- were reformed and empowered with social, administrative and financial authorities so that they can generate the revenues and utilize in their development cause to the extent possible on participatory basis. The Local Self Governance Act, 1999 and Local Self Governance Regulations along with the guidelines have delegated the authorities and responsibilities to these local bodies. As Village Development Committees are the immediate government to the local people, it has vital role in promoting participatory governance and community development as well as bridging the local people to the central. Recognizing the vital role of the Village Development Committees in the delivery of goods and services, government has been providing grants from mid 1990s to them and the amount of grant has been increased up to 3 million now from 0.3 million in the beginning. Currently, the local bodies are headed by the government employees such as Local Development Officer as District Development Committee head, Executive Officer as Municipality head and Secretary (grassroot level officer in bureaucracy) as Village Development Committee head in absence of elected councillors for over a decade. Frequent transfers of the Village Development Committee Secretaries and political vacuum in the Local Bodies have led to higher levels of dominance of disorganized local politics in the utilization of funds. As a result, the central grant is not being utilized efficiently and effectively. Moreover, the institutional units as provisioned in the Local Self Governance Act, 1999 and Local Self Governance Regulations, 2000 are arranged differently at different locations and most of them are functioning far below the expectations of Local Self Governance Act. Community participation, transparency and accountability as well as the outputs of the development projects are largely not appropriately tuned to the policy framework. The analysis of the current capacity (Human, Organizational, and Institutional) of local bodies points to an urgent need for change in the functioning of local bodies in order to meet the spirit of the Local Self Governance Act.

## **Relevance to Development Studies**

Governance is a critical dimension in development studies. It is as difficult to undertake development studies without understanding the concepts of governance as it is to understand human beings without knowing the way they think and behave. After all development is governed by defined and undefined rules prevailing and practiced in a society. This research study has attempted to uncover how the defined rules of the decentralization as a policy reform strategy adopted by Nepali state work at the grass-roots level, a space where both defined and undefined rules have to interplay.

## **Keywords**

Decentralization, Accountability, Capacity Building, Participation, Community Development.

## CHAPTER ONE INTRODUCTION

This research paper intends to find out the obtaining governance process in the absence of elected councillors at the lower level of governments of Nepal, particularly in the VDCs, through analysis of both primary and secondary information collected from various sources including the field work in selected VDCs. There are six chapters in this paper. Prior to proceeding on that direction, it is felt important to give some background information leading to the raised problem and subsequent findings. The first chapter provides general introduction of Nepal.

### 1.1 Nepal at Glance

Nepal is a small landlocked and largely mountainous country spread over 1, 47,181 square kilometres. The country is positioned between the Tibet of People's Republic of China to the North and India to the South. Nepal is considered to be one of the richest countries in terms of biodiversity and mighty Himalayas. "Despite its small size, Nepal is characterized by a cultural assortment of religions, languages, caste, ethnic groups and indigenous people." (Bhattarai 2004:299). For the governance and administrative purposes, Nepal is divided into 5 development regions, 14 zones, 75 districts, 3633 village development committees (VDCs) and 130 Municipalities. Each VDC and Municipality is further divided into wards. Each governance unit has its own administrative centre that coordinates the administrative and development activities within and with the central government. Kathmandu is the national capital and all the lower government units are guided and directed from ministries, all of them residing here.

Table- 1: Nepal at glance

Population	27 million
Ethnic Groups	120
Languages	100
Population Density	181/sq km
Percentage of female	51%
Average Family Size	4.7
Percentage of Children and Youth under 18 years	48%
Population residing in rural areas	83%
Poverty Head Count Rate	25.16%
Per Capita Income	\$377
Human Development Index	138 th

**Source:** Ministry for Foreign Affairs of Finland and UNDP 2014

### 1.2 Decentralization Efforts in Nepal

Nepal has been trying to establish decentralized governance system since 1940s. It had however; succeeded to set up such a system only in the late 1980s. As Adhikari (2010:1) writes, "Promulgation of the constitution in 1948 during Rana Period for the first time conceived the horizontal diffusion of

power and creating some sub-national bodies allowing citizenry participation in governance, although was never been operationalized”. In the Constitution of Nepal 1962, decentralization was taken as a major state policy aiming to involve the people in the planning and development of the country from the lower level. “Towards the attainment of these goals, the government first established a country-wide network of local institutions, originally a three-tier system: village/town panchayat, district panchayat and zonal panchayat (the zonal level was later abolished)” (Dhungel et al., 2011: 44).

Although the roles, powers and functions of local bodies were defined in the Constitution of 1962, however; in real ground they were serving as an extended arms with limited power rather than the autonomous bodies. Donnges et al. (2005:8) adds “In 1962, the country was administratively divided into 75 districts, 14 zones, 3600 villages and 18 municipalities with a view to better manage the Nepali State for attaining the development aspirations of the Government and the demands of the people... Peoples’ participation in development at local-level was viewed more as a political agenda”.

After many attempts to re-establish democracy in the country, it was materialized only in 1990 through the peoples’ movement in coordination of major political parties and the public. One of the key agenda of the movement was to decentralize governance system providing effective space for people to participate in their development process thereby mainstreaming the socially, economically and politically excluded marginalized and disadvantaged groups. The first elected government with the promulgation of democratic constitution 1991 and decentralization as the national policy reform could change the political structure of Nepal from absolute to constitutional Monarchy with Bicameral Parliament having executive cabinet and independent judiciary. In line with the reform drive, institutional and functional mechanisms prevailing in then existing state organs including LBs were changed to suit democratic system of governance. They got new names to reflect the democratic principles. District Panchayat, Nagar Panchayat and Village Panchayat were renamed as District Development Committee (DDC), Municipality and Village Development Committee (VDC) respectively. Brief note of the Panchayat System has been provided in the annex 4. “To materialize the essence of constitutional provision, first elected government of 1991 promulgated four separate Acts—District Development Committee (DDC) Act, Village Development Committee (VDC) Act, Municipality Act, and the Local Bodies Election Act—in 1992. These acts, along with the Working Procedure Rules (1993 and 1994), appeared to be the vital legal instruments for building local democratic institutions and micro level for the dispersal of power, authority for resource generation and planning from below” (Dhakal, 2005 cited in Adhikari, 2010:6-7). As a result, decentralization process took momentum in the country during early 90s based on these acts.

The momentum was, however, disturbed with the waving of violent conflict by the Maoist in 1996 which lasted for a decade. During this period, the local bodies suffered more than any other state institutions. It is, however, interesting to observe that the LBs managed to survive despite the threats due mainly to the understanding of importance of LBs in bringing difference in

governance among the local people that was significantly raised after the implementation of decentralization policies of the government during early 90s.

Finally, the joint people's movement of 2005 succeeded dismantling the existing system of governance and allowed political parties to reach Comprehensive Peace Agreement and promulgate an interim constitution aiming at writing a new constitution through elected constituent assembly. The interim constitution went one step further in promoting decentralized governance system in the country through commitments for introducing a federal system of governance in the new constitution. "The Interim Constitution of Nepal 2063 (2006) furthers the concept of decentralization in Nepal and endorses it as a means for the overall equitable development of Federal Democratic Republic of Nepal" (PRAD Nepal, 2009:11). As the new constitution of the country is yet to be promulgated, the LBs are still regulated by the Local Self Governance Act (LSGA), 1999 and Local Self Regulations (LSGR), 2000.

Apparently, Nepal Government has been continuously trying to firmly set decentralization into motion and enhance the capacity of local governments through empowering them in exercising the power entrusted upon them, the pace has, however; been very slow pointing to the fact that democracy is still in evolving phase and there is much to do in order for democracy to bring its results to the grassroots level.

### **1.3 Local governments of Nepal**

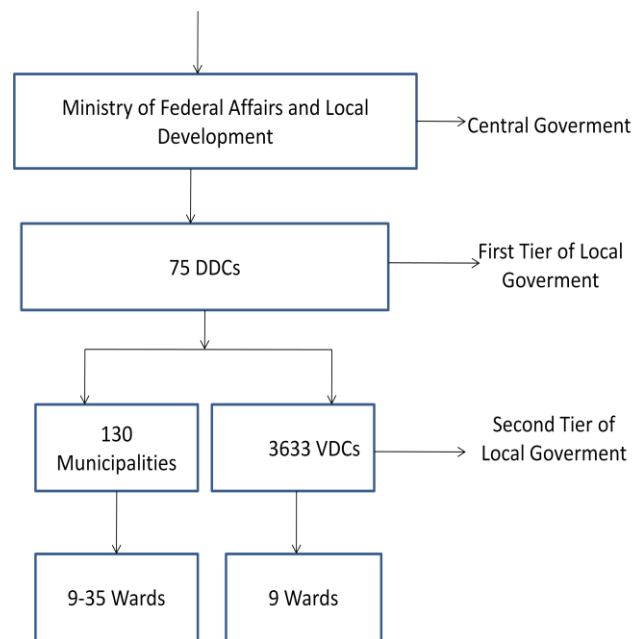
Local government entities are created under different legal authorities in different countries with varying degree of power entrusted upon them. "Local government refers to specific institutions or entities created by national constitutions (Brazil, Denmark, France, India, Italy, Japan, Sweden); by state constitutions (Australia, the United States); by ordinary legislation of a higher level of central government (New Zealand, the United Kingdom, most countries); by provincial or state legislation (Canada, Pakistan), or by executive order (China) to deliver a range of specified services to a relatively small geographically delineated area" (Shah and Shah, 2007: 72). In Nepal, the local governments are created by national Constitution.

In line with the legal framework of decentralization, Nepal has arranged government structure primarily in two levels - Central and Local. Central government consists of council of ministers and line ministries where as DDCs, Municipalities and VDCs constitute Local Governments. "The central government is structured as a council of ministers at the top with a downward structure of line ministries and departments extending their branches and activities into the regions, districts and VDCs/Municipalities. The developmental role of this structure is to provide (or to facilitate) various services to people to meet their basic, social and economic needs and facilitate tapping the country's development potentials" (Donnges et al. 2005:9).

Ministry of Local Development (MLD) recently renamed as Ministry of Federal Affairs and Local Development (MoFALD) is the highest authority in handling the local governments in Nepal. It is the biggest Ministry in terms of its institutional size. The Local governments are also called local bodies. "Local

Body” means the Village Development Committee, Municipality and District Development Committee” (LSGA, 1999:1). There are 75 DDCs in Nepal which are the top tiers whereas Municipalities in the urban areas and VDCs in rural areas come into the second tier of local governments. Each Municipality and VDC is further divided into wards. Municipalities have 9-35 wards, number varies depending on the population size and VDCs have 9 wards. The chart below provides the scheme of obtaining government structure in Nepal.

**Chart 1: Local Government Structure**



The LSGA, 1999 and LSGR, 2000 clearly lay down the composition, functions, authority and resources domain of local government entities. As illustrated in LSGA, the basic purpose of decentralization is to bring government services closer to people and deliver them in an effective and efficient manner and providing conducive conditions for active participation of local people in the development process. The local governments -DDCs, Municipalities and the VDCs are playing vital roles in translating the purpose into reality, though the capacity of these local bodies needs considerable improvement.

#### 1.4 Village Development Committees (VDCs) and their roles

VDCs are the autonomous institutions and have authority for interacting with other local partners in the community as a government body at the local level. Organizing community people structurally at local level, creating greater public-government interaction and administration for improved service delivery system, among others, are the major tasks of the VDCs as defined by the LSGA and LSGR. VDCs are playing vital roles in bridging the local communities with the central as central government is not easily accessible to the locals and provide blue prints, one size fits all services without analysing the local context, NGOs cannot operate entirely and handle the local accountability

pressure and COs/CBOs have limited financial resources and they serves to the very local community group interest. “His Majesty’s Government<sup>1</sup> may, taking also into account the geographical situation, population, communal unity or diversity of inhabitants, specify any rural area in the Kingdom of Nepal, as a village development area, and set out the four boundary thereof” (LSGA, 1999: 3). “The term ‘village development committee’ is commonly used to refer both to the geographical area and the executive VDC committees of elected and nominated VDC officials” (Inlogos, 2009: 1). The 3633 VDCs in the country perform according to the stated roles by the LSGA, 1999 (p. 11-14) which are agriculture and drinking water, work and transport, education and sports, irrigation, soil erosion, river control, physical development, health, forest and environment, language and culture, tourism and cottage industry and some other miscellaneous sectors.

The roles and responsibilities of the VDCs are very intensive and challenging as they have to perform 48 types of functions encompassing almost all headings as covered by the central government within the limited budget. VDCs are classified –“on the basis of population, geographical diversity and facilities relating to transportation, communications, education and health, and may make arrangement for the development of those Village Development Committees which have low facilities available and are situated in an undeveloped village development area, by making them affluent with means and facilities on the recommendation of the concerned District Development Committee” (LSGA, 1999).

## **1.5 Financial Sources of VDCs**

The LSGA and the LSGR provide VDCs with authorities to generate, collect revenues from both internal and external sources however; not all the VDCs are in the same financial conditions. The internal sources are primarily local taxes whereas “The external sources include the annual block grants from central Government, DDC block grant money, funds from other donors (mostly from INGO, NGO and other donor programmes) and shared revenue from central Government” (Inlogos, 2009:14).

Most of the VDCs are, however, constrained by their limited tax bases, resources and low capacity. In addition, the central government has provided lower revenue assignments to the VDCs. Due to this the vertical imbalances between central and the local levels have been increased. “Almost without exception, governments across the world assign more expenditure functions to local authorities than what can be financed from their own revenue sources” (Fjeldstad et al. 2014:6). This aptly applies also to LBs in Nepal. Attempts were made later to provide additional assignments through adding sources of VDC revenues. Even those efforts have not been effective due to the lack of staff trained in revenue generation strategies and implementation arrangements. As a result, internal financial conditions of the VDCs, especially in the rural areas are very weak and are highly dependent on the government grants.

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<sup>1</sup> Until 2006, the government of Nepal was called His Majesty’s Government but after the abolition of the Monarchy in 2006 the government is called Nepal government.

## **1.6 Emergence of Grant Transformation**

In 1995, Nepal Government introduced a program named ‘Aaphno Gaon Aaphain Banau’ meaning ‘Make Your Own Village by Yourself Programme’. Since then, Government has started to provide unconditional grants to the VDCs aiming to help them in carrying out development works, alleviating poverty, capacity building and enhancing the local governance. In the beginning, the grant was 0.3 million and was increased to 0.5 million in 1997/98. Further, it rose to 1 million in 2006/07 and finally 1.5-3 million in 2008/09. The central government is providing the grants in an increasing trend. The grant transfer system is, however, not able to motivate the VDCs to increase internal revenue mobilization and enhance capacity. There is a wide horizontal imbalance as they are not able to address the needs and demands of the local people. Moreover, they are dependent on the central grants even to meet their recurrent expenditure. “Transfers from the central government can reduce the local authorities’ own revenue mobilisation effort” (Fjeldstad et al. 2014:6). Recently, an initiative have been taken by the government to make the LBs more responsive to the local capacity by introducing formula based and conditional grants transfer system. A detailed account of this system is provided in the relevant section later.

## **1.7 Support from Development Partners to the Local Governments – LGCDP**

Nepal plans to change its current least developed country status to developing country by 2022. This is obviously not an easy task. “To reach to the level of developing country status in the next 8 years, the country needs to invest minimum 30 percent of GDP in fixed capital formation. However, the average investment of past 3 years has been only 22 percent” (MoF/Budget Speech of Nepal, 2014:4). Great chunk of Nepal’s total National Budget is still shared by the Foreign Aid. Inclusive, responsive and accountable local governments which are essential blocks to implement and achieve goals of the plan are not in place for over a decade. In such situation, Nepal’s development thrust seems to be far from standing on reality.

Tuned with the government's development goals and recognition of importance of LBs in achieving them as “At present, a major task of the GON is to substantiate the objectives, policies and principles of the Local Self-Governance Act (LSGA), 2055 and to translate the principles of local self-governance into practice through the mobilisation of local bodies and local communities with the facilitation and support of the central line ministries” (LSGA 2008: 7). Local Governance Community Development Programme (LGCDP) was implemented in 2008 as the first nationwide integrated support programme for local government in Nepal. LGCDP is a shared commitment between MoFALD/GoN and the DPs towards working together for this purpose. The main goal /aim of the joint programme (LGCDP) is to contribute towards poverty reduction through better governance and community development. The DPs in LGCDP are ADB, DANIDA, CIDA, DfID, UN System (UNDP, UNICEF, UNCDF, UNFPA, UNV etc.), Government of Norway,

SDC, GTZ, JICA and World Bank. The financial contribution of Nepal government in the LGCDP is three-quarters whilst 12 development partners provide the remaining financial and technical support. “As defined in Rostow’s Stage Growth model, the theoretical underpinning suggests that Nepal’s economic development is in the stage of ‘pre-conditions for takeoff’ where technical assistance and critical rate of investment may require for the achievement of level of income and saving sufficient to assure self sustaining growth” (Chaulagain, 2012).

UNDP has been administering this programme with technical assistance and other capacity building support and it is implemented by the Mo-FALD/GoN through LBs, CBOs and NGOs. “Since 1995, UNDP and the United Nations Capital Development Fund (UNCDF) have helped build the capacity of local bodies and communities for self-governance. This support continued through the armed conflict (1996-2006) and was crucial for keeping up the momentum for local governance reform in spite of the absence of elected local government from 2002 and the disruptions of the conflict” (UNDP Nepal, 2014).

LGCDP works mainly in improving the demand and supply sides by giving the local people to have more influence on decision makings and enhancing the local governments in delivering effective and efficient public services to the local people. “A major focus of LGCDP is to establish citizen awareness centres in all VDCs and ward citizen forums in all wards to facilitate citizen’ involvement in local governance” (UNDP Nepal, 2014). Now most of the VDCs have ward citizen forums and one Social Mobilizer working under the LGCDP to enhance the participation of the local people particularly of the disadvantaged groups in decision makings, proposal writings, awareness creation and formulation of UCs among others. The following table has shown the contribution of donor in LGCDP.

Table no. 2  
Contribution of donors in LGCDP

<b>Donor</b>	<b>Amount contributed</b>
UNJP donors:	\$25.7m
<i>UNICEF</i>	<i>\$8.5m</i>
<i>UNFPA</i>	<i>\$9m</i>
<i>UNDP</i>	<i>\$5m</i>
<i>UNCDF</i>	<i>\$2m</i>
<i>UNV</i>	<i>\$0.5m</i>
<i>UNDP PEI</i>	<i>\$0.1m</i>
Government of Nepal	\$575m
Asian Development Bank and 5 bilateral donors	\$161m
<b>Total Budget</b>	<b>\$762 million</b>

Source: UNDP LGCDP, 2014

The second phase of LGCDP has been started in the country from 2013 and will continue until 2017 after successful completion of the first phase



(2008-2012). It is believed that the first phase of LGCDP has contributed in establishment of important links between the state and the citizens that has been bad in the decade long war in the country and expected that the second phase will empower the communities and citizens in holding their local governments more responsible and accountable.

## **1.8 Impact of Conflict in the Local Governments**

At times when the Local Governments were just taking the momentum towards participatory and inclusive community development set in motion by the decentralization drive of the government; Nepal witnessed a Maoist violent insurgency<sup>2</sup> from 1996-2002. That war affected more acutely the local bodies than central government agencies. They were unable to deliver the goods and services to the local people as most of these LBs' particularly in remote districts, were under the control of Maoists insurgency. Many infrastructures like telephone towers, hydropower stations, school and other buildings, bridges linking the LBs with District HQs and the capital were dismantled. Documents of most of the LBs' were burnt and many people were killed. Virtually, most of the rural areas were in absence of government.

The VDCs were more affected during that war as many VDC building (about 50%) were destroyed and closed by the Maoist. Though the government appointed VDC Secretaries were deployed to the respective VDCs, they were not able to report to their duty station and most of them largely served from the district headquarters or nearest town. The people lost their trust and confidence on the capabilities and accountabilities of both national and local governments in delivering goods and services. That war coupled with failure of government to conduct local elections has badly deteriorated the governance system at the local level.

On the positive note, the Peace Agreement was signed between the Government and the Maoist party in 2006 after a decade long insurgency. The situation has changed since then but the war residues have not flown away yet. Many of VDC Secretaries are now able to work from their duty stations however; most of them lost their own office infrastructure during the war and now operating from a rented room or house. The roles of VDCs are now much more crucial in returning back the lost trust as well as confidence of people in the government for they are both the spokespersons and representative of the government at the local level.

## **1.9 Absence of Elected Councillors in the Local Governments**

As indicated earlier, currently these Local Governments (LGs) are in absence of elected councillors including DDC Chairman, VDC Chairman, Ward Chairman and Mayor in Municipalities due to failure of government to organize and conduct local elections. Internal political struggle, a decade long Maoist

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<sup>2</sup> Maoist Insurgency was a violent war between the Government and Nepal Communist Party (Maoist). More than 15000 Nepalese were killed brutally from both sides during the period of insurgency.

violent insurgency against the state (1996-2006) along with the dissolved house (Parliament) in 2002 and the state of emergency were the main factors contributing to the government failing to organize local elections.

The LGs are now solely left with MoFALD/GoN appointed employees for over a decade. DDCs are lead by Local Development Officers (LDOs), Municipalities by the Executive Officers and VDCs by the VDC Secretaries. In absence of the elected bodies, almost all the committees and units that were active in the governance and development process set in motion at the local level during the period of these offices managed by the elected officials are now dysfunctional and wherever they seem to be existing are unable to function. The situation has provided a good reason for all those responsible persons to find good excuses for their ineffective performance. Obviously, the appointed government employees are more accountable to their upward levels rather than to the citizens they serve. Their frequent transfers again make them less accountable to the local people.

Absence of elected representatives in the LBs has limited the scope of interaction between the local government and the communities as well as the downward accountability to the citizens. Though the importance of the local election has been felt since long, it has been shadowed due to the highest priority of national politics in writing New Constitution of the country and restructuring of the State from central to federal. This research study was inspired primarily by the difficult situation being faced by the LBs in Nepal.

### **1.10 Relevance/ Problem Identification**

The roles of VDCs are critical in Nepal's development as great chunk of its population (more than 80%) resides in rural areas and VDCs are rooted in to until the lower communities. They are prospective in institutionalizing democratic decentralization and transforming the social, economic and political change in the lives of wider population.

Nepal is heading towards writing its new constitution in the near future. Recently held Constituent Assembly Election and the declaration of the Federal State of Nepal, the role and responsibilities of the local governments are going to be more crucial in the upcoming years. The country is in transitional phase of institutional upgrading of government from the central to the federal states of government. "Inclusive Growth and innovation in development models are important at this time, as Nepal tries to move out of a long drawn out political transition and its commitment to graduating from Least Developed Country to a Developing Country status by 2022" (UNDP HDR, 2014: vii). Nepal falls under the groups of LDCs as well as one of the poorest countries in South Asia. Social, political and institutional indicators such as access to education, health and hygiene facilities or employment opportunities are all under the level of international minimum standards. "There is a pressing need to increase delivery on aspirations for the transformation of Nepal in terms of rights, equality, inclusion and embarking upon the fundamental political, socio-economic and governance transformations outlined in the CPA and the Interim Constitution"( Ministry For Foreign Affairs of Finland: 5).

Besides that, the volume of grant from the central government to the LBs is expanding in the later periods, however; the capacity of the local government has not been improved to handle such an increasing financial resource along with other supports (financial and technical) provided by the various DPs. “For poverty reduction, inclusive growth and development to be economically and politically sustainable, Nepal cannot rely only upon foreign aid, remittances, or other redistributive and transfer measures” (UNDP HDR 2014: 6). In addition Nepal is trying to reduce poverty from the grass root levels. “The Country Development Goal of Nepal is poverty reduction through sustainable, inclusive and equitable growth” Ministry for Foreign affairs of Finland: 16). In this background the roles of VDCs are more crucial as it is the only representative of the central government to have direct touch with the local people. The current institutional vacuum (absence of elected councillors) prevailing in the LBs, however; does not guarantee the use of the ever increasing resources in the interest of local people as envisioned by the decentralization drive of the government. This research aimed at uncovering the current governance capacity and practice of VDCs and effectiveness of existing mechanisms in management of external and internal revenues towards improved quality of life of local communities.

### **1.11 Research Objective**

The objective of the research is to examine the gap between the current working procedures of the Village Development Committees and the spirit of the Local Self Governance (LSGA), 1999 in terms of development planning and financial management of local development projects with reference to selected VDCs in order to contribute to our knowledge on local governance in Nepal as well as to inform policy makers and donors on how to improve the existing system knowing that local councillors elections have not been held since 2002 due to various reasons.

### **1.12 Research Questions**

#### **Main Question**

What is the existing governance practice in the VDCs in absence of elected councillors since 2002?

#### **Sub Questions**

- a) How do the VDCs make plans/ decisions and prioritize the development works? Is it participatory?
- b) How do the VDCs allocate the funds to development projects? Is it distributed equally and transparently? What is the monitoring and evaluation process of the concerned VDCs?
- c) What are the current experiences of the stakeholders – Public, User Committees/CBOs and Ex-VDC Chairpersons about the governance process of the VDCs in absence of the elected councilors?

### 1.13 Methodology

Various relevant methods and sources have been utilized to acquire relevant information and data to get answers to the stated research objective and questions. The data and information collection drive primarily focussed on finding out the process adopted in need assessment, planning, selection, prioritization, budgeting, monitoring and evaluation of the development projects at the VDC level. This also included the problems and constraints encountered by the implementers (VDC, consumer committees) and the recipients (local people) in the selected VDCs. The primary sources of data and information included interview with key informants and general public, group discussions, field observations and VDC Records. Specially designed questionnaires were administered to obtain information from key informants and participants. The secondary sources reviewed included the government's Acts like the LSGA, the LSGR, guidelines, procedures such as VDC Grant Guidelines, Local Bodies Resource Mobilization Procedures, Report of Minimum Conditions and Performance Measures, Analysis of Local Bodies Financial Conditions among more others and the various reports like Local Body Grants Expenditure Review And Community Engagement Survey in Five VDCs of Kathmandu District, Assessment of Village Development Committee Governance and the use of Block Grants, Local Governance Institutions in Nepal: Status and Challenges among others were thoroughly reviewed.

#### Selection of the VDCs

Three VDCs from three different districts were selected for fieldwork for this research study. Hastichaur and Kakani from mid-hill districts (Gulmi and Nuwakot) and Dhaibung from high hill district (Rasuwa) were selected purposively for the field work. The primary reasons for selecting VDCs not municipalities for the field work were that the VDCs were the one hit hard by over a decade long violent conflict in the country and obviously the VDCs in rural areas are acutely deprived of basic services compared to the urban areas. The following table shows the population and household distribution of three VDCs selected for this study.

Table no. 3

#### Population and household (HH) distribution of the concerned VDCs

District	VDC	HH	Total Population	Male	Female
Rasuwa	Dhaibung	1109	4928	2 368	2560
Nuwakot	Kakani	1390	7320	3621	3699
Gulmi	Hastichaur	1552	4026	6901	2875

Source: National Population and Housing Census, 2011

## **VDC Records**

VDC records in terms of central grant received and expenditure, internal revenues collection, budget allocation to the development projects of five years, minuting of the various meetings among others were obtained from the VDC offices.

### **1.14 Limitations of the Research**

This research's main focus is to find out the current practice of governance in terms of planning, budget allocation and peoples participation in the development projects at the local level. It is focused mainly in these issues and not beyond that. The research is based on the field work only in three VDCs – Dhaibung, Kakani and Hastichaur of three districts outside Kathmandu Valley. The information obtained from interview with key informants varied significantly from one VDC to another. The records obtained from VDC offices also varied and one VDC could not even provide records on funding. Analysis has been made on the basis of the available facts and information obtained from these three VDCs, key informants and general public from only two of the VDCs. The findings of the research based on only three VDCs thus may not represent the situation of entire VDCs.

## CHAPTER TWO LITERATURE REVIEW

In this chapter, various concepts of **decentralization, accountability of local governments, capacity building and the local governance** have been reviewed. They form the building block of democratic system in which the local governance can foster. These concepts have been linked and analyzed wherever applicable in the context of Nepal in the consecutive chapters.

### 2.1 Decentralization

The concept of decentralization prominently emerged after the Second World War, especially after decolonization drive. Awortwi (2010: 620) writes that – “Countries started seriously considering alternatives like decentralization after the glaring failures of centralized planning in the 1970s”. “Political changes worldwide have given voice to local demands and the need to bring economic and political systems closer to local communities ...in addition, technological changes and global integration of factors of markets have changed the size of government needed to manage economic systems” (Litvack et al. 1998:4).

Decentralization is a common word used in every nation whether developed or developing to indicate state power distribution structure. Huge volumes have been written and discussed on decentralization as a policy reform strategy by various writers and passionate experts of decentralization. Rondinelli (1980:137) a leading expert defines decentralization “as the transfer or delegation of legal and political authority to plan, make decisions and manage public functions from the central government and its agencies to field organizations of those agencies, subordinate units of government, semi-autonomous public corporations, area-wide or regional development authorities, autonomous local governments, or nongovernmental organizations”. Tuned to this definition, Falleti defines it as “Decentralization is a process of state reform composed by a set of public policies that transfer responsibilities, resources, or authority from higher to lower levels of government in the context of a specific type of state” (Falleti 2005:328).

Rondinelli (1980:135) believes that “Decentralization would also allow greater political and administrative “penetration” of national government policies into areas remote from the national capital, where central government plans are often unknown or ignored by the rural people or are undermined by local elites, and where support for national development plans is often weak”. It is believed that decentralization allows larger engagement of socially, politically and economically excluded, deprived and marginalized groups in development decision makings and equal distribution of the resources. “It can promote a sense of autonomy in citizens; enhance social order by promoting the legitimacy of the state, and limit pressures for separatism by diverse regions or ethnic groups” (Bardhan and Mookherjee 2006:4). Decentralization can equally be an instrument for promotion of welfare and development according to local tastes and needs. “Since citizen preferences vary across jurisdictions, decentralization enhances welfare by more closely matching government output to

local tastes and increasing efficiency both in providing government services and in raising revenue” (Garman et al. 2001: 206). Moreover, “Decentralization can foster policy innovation and economic growth by stimulating competition among jurisdictions” (ibid 2001:206).

Hadiz (2004:700) adds that “Decentralization, moreover, is said to potentially lead to greater prioritization of local needs in development policy, as it encourages greater accountability of those who govern to local communities. It can also enhance political stability, and even national unity”.

Decentralization fosters improved governance practices as the community people involve in development activities and participatory decision makings. “The expectation is that as the state relinquishes its control there arise social and political opportunities for civil society to organize and demand more transparent and accountable governance practices (Fung and Wright, 2003 cited in Dasgupta and Beard, 2007:231). Faguet, however, expresses his doubts that “The debate- both theoretical and empirical – on whether decentralization increases or decreases social welfare and efficiency is still very much unresolved” (Faguet 2000:129). In addition “devolving power and resources to smaller administrative units will necessarily result in better decision-making and an accompanying increase in social welfare is, at least, highly contentious and unproven” (Faguet 2000:129).

Decentralization alone may not be the right policy reform. It needs certain institutional structures like strong administrative and technical capacity in the local institutions to deliver goods and services effectively and efficiently in order for decentralization to work. “In fact, some of the experts have carefully underlined that decentralization is not necessarily a panacea for developing countries. The World Bank, for example, on its ‘Decentralization Net’, cautions that decentralization ‘may not always be efficient, especially for standardized, routine, network-based services’. It can also ‘result in the loss of economies of scale and control over scarce financial resources by the central government” (Hadiz 2004:704). It is challenging to design and implement decentralization in developing countries as the institutions are not competent enough to handle it. “Designing decentralization policy is difficult in any country because decentralization can affect many aspects of public sector performance and generate a wide range of outcomes. But it is particularly difficult in developing countries because institutions, information, and capacity are all very weak”(World Bank, 1998:11).

Apparently, decentralization is a cross-cutting issue and the roles of the local institutions are very important in influencing the impact of decentralization. “As has been evident in the recent Indonesian experience, ‘Decentralization can sometimes make coordination of national policies more complex’ and may allow functions to be captured by local elites. But the policy advice dispensed should things go wrong is disarmingly simple, typically boiling down to finding the ‘appropriate balance of centralization and decentralization’ that is ‘essential to the effective and efficient functioning of government’ (Hadiz 2004:705). Hadiz observes that decentralization in Indonesia has diffused corruption, raised the money politics and consolidated the political gangsterism. “Many people believe that much of the abuse of power and the systematic ‘KKN’ (the

Indonesian acronym for ‘corruption, collusion and nepotism’) that took place in Jakarta has now simply shifted to the local level” (ibid 2004:711). The Indonesian case points to the fact that it is not often possible foresee whether decentralization promotes democratic value system in the local institutions.

“Decentralization requires certain preconditions and supporting policies that many governments cannot or will not provide, and changes in attitudes and behaviour on the part of central government officials that have been difficult to achieve ... Ironically, many of the weaknesses of highly centralized government that decentralization policies were designed to overcome are often the strongest obstacles to making decentralization work” (Rondinelli, 1980: 135-136). “With centralized policies control, regulation and production came high concentrations of political power and discretion over resource allocation, which in turn brought proportional incentives to corruption and clientalism” (Faguet, 2000:128). “However, the main weakness of the literature on decentralization is its almost exclusive, ultimately normative concern with the economic and political effects of decentralization” (Garman et al., 2001:206).

Rondinelli (1980: 137-138), has defined three forms of decentralization—deconcentration, delegation and devolution of decentralization. In deconcentration, the workloads from central government ministry headquarters shifts to staff located in offices outside of the national capital and the staff may not be given the authority to decide how those functions are to be performed. In delegation form of decentralization, semi authority in decision making and management is delegated for specific functions to organizations that may not even be located within the regular government structure and are of indirect control of central government ministries. But devolution is different than the previous two forms as devolution implies the divestment of functions by the central government and the creation of new units of governance outside the control of central authority.

## **2.2 Accountability of Local Governments**

Local governments are the core units of representative governments. Being closed to the citizen, they have more responsibilities in articulating and fulfilling the needs and demands of the local people to the extent possible within the available resources. Accountability of the local governments, however, depends on the pattern, mode of financial, administrative and political decentralization of the given country. In addition, local governments have to maintain accountability both to upward and downward. “This relatively bureaucratized mode of local governance, as found in many developing countries, is characterized by the dominance of central bureaucracy over local representatives, limited financial and personnel autonomy of local authorities, their economic dependence on central government, and the lack of opportunity for peoples' participation. As a result, the accountability of local authorities based on deconcentration is an accountability to the appointing authorities of central government rather than to the local communities” (Haque 1997:6).

Public and Social Accountability is necessary to have the effective governance system at the local level. World Bank Social Development Department



(2009:6) has explained that “Public accountability refers to institutionalized practice of account giving by elected governments, civil servants and public sector institutions to horizontal or higher levels of public servants and public sector institutions. ... And Social Accountability “is an expansion of downward accountability (from elected representatives to the citizens) and refers to an approach toward building accountability that relies on civic engagement – in which ordinary citizens and/or civil society organization demand accountability... The role of social accountability is not to replace but to complement and enhance public accountability mechanisms”.

The other writers Yilmaz et al. (2008:1) are of opinions that local governments and citizen both should be empowered for the downward accountability. “Building appropriate local governance structures requires bridging the supply and demand side so that local governments can be downwardly accountable to citizens. A precondition for downward accountability is to simultaneously empower local governments and citizens. That requires setting priorities and sequencing decentralization reforms to strengthen accountability on both the supply and demand sides”.

“Accountability can be defined in terms of either the nature of the political process or the outcomes induced. The former definition is the more commonly used, especially by political scientists”(Bardhan and Mookherjee 2006:5). Local level accountability depends on the level of decentralization. “In addition, since most developing countries are usually characterized by weak civil society and fragile and fragmented political systems, the process of exercising people's power to ensure local-level accountability can function as an effective means for political education and interest articulation, which in turn, may enable people to exercise their influence to make their national-level political leaders and institutions accountable” (Haque 1997:6)

### **2.3 Capacity Building**

Capacity Building “Means by which skills, experience, technical and management capacity are developed within an organizational structure (contractors, consultants or contracting agencies) - often through the provision of technical assistance, short/long-term training, and specialist inputs (e.g., computer systems). The process may involve the development of human, material and financial resources” (OECD).

The concept of Capacity Building was introduced in 1990s and was taken as an improvement to serve more in filling capacity gaps on the existing practices rather than achieving the sustained capacity. “The capacity building approach emphasized that a root cause of poverty, illiteracy, and ill-health was lack of capacity: in government, to design and implement proper development strategies, and, in society, to hold government accountable for its actions. Only if political and economic institutions functioned properly would development achievements be scalable and sustainable. Therefore, development success lay not merely in outcomes on the ground, but in outcomes on the ground that were the result of effective public and private institutions” (The World Bank OED 2005:7).

Grindle and Hinderbrand (1995:445) have defined “capacity as the ability to perform appropriate tasks effectively, efficiently and sustainably. In turn, capacity building refers to improvements in the ability of public sector organizations, either singly or in cooperation with other organizations, to perform appropriate tasks”. Likewise Fukuda Parr says “Capacity development is a larger concept. It refers not merely to the acquisition of skills, but also to the capability to use them’ (Fukuda Parr 2002:9).

Grindle and Hinderbrand (446-447) and The World Bank OED (2005:7) has emphasized mainly on human capacity, organizational capacity, institutional capacity along with the task network and action environment capacity which is necessary in public sector to improve the quality, efficiency and output of the development programs. Human capacity is needed to analyze the needs of development, to design and implement strategies, policies and programs to meet the needs, delivering and monitoring the services. Organizational capacity is important to bind the group of individuals for a common purpose, with clear objectives and the internal structures, process, systems, staffing and other resources to achieve the objectives. Institutional Capacity plays vital roles in the organizations as it establish the framework of goals and incentives in collecting taxes, using the public resources and mechanisms to address the problems.

## **2.4 Local Governance**

Though the word governance is widely used in most of the development sectors; the term has no exact meaning. “Governance is the institutional capacity of public organizations to provide the public and other goods demanded by a country’s citizens or their representatives in an effective, transparent, impartial, and accountable manner, subject to resource constraints” (World Bank, 2000a:48 cited in Kjaer 2004: 11). Governance is the collective action of all stakeholders such as communities, civil societies, private sectors, NGOs/CBOs among others. “Thus, it encompasses the direct and indirect roles of formal institutions of local government and government hierarchies, as well as the roles of informal norms, networks, community organizations, and neighbourhood associations in pursuing collective action by defining the framework for citizen-citizen and citizen-state interactions, collective decision making, and delivery of local public services”(Shah and Shah, 2007:72).

“That is, governance is about the performance of agents in carrying out the wishes of principals, and not about the goals that principals set. The government is an organization that can do its functions better or worse; governance is thus about execution, or what has traditionally fallen within the domain of public administration, as opposed to politics or public policy. An authoritarian regime can be well governed, just as a democracy can be maladministered” (Fukuyama 2013: 350-351).

“Conceptually, governance (as opposed to “good” governance) can be defined as the rule of the rulers, typically within a given set of rules. One might

conclude that governance is the process – by which authority is conferred on rulers, by which they make the rules, and by which those rules are enforced and modified. Thus, understanding governance requires an identification of both the rulers and the rules, as well as the various processes by which they are selected, defined, and linked together and with the society generally” (World Bank).

“The exercise of economic, political, and administrative authority to manage a country’s affairs at all levels. It comprises mechanisms, processes, and institutions through which citizens and groups articulate their interests, exercise their legal rights, meet their obligations, and mediate their differences” (UNDP cited in World Bank). Good local governance builds a common consensus in understanding and prioritizing the local development projects. “Poorly functioning public sector institutions and weak governance are major constraints to growth and equitable development in many developing countries”(World Bank, 2000:xi).

## **CHAPTER THREE**

### **LOCAL DEVELOPMENT PLANNING PROCESS IN THE VDCs**

This chapter will discuss overall development planning process adopted in the VDCs including the units and steps of planning, final approval of the projects, implementation along with accountability and transparency of VDCs.

#### **3.1 Local units in planning process**

Planned development efforts started in Nepal since 1956, by launching centrally prepared periodic development plan. The periodic process was largely top-down. It was only after 1991 that the elected government took initiative to engage local bodies and communities in development planning process. The enactment of LSGA, 1999 and LSGR, 2000 further enlarged the roles and responsibilities of local bodies in the process. The Acts clearly define the settlement as the lowest planning unit and people at the settlement level to initiate development plans. LSGA and LSGR have been further detailed out in the form of guidelines and procedures of planning along with VDC Grant Guidelines to assist VDCs and the planning units in their efforts to formulate their development plans. LSGA (1999:19) demands “Each Village Development Committee shall formulate periodic and annual plans for the development of their area of responsibility”.

Ward Citizen Forum (WCF), Ward Committees (WCs), Village Council (VC), Village Development Committees (VDCs), Users Committees (UCs) are the key local institutional units engaged in the formulation and implementation of participatory local development plans. Among these institutions, VDCs, WCs and VCs are democratically elected institutions. As discussed elsewhere, VDCs, VCs and WCs are currently not in place. WCs are the critical units in local development planning where local communities can participate in prioritizing the plans originated at the settlement level and take decisions on ward level development plans. Due to absence of WCs, a major step is missing and the communities are being bypassed from the process. The LSGA has emphasized on mainstreaming, inclusion and the participation of the excluded, marginalized and deprived communities in every step of planning and decision making.

#### **3.2 Periodic Planning**

Periodic planning is a long term planning normally extended over five years. LSGA requires all local bodies to prepare periodic plan on the basis of detailed analysis of local situation including population composition (including backward caste, tribes and poor people) economy, geography, natural heritages, needs and desires of the local people, comparative cost benefit, income generating and skill oriented programs for women and children, available human as well as natural resources and in coordination with the country’s national policies. LSGA also explains that VDCs are to prepare village resource map and the village profile with inbuilt mechanism for updating them on regular basis.

b

Most VDCs are, however, not meeting these requirements. None of the VDC studied has prepared periodic plan and resource maps. Out of three

VDCs studied, only one VDC was reported to have prepared village profile. Dhaibung and Kakani have even not prepared it. The reasons given for not meeting the LSGA requirements are primarily the frequent transfer of VDC Secretaries, lack of human resources, frequent changes in the government policies and lack of fund. Even in the case of VDC which prepared village profile has completely based on the national census data rather than its own collection of primary information and assessment of situation in the VDC. In fact, VDCs should be able to correct the errors of the national census data and update them rather than using them in their entirety for the preparation of village profile. During the field study, it was observed that the cause of VDCs not meeting the LSGA requirements is lack of understanding of its importance at the local level coupled with lack of capacity to undertake such tasks requiring special technical skills.

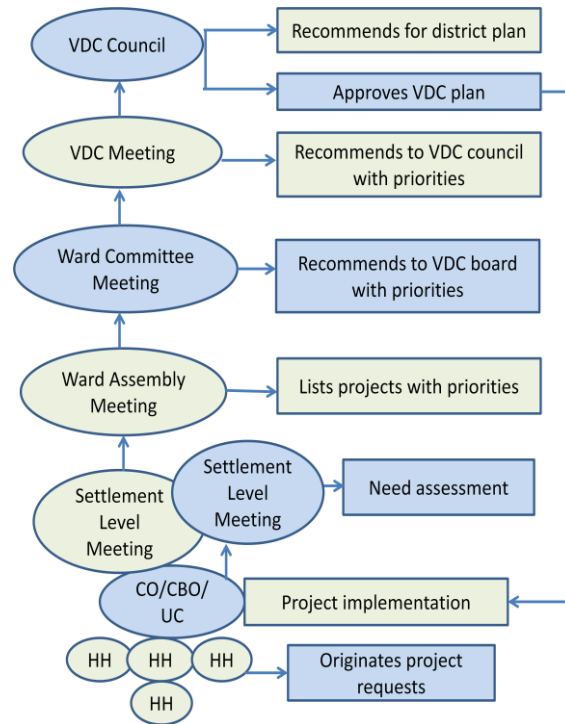
### **3.3 Annual Planning**

Annual planning in the VDCs is primarily based on the list of needs and demands collected from all the units of local governments. Out of the list of collected demands, the urgently felt demands are selected and prioritized on participatory basis and included in the annual plan of the VDCs. Basically the plans which give quick results, give direct benefits to the women and the children, raising living standard and benefits to the rural poor, can be operated with the local resources, skills and means and which can contribute to the greater benefits to the communities are prioritized and accommodated in the annual plan. Though the LSGA has emphasized on including the excluded, deprived, marginalized communities along with women in every steps of the planning, in reality they are deprived of their participation in the process. During the field study, almost all respondents reported that planning and decision making is made by local political party representatives and the persons who have influence in the society. Participation of people in the process is a rare case. This was, however, not the case during the period of elected officials. People from every segment were encouraged to participate in the planning process. In fact, it was essential in order for VC to pass the plans.

### **3.4 Steps of Planning**

LSGA has provided certain steps to be followed in the local governance to maximise the participation of the local people. The process as defined in the LSGA and LSGR is depicted in figure 1 below.

Figure 1: Planning Process of VDCs as described in the LSGA



Source: Inlogos (2009:18)

As depicted, the planning process begins first at the lower/settlement level. Settlements' needs and demands is gathered in a participatory basis including the women, deprived, marginalized, and excluded along with all the sectors of the population. After assessing the needs and demands, the genuine ones are prioritized and then forwarded to the next step- WCF stating the possible internal contribution (labour, materials and kinds) to that project and ask for the additional support (technical, financial) from the VDCs.

All the prioritized projects forwarded from the settlements are discussed and again pick up the most important ones which are urgent and in priority are further discussed in WCF meeting. It is stated in the LSGA that the WCF have to meet once in a month and select and prioritize the needs and demands of the local people. WCFs are forums comprising of local political party representatives and people from various sectors residing in respective wards. WCF passes the prioritized list to WCs for further coordination with the other projects collected from other WCFs. At present due to absence of WC's, WCF directly forwards the list to the VDC. In this way the development projects are selected and prioritized step by step, from the settlements to the WCFs to WCs and to the VDC Committee for the final selection. In principle, the purpose of WCF is to bring the views of all citizens together with respect to a given problem, make an objective analysis of the problem, identify potential resolutions available to address and select the best solution based on priority of the settlement. This is, however, not the case in reality as quality participation

and the representation in prioritizing the programs are not being done. WCF is in most cases a ceremonial body rather than a citizen participation promoter and an objective development analysis dynamics.

The main purpose of this scheme of planning steps is apparently to make the communities more influential and accountable towards the community development and encourage active participation of people in the decision making irrespective of gender, ethnic group, marginalized and economically disadvantaged community. This is, however, yet to be seen in practice. Almost all the respondents asked during the field work reported that they were unaware of such provisions and they were never consulted during the planning.

### **3.5 Final approval of the development projects**

After receiving the plans and programs from all the nine wards of the VDC, the plans are further discussed in the VDC Committee before submission to VC for approval. In a normal situation, the VDC Committee is composed of nine elected ward chairpersons, two nominated female members and the elected VDC chairperson and the vice-chairperson -altogether thirteen members. The Committee is of a reasonable size to make sound decisions. This is not the case now. There are only three persons in the present committee lead by VDC secretary. Even from the size of the committee, it is reasonably easy to foresee how responsible and accountable would have been the elected committee than the current three members VDC committee of government employees. The present VDC Committee along with sectoral heads, representative of NGOs, social organizations, women and local political party representatives in APPC further discuss and analyse the projects forwarded by the WCF and get necessary recommendations and the list of sectoral prioritization. This is also a preparation meeting of the VDC, prior to the Village Council (VC) meeting.

In the APPC, the prioritized plans and programs are listed along with the name of implementing CBOs/User Committees (UCs), the procedure of implementation and budget is allocated to them and forward to the VC meeting for final approval. The prioritized plans and programs forwarded by the VDC to VC should be coordinated with the yearly program and budget of the VDC and in coordination with the National and District Plans and Policies. The VC meeting finalize the projects proposed by the VDC again after greater discussion. In this way the final budgets are allocated to the selected UCs/CBOs.

VC is one of the powerful units of VDCs in the current framework. "Village council consists of VDC chairperson, vice-chairperson, Ward Chairperson, woman ward member and ward members of each Ward Committee and six persons including one woman nominated by the Village Council from amongst those social workers, socially and economically backward tribes and ethnic communities, down-trodden and indigenous people living within the village development area, belonging to the class whose representation in the Village Council does not exist and who are in possession of the required qualifications to become the Member of the Village Council" (LSGA,1999:4). Currently, it is formed by the local party representatives, members from various local organizations, women and representatives of the deprived groups and

members UCs/CBOs along with others. Main purpose of VCs is to make policies and direct the VDCs for their effective and efficient implementation.

The plans and programs, budget, fees, levy, charges, taxes and also the salaries of the VDC employed staffs, staffs recruitment, remuneration, allowances and additional facilities of the employed staffs in the VDCs all have to be verified and approved by the VC before implementation. According to the VDCs, basically the VC does three major jobs such as approving the previous year's financial activities of the VDCs, pass the current year's budget and programs as well as propose the budget and programs of the next year. VDC needs the final approval of the VC even the programs can be implemented by the VDC's internal revenues only. If some projects are beneficial to more than one VDC then it is discussed in the Ilaka Council Meetings (Combined Meetings of two or more VDCs). Also the genuine projects which need additional funds to implement rather than only the VDC's revenues are forwarded to the DDC for consideration after the VC meeting.

One of the secretaries interviewed during the field work informed that VDCs cannot spend even a single penny without the final approval of VC. VDC follows the direction and allocates the fund according to the decisions of VC. He further added, even the Cabinet cannot alter the decisions of the VCs.



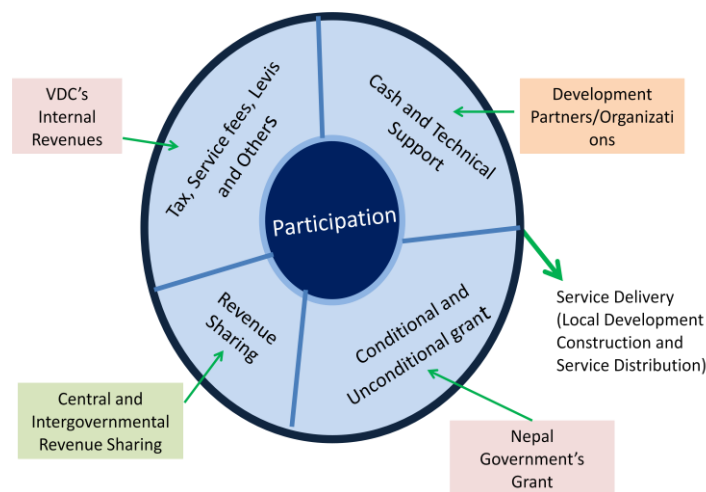
## CHAPTER FOUR VILLAGE DEVELOPMENT COMMITTEES' REVENUES AND EXPENDITURE

This chapter describes the sources of revenues of the VDCs, types of grants, process of revenue expenditure, VDC's monitoring and evaluation process and MCPM- downward accountability of the central government.

### 4.1 Sources of VDCs revenues

Figure 2 shows the various sources of VDCs revenue.

Figure 2: VDCs Sources of Revenues



Source: LBFC/ GoN, 2014

VDCs need financial resources to implement the development projects that are selected and prioritized by the local units/committees at the local level. Financial needs of the VDCs are met from both internal and external sources of revenues/government grants. The LSGA, 1999 in chapter 7 (Financial Provisions) has explained the areas from where the LBs are able to impose tax, raise service charge, fees, sell properties and obtain loan that a VDC can impose and receive funds from within their level whereas the LSGR, 2000 in the article 70-72 has described the amount of tax a VDC can impose.

VDC revenues consist of government grants, inter-governmental revenue sharing, funds received directly from development partners and the incomes from its own sources (fees, levis, tax, service charge). The scarcity of tax base resources, limited revenue assignments and the lower capacity of the VDCs are making them more dependable on the central grants. “This needs central government to make provision for some program focusing on the enhancement of the capacity to mobilize own source revenue besides allocating more grants for tackling the issues overtime” (PRAD Nepal, 2009:6). In the current situation they could not take financial responsibilities means the development pace is low as they could spend less. As per the analysis based on available data and information obtained from interview with VDC Secretaries from three VDCs

(Dhaibung, Kakani and Hastichaur), the collection of internal revenues is very low and whatever collects goes to the administrative expenses rather than to the development works. The LSGA has provided power and authorities to the VDC secretaries to formulate the long term vision, planning, tax base resources and mobilizing the local people in developing their VDCs. But they are less willing and enthusiastic to work on that direction. It may be because of the frequent transfers of the Secretaries or lack of adequate information and capacity in utilizing local resources.

Instead if there were a balance between revenue generation and expenditures of the VDCs, the local governments could perform effectively and independently. This is not happening so far. The central Government has been rather increasing the grants to the VDCs every year in supporting their financial needs for implementation of their development projects."A major rationale behind the greatly increased amounts of Government and donor money going to local government is to reinvigorate the local bodies and local government processes after the ten years of armed conflict and to enable the local bodies to become the main channel for fostering and implementing local development" (Inlogos, 2009:7). As per the LSGA, all the funds going to the local levels have to go through the VDCs.

## **4.2 Types of Government Grants to the VDCs**

VDCs are receiving three types of grants from the central government. They are recurrent grants, capital grants and other grants. According to MoFALD/GoN (2012:7), recurrent grants go to the salaries of the supporting staffs' and other administrative works, capacity building and social mobilization sectors. The capital fund goes to the development works. The government has directed VDCs to allocate 10% to the deprived women in the area of their empowerment, income and employment generation, 10% for the deprived children, 15% to the excluded, disadvantaged and marginalized groups from the capital fund (MoFALD/GoN 2012:13). Likewise the other fund includes the particular sectors such as senior citizen security, single women and likes. The VDCs have to keep the updated information and list of the population in the VDC area. Although the government has provided fund and guidelines of expenditure to the VDCs, the provided guidelines are not followed in reality. For example, it was found during the field work that the VDCs have allocated fund for the preparation of village profile but have not prepared it. Likewise, capital fund is also not allocated according to the directives. VDC secretaries have readymade excuses for not following the directives. They put everything on to VC that it is VC which decides where and in which projects the fund should be spend, not the VDC committee.

## **4.3 Implementation Mechanism and M&E**

The selected and prioritized development projects in the VDC are implemented by the UCs and CBOs. UCs are formed by the eligible candidates within the beneficiary groups who receive direct benefits from the development projects and get authority and responsibility to implement, conduct, manage and maintain the projects. VDCs implement the development projects only through these UCs/CBOs. It is known from the VDCs that there is no

practice of spending public money by the VDC itself. These UCs have to make plans and programs and also their possible internal contribution in the proposed projects at the time of proposal submission to the VDCs. After analyzing the needs, implementation process and the internal contribution of the UCs/CBOs on that project, VDCs allocate funds to the most feasible and potential ones. According to one of the VDC staffs, they ask to contribute the communities only for cutting or filling but not to finance. “Normally, the LBs implement and manage their programmes/projects through UCs with an expectation that if the development programmes/works were implemented through such committees, there would be timely completion, the beneficiaries would have a sense of ownership over the projects, mobilisation of local resources would be easier for the operation and maintenance and transparency in project implementation would be guaranteed” (Dhungel et al. 2011:107).

The UCs have to include 33% women in their executive body and if the number is lesser than 33% the women should be in one of the vital posts like Chairperson, Vice-Chairperson and Secretary. There are various UCs such as drinking water user committee, women cooperatives, road construction UCs among many others. VDCs have to supervise, monitor and assist the UCs in terms of timely execution, financial and other record keeping and provide necessary directions if necessary through the M&E committee. According to VDCs Grant Mobilization Guidelines (2009:14), this committee is constituted by VDC Chairperson or Secretary, local Political Parties Representatives, one woman representative nominated by the VDC, one from media sector, one technician (if possible) and one other nominated by the Secretary. This committee has to report in every four months to the VDC with analysis and findings of the project implementation status.

Not only have the VDCs, the UCs also need to form one independent M&E committee for the supervision of their own projects from the beneficiary group. “Among the users’ groups, candidates for the 7–10-member executive committee and a parallel 3–4-member monitoring committee are to be selected by public consensus. In situations where a consensus cannot be reached, key positions will be decided by an election” (The Carter Centre 2014: 10). That M&E committee inspects the progress and guide the executive UC as well as report to the VDC after completion of the project. The M&E committee of the VDCs finally assess the projects that are conducted by the UCs. The UCs gets the final instalment after completion of the M&E. In this way the development projects are monitored and evaluate by VDCs as well as from UCs.

In practice, the M&E system is not implemented. None of the VDCs studied could provide a single report of M&E committee. One of the VDC Secretaries reported that this is just a ritual not performance improvement instrument. According to him, the provisions are also not practical to implement. How can the UCs get people to undertake M&E when they themselves do not know the meaning of it? Similarly, how can VDCs find specialized people, such as Media, to form the M&E committee?

#### 4.4 MCPM - Downward Accountability of the Central Government

Nepal Government has started strict monitoring and evaluation of performance of the local governments -DDCs, Municipalities and VDCs in terms of execution of the assigned functions and responsibilities devolved to them by the LSGA and the LSGR through Minimum Conditions and Performance Measures (MCPM). MCPM has certain standards such as program planning, financial management, monitoring and evaluation, peoples' participation among others and in each section has many indicators for the evaluation of their performance. "Minimum Conditions and Performance Measures (MCPM) has been duly acknowledging these democratic principles and working to make the local bodies and local bodies authorities to work for the people. It has contributed to establishing transparency, participation and accountability in local development initiatives and undertaking assessment of activities done by the local bodies after completing every fiscal year" (LBFC/ GoN, 2014:Executive Summary). MCPM has been started from the year 2008/2009 to DDCs and from 2009/2010 to the Municipalities and the VDCs. "The capital grant from the Government of Nepal to VDC is not applicable to MC but the grant to be received from the LGCDP, VDC should pass in MC. However, this system is applicable in DDC and Municipality and these LBs should comply in MC for receiving both grants i.e. Government of Nepal and LGCDP" (LBFC/ GoN, 2014 : 5).

Government has set marks for each standard in the MCPM and they can be evaluated and monitored through the indicators that are placed in each sector. Local governments are rewarded and punished according to their performance in MCPM. If they obtain higher points in the MCPM, accordingly they get additional fund as well as cash rewards for the staffs. As a reward, if DDCs got 30% additional grant then the concerned officials will get one hundred and fifty thousand Rupees (Rs.150000), in 25% additional Rs.125000 and Rs.100000 for 20% (LBFC/ GoN 2014: 6). In this way MCPM is a process of monitoring and evaluation as well as the way of making LBs more competent among themselves. This exemplifies observations of Garman et al discussed in chapter 2 of this report to a certain degree.

In case of Municipalities the reward is a bit less for the concerned officials. VDCs have no need to strictly comply the PM however; MCPM is on trial for them. One of the concerned VDC officers said that last year they got information to follow the MCPM but this year only MC or MCPM they are not sure yet. He further added that his VDC had passed the MCPM, but they did not get the additional fund. Actually it takes three years to come out the result of MCPM. "This assessment has been found effective to make them responsive and alert on the output of service delivery, quality of service delivery, financial discipline and administrative procedure" (LBFC/ GoN 2014: 55). The MCs for the VDCs are in appendix 3.

But there is a debate on the provision of rewards to the officials. What if the appointed heads do not perform well? The citizens should not suffer the poor performance of the appointed heads. There should, therefore, be a stringent provision of punishment for poor performance.

## CHAPTER FIVE EXPERIENCES OF STAKEHOLDERS

This chapter analyzes the gaps between the provisions made in LSGA and actual practices in the VDCs. The gaps in planning, prioritizing, selection of projects, allocation of budget and monitoring and evaluation process are analyzed based on the information collected from VDC records, interviews with the stakeholders, field observations of implemented projects and public services in the VDCs. The analysis also made on the front of public participation in development planning, budget allocation and M&E. Moreover the problems and constraints of the VDCs in delivering goods and services have also been analyzed.

### 5.1 Planning Process and Participation

The spirit of the LSGA is to engage and encourage active participation of respective section of population in their development activities and empower every section of population make informed development decisions. VDCs claim that they disseminate adequate information to the citizens residing in respective VDCs and have empowered them to participate in the development planning process. The field study, however, presents a different picture.

#### 5.1.1 Low Information Dissemination/Exclusion of the community

According to the VDCs secretaries and staff, necessary information is distributed to the locals through local FM radios, WCF, VC members, local political party representatives, by posting notices in public places like schools, courtyards and VDCs premises. The response from the public is, however, not tuned to this claim. Most of the people interviewed at the local level are unknown of that.

The information sharing of the VDCs are weak and not effective at all as majority of the locals do not know the VDCs' budget, planning process, proposal writing and submission period and no one has conveyed them such information yet. They said that only the local political party representatives along with few others knew the information and only they are involved in the planning process. Public are not informed

and invited to attend any meetings. The local projects are selected and implemented haphazardly without consultation with the communities. Faguet (2000:129) was right in Ch.2 earlier "devolving power and resources to smaller administrative units will necessarily result in better decision-making and an accompanying increase in social welfare is, at least, highly contentious and unproven". Public normally knows the VDCs annual budgets and programs in

"The three party representatives are the main actors in current situation. They collect the demands from the wards by calling over phone to their own people and bring to the VDC. The three party representatives and the VDC staffs select and allocate the budget accordingly to their projects. The common public may not know the information of the budget and the project selection process of the VDC. Even my parents and others do not know about the VDC's activities. As a UC Chairperson, I even do not know which projects are selected and recommended to the DDC for further consideration"./ Key informant, One UC Chairperson in Dhaibung VDC.

VC meetings but not the other relevant information prior to start of planning stages.

One participant shared his experience that when he raised question about the process used in the selection of projects during the VC meeting, the most participants laughed at him making him further humiliated. Other interviewee added even if they are invited, their voice is not heard. Only the people who have access to power, local parties' members and who have good relation to the VDC staffs get information and projects. The women are unknown about the provision of 15% fund allocated for them in the capital fund of the VDCs'. Women are having more problems in having services comparing to their male partners and they could not bargain due to lack of information.

### **5.1.2 Short circuited planning process**

Among the prescribed steps of planning process in the LSGA, planning is not started from the settlement level; the major step WCs are dysfunctional currently where larger community could participate but WCF is taking the WCs responsibilities. When asked the people at the local level, majority of them have not heard about WCF so far and its roles and functions. Due to the ineffectiveness of the WCF and poor representation of the community, projects are selected randomly and sent to the VDCs without the consensus of the community.

Analysing the records of WCF meetings and minutes of Dhaibung VDC, it is found that WCFs are meeting regularly and selecting the projects in a participatory basis including every sector with signatures. However; the locals do not agree on that and actually the local political parties inform their own people like their family, relatives or from outside who obeys them and take signatures without discussing the development plans openly. According to them, the development planning, budgeting and decision-makings are highly influenced by the three local political parties and to some extent by the local elites. The collected needs and demands or the prioritized projects in the WCF forwarded to the VDCs and VDCs make annual plans on that basis. But if the majority of the population in the ward settlements are excluded and put them in ignorance, the effectiveness and sustainability of the projects will be decreased.

## 5.2 Budget Allocation Process

### 5.2.1 Budget allocation is not transparent

The interviewed participants and respondents agreed that budget allocation is done only in the presence of political parties, few others and the VDC staffs. The majority of the public are not invited and engaged in the process. Mostly the 3/4 political parties decide that. According to the respondents, first the budget is allocated, the paper work is done and only they inform the public in the VC meeting. In VC meeting instead of interaction in project selection, budget allocation, urgency of the projects, they just attend that meeting to give approval by clapping hands for the already selected projects without further interaction. They don't know when the budget was allocated to these selected projects and who applied for that. Only at last they know which UCs got the projects.

“Only three parties know how much budget came, to whom they gave. Consensus builds among these three parties, sometimes they fight for the projects and their parts, if Rs. 50000 budget sanctioned then they eat Rs. 25000 and invest the remaining, they keep financial records by themselves, no strong monitoring and evaluation how can they include the public? We don't have information about VDCs activities; we don't know about the WCF, we are never invited for the meeting. It would be better if we could have information. Now it is difficult to meet the Secretary, he lives in Dhunche, the elected ones used to stay in the VDC. Now the staffs are Chairperson, the election should be held ASAP”.

Participant from Dhaibung ward no. 5, Agriculturist

“This VDC (Kakani) always pour money to the lower level only. These people are closer to the VDC staffs, political leaders stay there and they have more information about the VDCs and budget. But in our area, we are very good people and they don't hear us. Our bad habit is we drink at night and fight with each other but we never do harm to others. We asked the VDC to give us some meters of pipe for drinking water, to make footpath in the roadside but they never heard us. Only in the lower belt they allocate the fund every year for the road construction, next year for gravelling. Again that floods in rainy season and they ask money for the renovation of the same road. In this way they get more funds from the VDC. VDC's decision making is biased. For us if the VDC staffs are from outside then it will be easier to have good services and bargain. Now the staffs are from the same locality and it is difficult to make our work done.

Participant from Kakani VDC , Ward no. 4

However; very few interviewee realized that all such problems arises due to the passive receivers in the VDCs.

### 5.2.2 The UCs/CBOs are not getting the approved Funds

UCs/CBOs are the implementers of the local projects in the VDCs. They have experienced and faced various problems during implementation. One of the active members of the Brameshwori Primary School's management committee of Kakani VDC, Kalpana Tamang (Mrs), said that her school was in weak condition in terms of physical infrastructures and even it was difficult for the students to attend the classes in the rainy season due to the ruined roof. Then she along with other friend Sukuna Tamang (Mrs) on behalf of School applied for financial support to the VDC to change the ruined roof. After the long administrative process, VDC agreed to allow her school Rs. 50000. But at last she got only Rs.35000. She did not know why the VDC gave only the smaller amount. She fed snacks and paid for the transportation to the VDC staff when her work was processing in the VDC. According to her, the VDC's decision making is not transparent, who can raise the voice, has power and access they get the fund. With the VDC's fund, her school has changed the roof. Mrs Tamang added that when she was a chairperson of one women cooperative in her area, she asked for financial support to the VDC to buy some sewing machines for her community so that they could engage in income generating activities but the VDC did not allow any financial support to them.

Sita Neupane (Mrs), Chairperson of the Chandani Women Income Generating Group of Dhaibung VDC, Ward no. 3 has the similar experience as of Kalpana. Her CBO applied for Rs. 50000 to the VDC and the VDC approved the budget of Rs.40000 but at last they got only Rs. 36000 in hand. From that money they have bought the utensils, tents, chairs and they are lending to the locals in rents whenever there is functions, parties or other celebrations. In her experience also, there is a big politics in decision makings in the VDC, who raises the voice, can get the fund otherwise it is very difficult.

Nawaraj Dhakal (Mr), Secretary of the Gantabya Khanepani Tanki Nirman Samiti (Gantabya Drinking Water Tank Construction Committee), Dhaibung, said that his UC applied for Rs. 100000 to the VDC but received only Rs. 50000. More than 48 HHs are going to be benefitted after the completion of that 30000 litre tank. The community has contributed around Rs. 100000 already in understanding that if the UC able to collect the money they will pay that back. Still they are in need of more money (Rs.50000-60000) to complete the tank and he is again planning to apply for the VDC fund. He is satisfied with the decision makings and monitoring and evaluation of the VDC.

Another respondent UC Chairperson of Gantabya Tole Dhakal Danda Road Construction Committee Mr. Shankar Neupane is also satisfied with the VDC's services. His UC received Rs. 68000 out of approved Rs. 75000 from the VDC. With that budget his UC has built 1100 meter rural road and with small help of Rs. 20000 from one other consultancy. He is happy that only from VDC's fund they were able to construct a rural road. He mentioned the problems his UC currently facing are:

- not getting the full approved fund from the VDC,
- the approved fund comes at the last moment of the fiscal year so that the work cannot be started earlier,



- difficult to manage the construction materials such as stone, sand, mud and likes due to the limited budget,
- conflict arises among the members of the beneficiary groups (such as the road has not touch my land, the road took more area of my fertile land; the drainage is too deep among many others). He further added that if the beneficiaries of the project are 15 HHs it is difficult to manage 5 HHs at last.

He also convinced the unfair decision makings of the VDC. It is not participatory and the public do not know the VDC’s budget and activities.

### 5.2.3 Weak Monitoring and Evaluation (M&E) of development projects

The LSGA and the VDC Grant Guidelines have clearly mentioned about the M&E Committee. However; in practice it is found that, this committee is not working instead the three members’ executive VDC Committee is doing M&E. When asked about not constituting the stated M&E committee, the reply was that- currently the VDC Committee has the government employees and they will be more transparent and accountable in M&E rather than the local people and the party representatives’. This answer could be just an excuse and the three members VDC committee may not work as like stated in the LSGA. Surprisingly, one member of the beneficiary group said that M&E is done by VDC Secretary or the other staff whom they nominated for the same job. After having the information of project completion from the UCs, it is evaluated by the VDC Secretary or other staff. We can easily imagine the short circuited process and the formalities in the VDCs. M&E of the development projects from the VDCs are very weak and ineffective. There is no proper M&E committee working currently.

## 5.3 Current experiences of the Stakeholders

The following findings have been noted down during the interviews with the local people in Dhaibung and Kakani VDCs.

### 5.3.1 Difficult to have quick public services

The participants said that normally they go to the VDCs for the citizenship, vital registration (birth, death), recommendation/authorization (marriage, changing the names of their shops), land transaction, to pay the land tax along with others. More than 50% public from both the VDCs said that they are not satisfied with the services from the VDCs.

They have to pay bribes to have the timely services but the VDC staffs do not ask that directly with them. They make various excuses such as come later, or the

“Sometimes we pay extra money knowingly as bribe. Because we are from agriculture background and have no leisure. When we go to the VDC for our work, the staffs normally ask us to come later like three days, four days. We can’t wait until that and have no time to visit again and again. At that time we pay them additional money and make done our work. If we pay extra then they do the same work by the moment”.

Participant from Dhaibung, ward no. 5

Secretary is not here and so on. If the local people pay them extra money the same work can be done easily and quickly. According to some participants the staffs of the VDCs are biased as they charge differently for the same work with the locals. Many participants shared that bribery has increased in their VDCs.

### 5.3.2 Absenteeism of the Secretaries

Now, the Secretary comes from any part of the country for short period/ few months and also stays in the District headquarters (like Dhaibung VDC Secretary) most of the time. They do not know about the local peoples and the actual problems of the VDC. Due to this the Secretary could not take quick decisions even for a small work. For example, to give the recommendation for the citizenship, passport, he asks the local political party representatives for the verification which makes the process lengthy. Same thing is happening in project selection. The Secretary hears the local political parties' representatives rather than the public. It is difficult for the local people to have government services, vital registration, citizenship cards, security allowances and also project implementation. The poor functioning of the VDCs in the absence of the elected local representatives has been experienced by all categories of informants /participants.

Most of the public said that the elected were better than the current Secretaries. They added, at that time the elected representatives from the same locality used to come by winning elections among the local people as a VDC chairperson, vice- chairperson, ward chairpersons and members and were familiar with the local people and the problems. Most of the time they used to remain in the VDC office and it was easy to meet and get work done.

### 5.3.3 Biased services for the locals

VDCs are not providing equal and efficient services to the local people. Moreover, the locals who have access to the power or the VDC staffs are getting good services. But it is difficult for the normal public to have timely services when they have no connection with the powers and the political association. One of the participants in Dhaibung said that when they go to the VDC the office assistant says he has no authority to do that work or we don't have the documentary stamp right now and it's with the Secretary in Dhunche and likes but if others who have access to the VDC staffs or political parties representative go immediately they take out the stamp and

“My maternal uncle works there (in the Kakani VDC). I don't have problem to have my work done. He gives us time to come to the VDC and we go there accordingly. We don't have to wait. Everything he prepares and asks us to bring the essential documents. In this area, in the upward part, there live our relatives mostly and come to my house if they need something from the VDC. My father (his father is a local politician of Maoist Party) assists them to the VDC but takes nothing in return”. In such we don't have problem and I liked the current system. We also attend the VDC meetings and discuss about the projects and if we found the wrong selection of the projects we correct them and choose the important ones. But we actually don't know the budget allocation process and which projects got fund. We only see the dozers digging the roads but not sure it is constructing under the VDC fund or from other sources”.

do the same work. There is no strong monitoring and evaluation system working currently to check and guide the VDCs' transparency and downward accountability. The activities of the VDCs are not transparent in providing the public services, maintaining participatory and inclusive decision makings. As Yilmaz et al. (2008:1) expressed in Ch.2 that "Building appropriate local ernance structures requires bridging the supply and demand side so that local governments can be downwardly accountable to citizens. A precondition for downward accountability is to simultaneously empower local governments and citizens".

#### **5.3.4 Changing pattern of governance- Experience of the Ex-VDC Chairperson**

According to an ex-VDC chairperson of Dhaibung, at his time the working process was easy though the fund was less. There were many elected members in the various committees. It was easy to mobilize the members for better delivery of the public services and the information dispersion. He added that 'if we are elected from the public a kind of confidence and willingness comes from inside to implement the development works by taking the community in confidence'. He has many inspiring experiences of his time.

During the period of his tenure (1997-2002), he invested a lot (about 60%) in education. According to him, there was only one higher secondary school in his village and students had problems to have higher education at that time. The VDC fund was not sufficient to invest in the construction of the building and other infrastructures. But he was succeeded to collect the additional fund with the help of other donor (Langtang Foundation) and the remaining from the VDC revenues in well understanding of the VDC Committee members. Then they were able to establish two higher secondary schools in their VDC area. Later he was questioned by the DDC about the high investment in education sector only and as punishment they stopped the VDC account for six months. But at last the DDC appreciate the work of VDC Committee as many students were able to have higher education in their local area. Meaning at that time they could invest the fund in bigger projects but now it's difficult. The fund seems larger in amount but could not provide tangible changes in the local area. Mostly the fund goes to the smaller and fragmented projects to satisfy many stakeholders which even could not complete and if completed also they are not effective.

"Now, there are government appointed people in the committees. Local political parties' representatives are almost in all the committees formed in the local level. Among them there was a big conflict<sup>1</sup> in the beginning and difficult to build consensus. Most of the time, political parties do not even sign in the projects if they are not selected according to them. VDC could not conduct VC meetings also for 2-3 years. Now the situation has changed and improving a bit as Maoist party lost his first position and remained in the third in the central politics as well as that party has split into two so the influence of them in local level is not like as before. The current governance process is very weak. It is very urgent to have alternative mechanism with more authority to handle the fund and VDCs activities which can punish if something goes wrong. Otherwise whatever money comes it will go the way it comes and there will be no development in our VDC".

Ex-VDC Chairperson, Dhaibung

The other exemplary thing he introduced is to give the social security fund by going to every ward and to each people who are eligible, once in a year because the settlements are very scattered and people don't know the process to get that. Again many people commented on his work about going to their places rather than distributing from the VDC but at the end they were convinced. The information flowing was very good during his tenure. He gave the clear information to the ward settlers about the received/available fund in the VDC and asked them to submit the proposals. He organized meetings - one day for each ward just to give information and process of the development planning. And he suggested the settlers of each ward to choose only one genuine project which can be implemented within the available budget rather than many. In this way people used to know the information and they did accordingly. And there was no problem in selection and prioritizing the projects and budget allocation. The process was very easy, transparent and participatory. But now it is not like before.

## **5.4 Challenges to Local Governance**

### **5.4.1 Weak capacity of the VDCs**

Based on the interview and the field observation, instead of increment in the number of staffs with the rising fund, the VDCs are running by very limited staffs like three in average such as Secretary, one office administrator and one helper. Among these staffs, they lack competency in proper information keeping and management, financial record keeping and other auditing and administrative works as well as leadership enhancement skills and trainings. According to the LSGA, the DDC has to provide timely training in these sectors and the changing rules and regulations of the central government. They have no computer entry system and currently the VDCs are running on the personal capacity of the Secretaries. VDC secretaries are solely handling the office and the fund more than five million every year including all. "The realization of fiduciary<sup>3</sup> risk can be caused by variety of factors, including weak control systems, inadequate organizational capacities, staff incompetence, bureaucratic inefficiency or corruption. Fiduciary risks can result from poor governance, weak capacities or the lack of an enabling public environment" (MoL/ GoN 2012:6). In shortage of the efficient and skill manpower VDCs are having problem in upgrading the list of population, formulation of the periodic and annual plans effectively. Due to this they are unable to distribute effective information, quick services and manage good relation with public in the local level. Transparency and accountability of the VDCs are not maintaining well and lacking. Frequent transfers and unwillingness of the Secretaries are other problems.

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<sup>3</sup> "Fiduciary risk is the risk that funds will not be used for their intended purposes, will not achieve value-for-money and/or will not be properly accounted for"( MoL/ GoN 2012:6).

Kakani VDC does not have its own VDC building (the building was destroyed by the Maoist during the insurgency) and operates from one rented room. The Secretary feels uncomfortable public environment to deliver services. Due to lack of awareness in the public they ask him to do the work out of the legal framework. If not done then they blame the secretary as he does not listen to them and even not helpful and cooperative to the local people.

Most of the institutional units and committees are dysfunctional and missing currently. For example, there are no WCs, Account Committees, and proper M&E Committees among others as provisioned in the LSGA. Secretaries seem less enthusiastic and unwilling towards the development of the VDC area. They could not take strong decisions in project planning, selection and budget allocation. They are delivering services for the sake of their jobs rather than the actual development partners. This situation aptly shares the observation of Rondinelli (as quoted in Ch.2) that decentralization requires certain preconditions and supporting policies that many governments cannot or will not provide, and changes in attitudes and behaviour on the part of central government officials that have been difficult to achieve.

Rapid expansion of grants to VDCs in recent years largely represents a top-down effort, without consideration of institutional capacity of the VDCs. It would be better if the central government could have been conducted the skill enhancing programs to increase the capacities of the available staffs in handling the increased grants, so that they could deliver the services in an effective and efficient manner and awareness programme for the communities as well. Like Grindle and Hinderbrand (1995:445) in Ch.2 said, “capacity as the ability to perform appropriate tasks effectively, efficiently and sustainably. In turn, capacity building refers to improvements in the ability of public sector organizations, either singly or in cooperation with other organizations, to perform appropriate tasks”. VDCs are in need of capacity building.

#### **5.4.2 Late transfer of Funds to the VDCs**

This is a great problem in the VDCs. VDCs get central grant from the DDCs in three instalments after passing many administrative processes. Because of the political turmoil in the centre, the budget speech of the Finance Minister comes lately which announce the allocation of the budgets to the different sectors including local governments. The budget announced by the Finance Minister has to pass by the legislative parliament. After that only it goes to the Ministries. When MoFALD receives the allocated fund it passes down to the District Treasury Control Office (DTCO). And then after all administrative works it passes in three instalments to the DDC’s account. DDCs only get first instalment from the DTCO normally in the first week of January. The first instalments to the VDCs reached only in February and March. VDCs have to implement the development projects within the short period of time otherwise it will freeze. Nepal’s fiscal year starts from Mid July. One of the VDC Staffs said that the last instalment comes almost at the end of the fiscal year and they get the direction from the DDC to spend that in the remaining time. In the previous years they could save the fund and can spend later but from last year there is no such provision. Sometimes they have hardly two weeks or even

shorter for that. The late transfer affects all the projects and the UCs also could not get fund on time. In such one could easily see the level of effectiveness and sustainability of the development projects constructed at the local level.

#### **5.4.3 Overburdened VDC Secretaries**

Currently in the absence of elected VDC chairperson, the government appointed VDC secretaries are performing double roles and responsibilities one as a political head and the administrative chief. In LSGA (1999:14-16) the roles and duties of VDC Chairperson, Vice-Chairperson and the VDC Secretary are described. The Chairperson has to perform twelve functions, Vice-Chairman has two and the Secretary has again twelve functions. In this way currently VDC Secretaries are performing more than twenty functions and their roles and responsibilities are very intensive. "Present functions of a VDC secretary include providing different recommendations such as for citizenship certificate or passport; executing vital registration activities; revising and maintaining voters lists; accomplishing the planning, implementation, supervision and monitoring of block grant-based VDC-level programmes; providing certification for completed projects; looking after the maintenance of completed projects; performing internal and final auditing of accounts; implementing literacy programmes; distributing old-age, widow and disabled pensions under the social security programme; collecting land revenue and coordinating with the APM" (Dhungal et al., 2011:63).

In addition to the above mentioned list, the Secretaries have to attend all the meetings of the various committees held at the local level and also of the DDC's monthly meeting. They have social and moral responsibilities to maintain good rapport with all the stakeholders in the local levels meaning they have to maintain vertical as well as horizontal responsibilities. "The absence of elected VDC officials has increased secretaries' workloads whilst the resources and support to carry out their jobs has not increased. This will have adversely affected the efficiency of VDC functioning including the effective use of block grants" (Inlogos 2009:11).

#### **5.4.4 High Political Influence**

During interview with the concerned participants and informants and even the VDC Secretaries all were expressing the problem of high influence of local political parties in every activity of the VDCs. The Secretary of Hastichaur VDC said that the political dominance should be stopped, the Daibung vice-Secretary said there is not much influence of politics in his VDC and the Secretary of Kakani was emphasizing on the unawareness of the local people in decision makings indirectly indicating the party influence. These local politicians are making decisions in planning, project selection, prioritization and budget allocation in the local development projects without considering the wider population. But if the decisions makings and planning are not participatory, the effectiveness and sustainability of the projects may decrease if the community have no stake or ownership on them. These political parties only have no legacy in decision makings as they have not been elected and so are not formally accountable to the local people. Involvement of the political parties could be good if their managerial skills and networks can be utilized in the local level.

They have potential role to change and develop their VDCs and also maintaining accountability of the VDC officers.

#### **5.4.5 Lack of Coordination with the VDCs**

During interview, VDC Secretaries said that the cooperation and coordination between the VDC and other organizations like private sector, NGOs and the DDC is lacking. Though the LSGA has provision that all the local projects have to be implemented through the VDCs but sometimes the projects are implemented without informing the VDCs. The Secretary of Kakani said that, sometimes it invites misunderstanding among the UCs/CBOs and difficult to monitor and manage them.

#### **5.4.6 Inadequate Fund**

This problem was mentioned by all the concerned VDC Secretaries. According to them the demands of the projects in the VDCs are very high and due to shortage of adequate fund many projects could not be implemented. The government has directed to spend 10% for the children, 10% for the women and 15% for the disadvantaged groups and so on to the VDCs. After allocation to these sectors, the capital fund will be less for the remaining development works. And they mentioned that even the recurrent fund is also very low and the staffs have fewer facilities due to this.

## **CHAPTER SIX CONCLUSION**

After long struggle Nepal was able to re-establish democratic governance system in the 1990s. Decentralization was taken as a state policy measure to hold the excluded, marginalized and disadvantaged section of the population in the mainstream development and to distribute the public goods and services in a equal and equity basis. Political, financial and administrative authority was devolved through the LSGA and the LSGR to the local governments such as District Development Committees, Municipalities and Village Development Committees to enhance local governance process and community development. Rondinelli (1980:135, quoted in Ch.2 of this paper) also believes that 'decentralization allows greater political and administrative "penetration" of national government policies into areas remote from the national capital, where central government plans are often unknown or ignored by the rural people or are undermined by local elites, and where support for national development plans is often weak'. Government has been transferring the grants to the VDCs since 1995 aiming to support them in smooth implementation of the development projects at the local level. This research work has analysed the obtaining process of local governance in the absence of elected councillors regarding their planning, decisions makings and budget allocations. It is found that the governance process is not effective and encouraging as findings below illustrate.

### **6.1 Planning Process is not participatory**

Based on the information of the interviewee, the obtaining local development planning process is not participatory. Local people are deprived of having adequate information from the VDCs such as the total fund of the VDCs, process of participatory planning, project selection, prioritization and likes. In such the majority of the population is excluded from the planning process where as the influence of local politicians is higher. The local units such as WCs, WCF, VDC, and VC the key venues created for ensuring larger community participation are not effective and WCs are dysfunctional due to the absence of elected members. The projects are selected in a haphazard way only in consultation with selected few. The local government officers and the local politicians both are not accountable and responsible towards the local community. If the planning process is short circuited and the projects are selected and implemented without consulting the wider communities, the effectiveness and sustainability of these projects will be low as there will be no ownership and responsibility of the public. According to Hadiz (2004, quoted in Ch.2) decentralization, moreover, is said to potentially lead to greater prioritization of local needs in development policy, as it encourages greater accountability of those who govern to local communities, but it is less applicable in Nepal's current context.

VDCs have to play a crucial role to promote and ensure access of stakeholders in the political and decision-making process to the planning and management of the development programs at the local level not only from the development perspective but also conflict resolution perspective. As the country



has recently come across the decade long violent insurgency due to the exclusion of marginalised and other disadvantaged sections of the society in development and decision making process, therefore participation that includes representation is very important. In this transition period, many of the country's institutions and structures are out of functions and the new ones are still not established yet.

## **6.2 Budget Allocation process is not transparent**

VDCs' budget allocation process is also not transparent and participatory. Majority of the consulted participants and the informants said that the VDCs budgets are allocated in a closed circle of political parties and some few others. The projects are not selected and funded on a equitable basis for all the wards of the VDCs. The VDC Secretaries also could not take the strong decisions in budget allocation and again there is high influence of the political parties.

There is a need of awareness creation and capacity development of the VDCs, political parties and the local communities to maintain the strong and effective governance system at the local level. The aim of the Local Self Governance Act, 1999 and the Local Self Governance Regulations, 2000 is to enhance the demand and the supply sides of both the local governments and the public to have strong governance system in the local level. The current situation in Nepal with respect to decentralization closely approves the findings of World Bank (1998:11, stated in Ch.2 of this paper), 'Designing decentralization policy is difficult in any country because decentralization can affect many aspects of public sector performance and generates a wide range of outcomes. But it is particularly difficult in developing countries because institutions, information, and capacity are all very weak'.

## **6.3 The Stakeholders are not satisfied**

Majority of the concerned respondents are not satisfied with the VDCs current activities and service delivery. It is difficult for the local public to have timely and transparent services. The corruption has increased in the VDCs. Projects and budgets are allocated according to the local political leaders and the elites. The women are having more problems than their male partners. Their voices are not heard and VDCs' services are biased. Instead of cooperation and coordination between the public and the VDCs, the gap is widening and the local governance process is deteriorating in the local level. The local people want to have the local election at earliest possible.

The findings above point that there is a wider gap between the LSGA and the current governance practices existing in the VDCs. The planning, budget allocation and M&E process is not participatory and encouraging. The spirit of the Local Self Governance Act and the Local Self Governance Regulations has not been met yet. In fact, the present situation in Nepal closely attests Hadiz's (2004:704), findings discussed in Ch.2 of this work, that decentralization is not necessarily a panacea for developing countries.

## **6.4 Recommendations**

The findings of the research lead to suggest a number of areas requiring significant reforms in the current scheme of decentralization in Nepal including synchronization of policy framework with the field reality, effective programs for capacity enhancement, citizen empowerment both on receiving and digesting ends and above all immediate formation of elected local bodies. This would certainly require further investigation of the experiences from more VDCs representing all geographical and social conditions.

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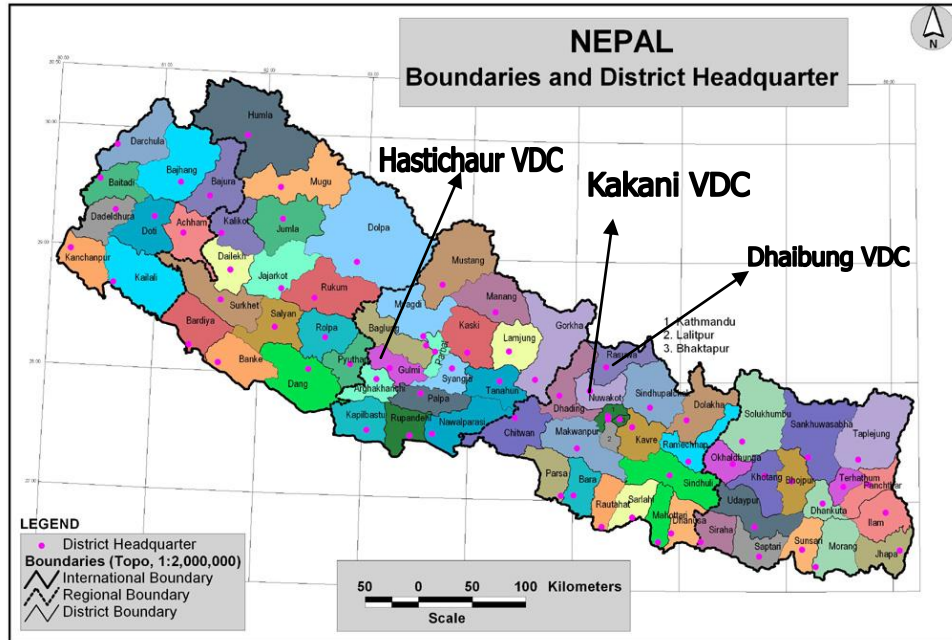
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# Appendices

## Appendix 1

### Map of Nepal



Source: GoN/MoFALD, LGCDP II

## Appendix 2

List of the Key Informants/Participants

Name	VDC	Post
Mr Hem Raj Pandey	Kakani	VDC –Secretary
Mr Nar Bahadur Aryal	Hastichaur	VDC –Secretary
Mr Govinda Acharya	Dhaibung	Office Administrator/Vice-Secretary
Mr Bhawani Prasad Neupane	Dhaibund	Ex-VDC Chairperson
UCs/CBOs		
Mrs Kalpana Tamang	Kakani	Member, School Management Committee, Brahmeswori Primary School
Mrs Sita Neupane	Dhaibung	Chairperson, Chadani Women Income Generating Group (CBO)
Mr Nabaraj Dhakal	Dhaibung	Secretary, Gantabya Tole Drinking Water Tank Construction Committee (UC)
Mr Shankar Neupane	Dhaibung	Chairperson, Dhakal Dada Road Construction Committee (UC)
Public		
Sete Tamang	Kakani	
Sanja Bd. Lama Thing	Kakani	
Raj Lama (including 8 others)	Kakani	
Sukra Lama	Kakani	
Dipesh Lama	Kakani	
Girba Raj Neupane (including 4 others)	Dhaibung	
Chitra Prasad Devkota	Dhaibung	
Sitaram	Dhaibung	
Group discussion ( about 10 people)	Dhaibung	



### Appendix 3

**Minimum Conditions (MC) for VDCs as defined by the LSGA, 1999  
are:**

1. The VDC Council must approve previous year's VDC plan, programme and budget
2. VDC must conduct annual review of previous year's programmes and projects
3. VDC must get released 90% of the total VDC Grant (capital) allocated by GoN of last FY
4. VDC must plan and budget for a certain amount of VDC grant to the targeted groups as required by the VDC Grant Guideline
5. VDC publicize last year's income and expenditure statement
6. Final audit of VDC account of the previous of the previous FY should be completed and the audit report should be disseminated publicly by the auditor
7. VDC must document it's all income-expenditure information in the given format
8. VDC must maintain account of its cash receipts, expenditure and revenue ledger books, and advance ledger book, movable, immovable and other assets
9. VDC should have update list of people getting social security allowances to the last FY
10. VDC must keep an account of Vital Registration and submitted a report of it to DDC
11. VDC should have prepare Village Profile (Postponed)

## **Appendix 4**

### **Panchayat System of Nepal**

Prior to democracy, the country was ruled under the Panchayat System introduced by King Mahendra. Under the system, the King was both the head of state and the government. Although, the system was reformed in 1979 with a introduction of elected National Panchayat (assembly of people's representative), this was just a showcase of democracy for the King as most of the candidates were endorsed by the Palace prior to their nomination in the election and only the candidate endorsed by the King was elected by the National Panchayat to the post of Prime Minister. It remained for 30 years (1960-1990). All political parties were banned during this period.