Transforming Government for Socio-Economic Development: Transition to the 21st Century in the Context of Local Governance in Nepal

PREM RAJ GOUTAM*, Nepal Electricity Authority
Nepal

Introduction

This paper is a revisit of two papers presented in the 13th EROPA Conference in 1989 and the 14th Conference in 1991 and is an overview of the events and the future directions taking place in the evolution of the local government system in Nepal.

There is large scale preparation all over the world for the journey to the 21st century. A great excitement, caution and a sense of the challenges are prevalent in every sphere of human society.

Macau shares this excitement with greater challenges and with greater responsibility. It is a very crucial time for Macau. The issues like the autonomy, decentralization and sharing of power and authority with the central government are equally important and relevant for Macau which is preparing for acquiring a new personality very shortly.

For the poor countries, with social, political and economic disparities and anomalies, such preparation is much more challenging and difficult. Nothing can be more timely than this conference with the themes appropriate for this event.

Nepalese Context

Despite the emergence of liberal political system in Nepal which ignited liberalism in social, economic and other spheres of society, the state and the government are still a major factor in the governance of the country. The various interest groups, civil society, private sector entities and market forces have yet to assume an effective role in the governance process. At this hour the number one issue for a country like Nepal is how to attain basic needs, freedom and justice for the millions of the people in the rural areas of the country who still hold deep faith and hope for a better future. Therefore, at this juncture it is worthwhile to look into how the Government can play an effective role in the socio-economic development of the country.

In Nepal the concept and the practice of decentralization in the local government system have always been a central point in the national perspective. Therefore, the author has taken up this theme.

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The Two Conferences of EROPA and the Context of Nepal

It is a coincidence that the author had presented papers in two Conferences of EROPA at the time when the local government system in Nepal was passing through a very crucial stage.

The 13th Conference of 1989 was a period when the legitimacy of the ruling Panchayat polity, of which the local government system was an integral part, was being questioned. The paper focused on the issues of accountability of the local government.

The 14th EROPA Conference of 1991 was the time when the local government system of the party-less Panchayat system was dismantled and the new Local Government Acts befitting the spirit of the parliamentary constitution were legislated.

This third time, the paper is raising issues affecting decentralization and the local government when the current local government acts (District Development Act, Village Development Act, and the Nagar Palika Act) are in the process of thorough amendment.

Nepal’s Experiment on Local Government

After the overthrow of the 104-year-old Rana Regime in 1951, the power hitherto centered in one family was transferred to the people at large. This was the beginning of the decentralization of power and authority. It was also the beginning of socio-economic development in the form of Tribhuban Gram Vikash in 1952. The planned development effort which began in 1956 in the form of First Five Year Plan, in many ways, was the bedrock of decentralization in the Nepalese context.

The enactment of Village, District and Municipal Acts of 1962, after the Royal takeover in 1962, was a recognition of the need for decentralization by the macro-political system recently established by the King.

The decentralization plan promulgated in 1964 was a watershed in the history of the transfer of power in the context of Nepalese politico-administrative set-up. Under the 12-year-plan with three phases, the country was divided into 75 districts in place of 35 administrative units set-up by Rana rulers about a century ago.

In the subsequent years, all the efforts were directed to the quest of viable decentralization and expanding powers to the local government institutions in the form of Village Panchayat and District Panchayats, although they were a tightly integrated and centralized system to uphold the foundation of the Panchayat Polity.

In the span of 30 years, the notable attempts towards decentralization were creations of many commissions which time and again reorganized the structure of the administrative and political units of the districts. (See Box 1 for chronology of legislation and Box 2 for constitutional development effecting the local government and decentralization).

However all these efforts indicate the confusion and indecisiveness of the central authority in regard to:

1. The role of the chief district officer, who is a central government official overseeing law and order and security in the district in the local government system, and
Box 1. Milestones of Local Government in Nepal

· Tribhuvan Gram Vikash 1952 initiated the model of local and rural development.
· The First Five Year Plan (1956-61). Reorganization of the district and village for rural/local development.
· Ministry of Development/Tribhuvan Village Development Department 1959 for multi-sectoral rural community development program

After institution of Panchayat Polity
· Local Administration Act 1965 reorganized the district into 75 districts and created 14 Zones for administrative purposes.
· Local Administration Act 1971 created Panchayat Development Officer
· Local Development Department 1971 for technical, financial and material assistance to the local bodies.
· District Administrative Plan 1974 Interrogated multi-sectoral plan.
· Integrated Panchayat Development Design 1978 creation of Service Center for sectoral coordination and technical assistance at the Ilaka level.
· Ministry of Panchayat and Local Development 1981
· Decentralization Act 1984
· Decentralization Rules 1984

Box 2. Constitutional Development affecting Local Government and Decentralization

· 1948. The Constitution. (Nepal sarkar Baidhanik Kanoon Nepal Government Constitutional Law). The local institutional authority was simply the local representation of the central government in the district. The central government headed by the prime minister who was all in all and the law giver of the country ruled through the local administrative head. The Prime Minister although acted on behalf of the King, who in turn was the prisoner of the law emanating from the mouth of the Prime Minister’s Government.
· 1958. Constitution of the Kingdom of Nepal. It was a constitution to establish the parliamentary form of democratic government with an elected prime minister and a constitutional monarch.
· 1962. The Constitution of Nepal. After the overthrow of the parliamentary democracy, the King established a Panchayat system, a highly centralized and active monarchical system of government. The local government and decentralization was tied up with the national polity.
2. How to maintain the centralized character of the panchayat polity at the same time devolve the power to the local government organizations, so that the panchayat polity embodies the democratic character and legitimacy.

This proved a futile effort much like pushing a round peg into a triangular hole. It ended ultimately in the demolition of the entire edifice of the political system in 1991.

Restoration of Democracy and Its Impact and Contribution

After the overthrow of the centralized Panchayat system of 1962 by the popular movement, the constitution was promulgated in 1991 restoring a multi-party system of governance. It introduced a liberal democratic system with a constitutional monarchy and an elected parliament to which the prime minister and his cabinet are accountable for the governance of the country.

In regard to local government and decentralization, a new direction and thrust were anticipated in the constitutional arrangement. However, the constitution only implied a local government structure as a requirement for the composition of the Upper House of the Parliament. The constitution is not specific on the form of devolution of power, decentralization and autonomy of the local self-government. It is silent on the detailed structure and the powers and functions are to be delegated to the local government agencies.

The status of local government under the present constitution is more or less similar to the one under the 1958 Constitution. The local government concept in 40 years made a full circle reverting to the 1958 constitution which likewise contained no provision on the decentralization and local government system.

After analyzing the evolution of the local government system in Nepal, we can infer that it is a characteristic of plural democracy that the provisions for the local government system are not required in the constitution itself. Opposed to this, in the autocratic regime the system of local covenant is specific and laid out in the constitution. It was necessary for the survival of the centralized political system.

The purpose of the decentralized system of governance in the past, specifically during the Panchayat regime, was to sustain a highly centralized and non-democratic system of the government. This indicated an inverse relationship between the centralized system adopting decentralization of power and authority. It is rather anomalous and ironic that the more the centralized or autocratic is the government, the more intricate the system of decentralization is introduced. That means that in order to sustain and legitimize the autocratic national polity, an efficiently structured institution of decentralization and local government is required.

In the centralized system, the central government is reinforced by the local government structure. From the village up to the national level, a hierarchical frame is installed. The result is a monolithic structure with minutely detailed relationship and procedures. The line of authority travels vertically from the top to bottom and the responsibility moves upward from one level of the hierarchy to the other.

In contrast to the monolithic system, in plural democracy, the central government is not tied structurally with the local government institutions which are scattered all over the country. The Lilliputian power centers are of various sizes and their interests become relevant and meaningful. In place of an artificial structure, an organic relationship is developed between the central and the local government.
The Salient Features and Functioning of the Current Acts

After the introduction of the 1992 constitution, the District Development Act, the Nagar Palika Act, and the Village Development Act were promulgated. In many respects the new acts were similar to the ones of the pre-democracy era. The structure, the level and the authority of the local bodies remained the same and the status of the autonomy was not elevated. There were major changes in the 1992 Acts. The linkage with the sector line agencies in the districts which were established have not been specified; as a result, the linkages at the moment are non-functional. It is no longer obligatory for the line agencies to submit the sectoral plan to the district assembly. As an example, the DDC Rules spell out the planning procedures and the roles of the district line agencies and the Plan Formulation Committee of the district. The rules further require sector agencies to include the sectoral programs in the District Development Plan (DDP). But in practice, the sector agencies in Saptari district, for example, do not bother to submit the plan in the District Assembly. See Chart 1 for the sectors included in the DDP.

Chart 1. Sectors Included in the District Development Plan

The dichotomy between the line agencies and the DDC still remains a general characteristic of the decentralization scheme under the current Acts of 1992. Further examination of the planning procedures in the district indicate that the concept of composite plan is a mere formalistic exercise. A case which is prepared after a recent observation study by the author in Dolkha district is presented in Box 3. It demonstrates how the plan approved by the DDCs and DD Assembly are changed by the sector Ministries. The analysis suggests that, first, it is not clear whether the DDC is implementer of the District Plan or it is merely a coordinator of the DDP. The role of the DDC vis-à-vis the line agencies is not clearly defined. This has two implications: if the DDC is merely the planner and the coordinator, the staff of the central line agencies need not be directly under the DDC; mere strengthening of their functional relationship is adequate. The technical sectoral line agencies will remain as technical assistants and service providers for the DDP.

Alternately, if the DDC’s role is defined as the implementer also, all the sectoral agencies participating in the DD Plan will have to be under the umbrella of the DDC and their accountability will shift to the DDCs and the District Assembly.
The Political, Social and Economic Scenario

The new developments in the political, economic and social field which took place in the country are important and relevant because of their significant impact on the development of local self-government system of the country. They are briefly presented in the next few paragraphs.

Political Scenario

Even after the change in the political system, maturity in political culture and behavior is yet to appear in Nepalese politics. The character and behavior of the political parties and their leadership still reflect authoritarianism and individualism which are inherent in the Nepalese society. As a result, the country is passing through a stage of political convulsion and instability. The ruling parties as well as the opposition tend to weaken inter-party linkages. The people’s apathy can be felt towards the political system and its institutions. The frequent changes of the government in very short intervals can be explained by this unhealthy political climate prevailing in the country.

The local government (DDC and VDC and Nagarpalika) acts which were formulated after the promulgation of the new constitution, are not substantially different from the local government acts of pre-1990 Panchayat era. Power is still centralized in Kathmandu and the functionaries in the district and VDC level are simply the outposts of the central government. The local bodies still lack autonomy which is the basic tenet of local self-government. Despite these operational problems in the political front, there is a brighter side of the changes as characterized by the following scenario:

Box 3. A Case of Agriculture Plan Formulation in Dolkha District

The district agriculture planning originates at the village level where it is discussed among the village farmers. This process is facilitated and supported by the Service Center. The resulting plan document is something like a shopping list containing all the demands of the farmers.

This list is then submitted to the District Agriculture Office which in turn submits it to the Agriculture Committee of the DDC. Then the plan is discussed in the District Assembly. In Agriculture Regional Directorate, a plan formulation workshop is conducted to finalize the plans received from all districts within the region.

Lastly, the plan is forwarded to the Department of Agriculture where it is reviewed and approved to meet the budget ceiling and the directives of the National Planning Commission. In some cases changes may occur in the plan submitted by the District. Up to a third of the original plan may be changed.
1. End of state-controlled political system,
2. Pluralism in all spheres of national life, and
3. Initiation of a system comprising all the basic foundations for the fundamental rights and the guarantees for the freedom, human dignity and self-esteem of the citizens by transferring sovereignty to the people.

These had immediate impact on the Nepalese society. The people never before enjoyed the level of civil liberties and political rights as they are enjoying under the new constitution. Political consciousness and intense participation of the people in the governance at the national as well as at the local level were visible during the local elections in over 4000 villages, 75 district and 56 municipal units, except in some VDCs where elections could not be held because of the violent movement of the Maoists.

The intensity of the political participation can be exemplified by an unprecedented event in the House of Representatives over the Local Governance Bill. (See Box 4 containing news excerpt of the event reported by the local press, the *Rising Nepal* and *Deshantar*).

Another important change was the horizontal expansion of the political base, opening opportunities for the larger segment of the population. Although the constitution of 1992 refers to local self-government very subtly, it categorically mentions the term “local self-government,” recognizing the concept and the objective of the constitution.

Further, an amendment in the Local Government Acts in 1997 ensured the participation of the women and local and ethnic groups in the local government system.

**Social Scenario and the Emergence of the Social Groups**

Since the new political order, individuals have assumed the power by forming groups expressing their various interests. The formal local institutions are proving a viable forum for the involvement and participation of the population in the decision-making system. There is a phenomenal growth of a large number of interest groups, groups of beneficiaries and users, and groups based on caste, ethnicity and culture.

The non-formal local groups are playing very pro-active roles in the socio-economic development of the communities. They exert pressure and create demands at the local and the central level for more resources and more participation at the bureaucracy and the administration of the government. As a result, in the recent years, various programs such as self-reliance programs are channeling huge sums of resources directly to the VDCs. Likewise the investment from the central government in health, education and environment sectors have increased considerably.

Some of these organized groups are the users’ groups and the traditional organizations. **Users’ groups.** The development activities in the district and village level are carried out through the users groups/committees. The emphasis, recently, is to undertake development activities through users’ group for sustainability of the assets and services generated by the development activities. As a result the Users’ Groups of various sizes and of the various sectors are emerging at the village and district level. They register their claim over the local resources and also create demand for the opportunity to participate in decision process.

Some cases of these users’ groups are cited in Boxes No. 5.
Box 4. News Excerpt Reported by Local Press

The Rising Nepal, 18 September 1998:

House passes self governance bill. Scuffle occurs between opposition, ruling MPs.

The local governance bill was passed by the House of Representatives with the majority (sic) today amid protest from the main opposition party…. MPs of the ruling and opposing parties (CPN-UML and RPP) manhandled one another and damaged the chairs and mikes of the House of Representatives… Marshals had to be used to bring the situation under control in the House.

After the window glasses of the Speaker’s office were smashed, the marshals had (sic) provided security to the Speaker’s Office.

Immediately after the proceeding (sic) of the House which began one hour 35 minutes behind the schedule, the Chief whip of the CPN-UML Rajendra Prasad Pandey, taking permission from the speaker said that the CPN-UML had the intention of the (sic) passing of the Bill through consensus but the ruling party had neglected their intentions and forcibly placed (sic) bill in the working agenda…. Later Mr. Pandy moved ahead towards the rostrum along with other MPs.

Despite the Speaker’s repeated request to the MPs not to move ahead towards the rostrum, the MPs paid no heed to the Speaker’s request…. Even after the speaker adjourned the meeting of the House at 3:45 PM and left the meeting hall, the MPs of the ruling and the opposition parties were engaged in creating commotion and manhandling.

Deshantar, 18 October 1998:

Another instance of the political commitment on the Local Governance Bill can be seen in the following excerpt of a local weekly vernacular.

Hon. Ram Chandra Poodle, the Speaker of the House, was replying to the debate in the House which was discussing his impeachment motion tabled by the opposition parties.

The discussion on the Local Governance Bill in the House of Representatives, the lower House of the Parliament excelled the previous records in terms of the number of (sic) the meetings and the amendments in a single bill. The 33 meetings of the Development Committee of the House which met for 32 days, discussed on (sic) 330 amendments proposed in the Bill.
Box 5. Users’ Groups

Forest Groups in Dolkha

In Dolkha district there is a strong community forest users’ group. Out of 20 community forests, 10 forests have already been handed over to the Users’ Groups which have taken responsibility for the management of the forest resources in the forest areas contracted with them. The functions of the users’ groups are listed in the work plan agreed between the Users and the District Forest Office which include, among others, facilitate the supply of the forest products, raise the living standards of the users by mobilizing the members of the Group in the activities regarding the use of the forest products.

The groups are authorized to generate revenue collection and manage the forest products. With the emergence of the Forest Users’ Groups, the revenues from the forest products have been diverted from the jurisdiction of the local government to the users’ groups.

Water and Sanitation Users’ Group

Based on the field test under the pilot learning project, the demand led water and sanitation program under the loan support of World Bank is being implemented in the central and western regions of the country. The rural water and sanitation schemes are installed by the communities based on the concept of ownership of the services. The schemes are implemented with the full participation of the local people and their institutions in the planning, implementation, operation, maintenance, monitoring and evaluation of their own program.

Annapurna Conservation Area Project (ACAP)

Annapurna Conservation Area Project (ACAP) is an agency under the aegis of the King Mahendra Trust for Nature Conservation. It was established in 1986 to mitigate the problems of the fragile environment of the Annapurna region and to improve the quality of life of the people living in this region. The agency functions under legal provisions of the Conservation Area Management Regulation 2053.

It undertakes four core programs in two areas in Mustang, one in Upper Mustang and others in the 7 VDCs of lower Mustang.

The four broad areas of the program activities are:
- Resource Conservation Program
- Sustainable Rural Development
- Sustainable Tourism Development
- Conservation Education Development

The committee undertakes all related functions required for the conservation of resources. They include forest fauna and flora, preservation of archeological and historical monuments, sites and articles. It undertakes forest management, environmental issues, drinking water, toilets, trails and bridges because they are support infrastructure for the conservation area.

At the village level, a 15-member committee is formed with:
- The VDC chairman as an ex-officio member of the committee
- One person from the users from each ward, usually they are 9
- 5 nominees by the Conservation Officer
- The chairman is elected by the committee

The committee is empowered to raise the revenue, levy fees and penalty in the committee areas.

All programs are formulated and progress is monitored and reviewed by the committee. The conservation officer is empowered to dissolve the committee. S/he approves the program and the budget and requires to submit the expenditure and accounts progress.
Traditional organizations. In many high-mountain districts, the traditional village organizations are actively participating in the affairs of the community in parallel to the local government institutions in the villages. These organizations implement local-level development activities at the same time that they raise revenue and levy taxes to meet the expenses of the programs. The organizations are authorized by the communities to impose fines and penalty to the defaulters of the rules and the regulations of the village organizations.

Two issues emerge out of this observation.

1. How should the relationship of formal organizations (DDCs and VDCs) with the social organizations be established so that they do not step on each other’s toes?

2. Is the present structural arrangement of the local government organizations appropriate to accommodate the social organizations?

The task before us is to resolve how the society-based organizations can be supported and made partners of the VDC and the DDC in the local development process without stultifying their growth. There is need to clearly define the role of the community groups and the local governments.

This also calls for the review of the definition of decentralization. Hitherto decentralization has meant transfer of power from higher to lower echelons of the organization. Such linear and vertical decentralization is anathema to plural democracy and stifles the growth of the plural centers. In democratic society, various community-based organizations, nongovernmental and private entities should find haven for their growth and nourishment within the sphere of the local government system. Therefore it calls for the review of the existing legal and administrative instruments including Local Government Acts in tune with the spirit of plural democracy in the country.

Economic Scenario

Sustainable economic development, poverty alleviation and reduction of regional imbalances were the major strategies initiated by the political changeover of 1991. As in the political front, liberalism and market-driven forces are taking the front seat of the economy. Private-sector initiatives are considered essential for rapid growth. In the context of Nepal the state and the government is still a driving force for national development. The private sector is not taking up its share of the public sector activities as fast as anticipated because of geographic, economic and institutional constraints. Therefore, the state-controlled economy co-exists with private sector participation with the intention to reduce gradually the state-regulated economic activities. In Nepal for some years to come, the state policy will remain as a resource to build and nourish the market forces (Development Report 1997).

Agriculture is the backbone of the national economy and also is the largest employer (four-fifths of the workers are on the agriculture sector) and the primary source of earning of the major part of the population. Its share in GDP is 40 per cent and its contribution to the local resource base is predominant. Consequently, it has the potentiality of making considerable dent on the rural economy as a whole. But sadly, for the last 20 years it is showing dismal
growth of 2.3 per cent every year.

A marked increase in the trade and tourism and service sector is taking up a substantial share in the GDP (about 10%). The national economy is developing an urban orientation where only 12 per cent of the national population live. As a result, the rural economy in the recent years has suffered badly. The growing service sector with its narrow base is not yet big enough to generate employment for a major segment of the population. The process silently aggravated poverty in the individual rural household. This state of affairs is attributed to the dependence of a large number of the population on very small land holdings. As a result, agriculture is at the subsistence or even below the subsistence level.

**The Salient Features of the Proposed Local Self Government Act for the Amendment in the Current Local Government Acts**

In this paragraph an attempt is made to examine some of the salient features of the Local Governance Act which has recently been passed by the House of Representatives and forwarded for the Royal Ascent.

The basic objective of the proposed Act is to address the problems and the constraints experienced by the present VDC, DDC and the Municipality Acts.

Compared to the current Acts of 1992, the amended Act does not have marked difference in its contents and substance. The differences are more semantic in nature and a re-arrangement and systematization of the contents.

Nevertheless, the amended Act has envisaged some very important changes in the Local Government Acts which are cited briefly in the following section.

**Conceptual**

Unlike the existing three separate documents for Village Development Committees, District Development Committees and the Nagarpalikas, the proposed Act is an integrated form which provides for all three units in one composite document. The document gives a sense that all levels of the local government bodies are spatially local and functionally directed to local development.

The title of the act itself suggests that the Act is for Local Self Government as opposed to the existing development committees (Village Development Committee, District Development Committees and the Nagarpalikas) which were designed more for the purpose of local development rather than for attainment of full autonomy of the local institutions.

**Organizational**

The amendment deleted special functions of Mahanagar Palikas (Metropolitan). It added a formal committee below the Village Development Committee; and the Village Assembly is made more democratic by having more elected members.

The categorization of the VDCs has been proposed, which will facilitate a special treatment for special and peculiar conditions of the villages in many remote and difficult regions of the country.
The elaborate judicial power has been assigned to the VDCs. With this arrangement, the
VDCs will function as the lowest court for the minor civil cases in the communities. It is
anticipated that with this new authority, the VDCs will be more accountable to the communities.

The District assembly has been given the power to carry out a vote of no-confidence
motion against the DDC members.

Non-partisan character of the local bodies. It is proposed that if an elected member of
the Local Government Bodies changes his/her political party through which he/she was
elected, he/she will not lose the position.

**Program and Planning Bases**

The concept of service centers has been revived for the implementation of the programs and
to provide technical support at the villages and the ‘Ilaka’ level.

The DDC will have power to make contracts with the government and the non-government
organizations to carry out the development programs. This will facilitate the ability of local
governments to initiate and implement their own programs and thereby replace the sectoral
agencies.

**Resources and Finance**

Sharing of revenue. The area proposed for revenue sharing by the local governments are (a)
the royalty on some natural resources products, (b) tourist spots, (c) registration fees on sale
of landed property, (d) water resources, and (e) petroleum.

A standing Financial Commission has been supposed to recommend policy for the taxation
by the Local Government.

**Monitoring of the Implementation of the Act**

The amended act provides a Monitoring Commission under the chairmanship of the Prime
Minister. It is envisaged that the Commission will monitor the implementation of the Local
Government Act and take necessary action to facilitate the smooth functioning of the Local
Government Organizations according to the underlined policy of local self-governance.

**Management and Administration**

A Local Government Service Commission for the recruitment and promotion of the staff of
the Local Government Bodies, has been proposed in the amended Act.

The local government will have the option to establish its own sector office with its own
staff for the implementation of the sector program. In this case there will be no separate
sector agency in the district.

**Discussion of the Issues**

The amendment proposed in the Act is silent in many respects on the major issues discussed
in earlier parts of the paper. Only in regard to the planning process does the proposed Act
provide a sketchy procedure for plan formulation. Otherwise it keeps silent on the sectors to
be included in the District Plan. It also misses how and where the sector resources are to be transferred by the line ministries. It recommends that the central government provides technical assistance to DDCs in a rather casual way. In addition, some major areas yet to be resolved are related to the following:

- The issue of autonomy.
- The issue of composite plan and the integrated planning of all the sectors.
- One umbrella concept placing all the sector agencies under the DDCs for the delivery of the services and the goods to the communities.
- Special power of the Central Government to dissolve the Local Government bodies.
- Coordination of planning and development activities undertaken by the NGOs, social organizations, civil society organizations and other formal groups in the district.
- Expansion of the revenue base of local governments.
- The provision for avoiding duplication of power and authority between agencies under the sectoral laws and the DDCs and the VDCs.

There are both advantages and disadvantages in the silence of the Act. On the negative side, the provision not mentioned in the act is like an acceptance of the status quo. The autonomy and central umbrella concept will be overtaken by the prevalent laws of the country because any change in the status quo will require a legislation which will have to be passed by the parliament. In the present environment of no party having majority in the House, the government will find it difficult to get any controversial bill through the house.

On the positive side it keeps open for the government to enact rules to fill the gaps left by the act. However, it requires a really strong political will to break the resistance of the sector ministries to amend the sector Laws and to relinquish the power and the resources they enjoy. It is anticipated that the high-powered monitoring committee under the chairmanship of the prime minister will be a great support to marshal the political will of the government and thereby break the bureaucratic inertia of the past.

**Conclusion**

In view of the aforementioned political, economic and social context of Nepal, a strong local government system is necessary. The major sector of the economy still has feudalistic character with very slow growth. The stratified social structure and stagnation have hampered the interplay of social forces. The women and the people at the lower level of the social strata suffer from exclusions and isolationism. They suffer from economic disadvantages and deprivation because of the social and hierarchical barriers.

The political forces are imprisoned by the forces of the traditional and the feudalistic nature of the society. The three factors reinforcing each other have perpetuated backwardness, poverty, ignorance, and fatalism in the society.

With this backdrop the rationale for local government and decentralization holds very strong ground because it helps to supplement the national economy by mobilizing local resources to the maximum extent. Under the local government system, decision-making
Empowerment of the local institutions is a prerequisite for invigorating the rural economy and for financing local development. The importance of the local government is further recognized by the fact that it allows the local population to participate in the decision-making on the need identification, project planning and implementation, and ownership over the social and physical infrastructure created by the local population. To that end, the local government also has the power to monitor and evaluate the outcome of the project, thereby enjoying the benefit of the project and evaluating its own efforts. The local government can be self-sustained in its true meaning only if it can stand on its own resources. Sustainability of the local government and its autonomy is a prerequisite of the other.

And lastly, ninety per cent of the Nepalese population live in the rural areas. At present their contribution and participation in the national economy are very small in proportion to their size. The vast reservoir of the capital in the rural areas (in the VDCs and DDCs and to some extent in the Nagarplikas) remain unutilized or underutilized. The local government institutions will facilitate the mobilization of the local resources. The vicious circle will only be broken by effective functioning of the local government institutions. The large mass of the people who are still isolated in the far-flung villages have to be mainstreamed into the process of decision-making and resources sharing. Human poverty reduction should target not only the state level rather the community, household, and the group level. It should go further down to the people’s level.

The local government institutions are the only viable and practical avenue for these faceless people to express their views and to demonstrate their talents. The political leaders debating in the national parliament and in the national forum should meet these people, talk to them, listen to their opinions and establish an organic relationship with them. This is only possible in an effective and autonomous local government system where these people participate to the full extent. It will initiate the process of transformation in the Nepalese Society.

I would like to end with the same concluding sentence which I used in my presentation in the 14th EROPA Conference in 1991.

It is like this: “For the next decades intermittent efforts to search for the measures to address mass poverty, backwardness and stagnation in the rural areas will continue to remain the number one agenda for the socio-economic development of Nepal.” Today I will add one more sentence to conclude that the local government system is the only viable measure to tackle these problems in Nepal.

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