

Nepal's Decentralization Experiences: Prospects and Challenges

Respected Chairperson,
Mr. President,
Excellencies,
Distinguished delegates,
Panelists,
Ladies and Gentlemen:

1. It is a great honor for me to participate in this international seminar on “decentralization reforms and local governance system” and deliver a key note speech before this august gathering of noted academics and practitioners. As a practitioner and a student of decentralization for more than three decades, I am very much delighted to be here today and share a few words in decentralization and local governance. The thematic frame is very close to my heart professionally, as I have been working and contributing, both at policy and programme levels, to strengthen decentralization and local governance in Nepal.
2. I would like to congratulate the ADB and development partners’ working groups on decentralization and local governments (DeLoG.) for organizing this seminar which is highly relevant for many countries in Asia and the Pacific. In Nepal’s case, it is timely because

it is on the verge of adopting a new federal constitution and has to learn from the experiences of the region and elsewhere.

3. Over the past three decades the developing world has seen increasing devolution of political and economic power to local governments. More recently, countries across the world have embraced decentralized system of governance as a means for promoting good governance, democracy, poverty reduction and development. It can safely be argued that the success in achieving the Sustainable Development Goals will hinge very much on how effectively a country follows decentralization and empowers local governance by devolving functions, resources, and localizing capacity.
4. Nepal is a democratic country in transition from unitary to federal. The past few years have witnessed complex and protracted political debates and negotiations across a range of issues, engaging citizens from all walks of life in the drafting process of the constitution. Federalization of the country, inclusion and representation of women, form of government, electoral system are among the key issues widely and substantially debated over the years. Although it has taken us longer than originally anticipated time frame, we are confident that the new constitution will usher in new phase and institutionalize democratic gains achieved over the decades.
5. The draft Constitution envisages three layers of government– federal, provincial, and local. Sub-national governments are being given

constitutional status as autonomous sphere of government with their powers and responsibilities. This brings opportunity for the country to improve governance and accountability, to empower people and to reform service delivery.

6. Let me to share about our decentralization experiences. Though the country has a long history of decentralization, a milestone in terms of devolution and decentralization was achieved after the enactment of the Local Self Governance Act in 1999. The law envisaged devolving authority and resources based on the subsidiarity principle to the elected local governments. Positive outcomes were observed in local self-governance after this law was enforced. We are practicing the localist, centralist, and mobilization model of decentralization. Local Governance and Community Development Programme (LGCDP) is an example of mobilization model which has been implemented by Government of Nepal and donor's consortium in a sectorwide approach.
7. Unfortunately, due to political circumstances no election for the local bodies could be held after the tenure of elected bodies came to end in 2002. Following that in order not to create complete vacuum at the local level, Nepal has initiated local governance reform measures and made centrally deputed civil servants responsible to continually operate local governments on the basis of set norms, rule and regulations backed up by formula-based grants to local bodies.

Though this is not an ideal situation, this has brought about some positive improvements in the state of governance at the local level in the post-conflict situation.

8. Application of independently assessed minimum conditions and performance measurements (MCPMs) have been used to allocate formula based grants to the local governments. Nepal is perhaps one of a few countries in the region that practice performance and formula-based allocations. Similarly, the democratic gap has been narrowed down by very strong community empowerment initiatives such as the creation and capacity building of Ward Citizen Forums (WCFs) and Citizen Awareness Centers (CACs) at the community level as a supplementary mechanism to local governance. Through this mechanism, more about 1 million people are engaged in local level planning, downward accountability and so forth. This mechanism has been well functional in the aftermath of the devastating earthquake of April 2015 in terms of rescue, relief and early recovery.

Ladies and Gentleman,

9. In spite of all these efforts, the road ahead is not free of challenges particularly in terms of devolution of functions, funds and functionaries with a well thought out transition plan while addressing the expectations of the people from the federal structuring by the forth coming constitution. Additionally, the adverse impacts and challenges posed by the recent earthquake need to be duly

addressed during the course of the implementation of the constitution.

10. The functional clarity of each tier of government complemented by sufficient financing mechanism with accountable means to be supported by efficient and capable organizational and human resource provisions, and responsible national and local governments are prerequisites for successful decentralized governance. Transparent and predictable intergovernmental fiscal relations with trustworthy public financial and budgetary mechanisms always contribute towards establishing a robust system of fiscal federalism and economic growth. Proper design of federalization and decentralization can create an environment that can nurture accountability, transparency, inclusion and representation and improve in the services delivery.
11. Similarly, high dependency syndrome, inadequate attention on hard budget constraints, overlapping functions and political patronages have been critical factors in transition. The design deficits, delivery gaps and capacity constraints constantly challenge and undermine our efforts in materializing the set visions. Similarly, centralist mindset is particularly prevailed in the politics and bureaucracy which

is the critical barrier for smooth decentralization as well as efficient local governance.

Respected Chairperson

12. This seminar is an opportunity to share and learn the best practices and innovations. The experiences in the region would be useful to strike balance between the different tiers of government in terms of their roles and responsibilities. I am confident that during this seminar we all will produce a consensus on how to promote and strengthen our mutual understanding and cooperation that can further strengthen decentralization and local governance systems to uphold the core values of democracy. There is no one size fits all model of decentralization. We may adopt an asymmetric model of decentralization based on the country and local context. Continuance of this kind of seminar help us to exchanging our ideas, sharing experiences and replicate appropriate model to strengthen the local governance as well as local democracy .

13. On behalf of Government of Nepal as well as on my own, I would like to express my sincere appreciation to the Asian Development Bank and development partners' working groups on decentralization and

local governments (DeLoG) for their generous hospitality extended to us.

14. Finally, I take this opportunity to express my sincere appreciation and thank to the organizers for giving me this forum to deliver the keynote address.

I wish the grand success of this seminar!

Thank you.