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For Immediate Release

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**THE CARTER CENTER REPORTS THAT PUBLIC PERCEPTION OF
LOCAL GOVERNANCE IN NEPAL HAS IMPROVED; UNDUE INFLUENCE OF
POLITICAL PARTIES CONTINUES**

In a report released today, The Carter Center reports that public perception of local governance has improved over the past year. However, mismanagement of local-level budgets and the persistent role of political parties in influencing local development priorities remain, posing a significant challenge to local development and governance.

The report also makes a series of recommendations to the government of Nepal, political parties, civil society organizations, and the international public for local elections, governance, and development.

“The Carter Center has found that many citizens believe that the quality of local governance has improved in the past year, particularly since the dissolution of the All Party Mechanism in January 2012. Center observers also noted that many bureaucratic mechanisms designed to increase the role of women, marginalized group representatives, and citizens in general appear to have been relatively successful in boosting local-level participation,” said David Hamilton, field office director for The Carter Center in Kathmandu.

“However, significant obstacles that have skewed local development priorities and hampered the quality of service delivery remain in place. The voices of disadvantaged group representatives appear to be ignored when final decisions on local priorities are made,” said Hamilton.

The report, based on field observations between February and August 2013, found increased levels of public participation in mechanisms such as Ward Citizen Forums and a perception that money was spent on more local governance projects of need in the local area.

The majority of citizens interviewed for the report claim that local governance still faces challenges, including reduced or late budget disbursements, redirection of funds earmarked for disadvantaged groups, and absenteeism of local government officials.

Carter Center observers also reported that political parties remain engaged in local governance, although how they affect the process appears to be more uncertain since the dissolution of the All

Party Mechanism. Of the citizens interviewed, the majority wanted to hold local elections as soon as possible, as they believed it would make local bodies more accountable. With the completion of the second Constituent Assembly election on Nov. 19, 2013, the issue of holding local elections also has regained momentum.

Additional findings of the report:

- Disadvantaged groups reportedly participated during the planning and implementation of local projects, although the impact of this participation remains in doubt.
- Although civil society and political party representatives were positive about the role of Ward Citizen Forums in increasing citizens' participation in the planning process, interviewed citizens raised concerns about the quality of participation and/or the ability of Ward Citizen Forums to prioritize projects.
- Most Nepalis have limited knowledge of planning and budget allocation for local governance, with few knowing about Ward Citizen Forums and even less of Citizen Awareness Centers.

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THE CARTER CENTER



Local Governance in Nepal: Public Participation and Perception **Feb. 28, 2014**

EXECUTIVE SUMMARY

Local governance is crucial for any country, as local-level decisions tend to have a more immediate and direct impact on citizens than those abstract policy directives made at the central level. Yet the topic is particularly salient for post-conflict countries such as Nepal, especially given the sensitive and profound nature of the debate about how power in a future Nepali state would be devolved through federalism and the fact that the country has been without local elected representatives for more than 12 years. How citizens view the role of local officials and themselves in the provision of key public services—including health, education, and road infrastructure—shapes how citizens assess the capacity of the state to respond to their needs and to implement the peace process as a whole.

A number of national and international organizations have looked into measures to improve local governance in recent years. The 2007 interim constitution committed Nepal to federal restructuring and emphasized local-level governance measures designed to increase inclusiveness for those considered marginalized or disadvantaged while an overall state structure is finalized. As such, a considerable number of local governance actors and development projects in recent years have focused on ways to improve disadvantaged group participation and increase effectiveness of local governance mechanisms. There has also been a renewed impetus to hold local elections after the second Constituent Assembly elections on Nov. 19, 2013.

The complexity and scale of local governance make definitive analysis beyond the scope of this report. But given the context and the recently concluded Constituent Assembly election, there is an important opportunity to explore perceptions of local governance. More specifically, this report asks how local-level interlocutors perceive the status of—and public participation in—local governance in light of the continued absence of locally elected officials. Importantly, it assesses the role of political parties and various mechanisms designed to increase citizen participation in local governance, particularly those from disadvantaged groups, while also asking how local-level stakeholders perceive local governance to have changed in the past 18 months. In part, this focus on the perceived changes in local governance over the recent months is because of the dissolution of the All Party Mechanism in January 2012, a mechanism that many—including The Carter Center—believed had an adverse effect on the priorities of local governance. Finally, the report highlights the degree of awareness that local-level interlocutors

had about mechanisms and procedures devised to foster their participation as well as technical terms associated with local governance. Such analysis has been central to the Carter Center's reporting for some time, notably in reports on identity-based political activity and federalism published in March 2013.

The findings in this report are based on field observations from February to August 2013, but they also draw upon our continuous observation of the peace and constitution-drafting processes from June 2009. In September 2013, The Carter Center established an International Election Observation Mission in Nepal and observed the country's second Constituent Assembly election on Nov. 19, 2013. However, the findings of this report are based solely on the previous Carter Center mission to observe the peace process and constitution-drafting process. Key findings of the report include:

- Late and reduced budget disbursements, the redirection of funds earmarked for disadvantaged groups, and local government official absenteeism were identified as some of the main challenges to local governance.
- Political parties continue to be involved in local governance/development bodies, albeit on a more informal basis than before the dissolution of the All Party Mechanism.
- Disadvantaged groups reportedly participated in the planning and implementation of local projects, although the impact of this participation remains in doubt.
- Many civil society and political party representatives were positive about the role of Ward Citizen Forums (WCF) in increasing citizens' participation in the planning process. However, interlocutors raised concerns about the quality of participation and/or the ability of WCFs to prioritize programs.
- Most citizens continue to have a limited knowledge about planning and budget allocation for local governance, with few hearing of WCFs and even less of Citizen Awareness Centers (CAC).
- The majority of civil society and political party representatives supported the idea of holding local elections, arguing that it would improve performance and accountability of local bodies.

The report concludes with some key recommendations, including:

To The Government of Nepal:

- Hold local body elections as soon as possible.
- Streamline existing rules and regulations, particularly with regard to budget allocation and disbursement.
- Ensure timely budget disbursement.

- Fill vacant village development committee secretary positions and ensure that people transferred out are replaced with minimal delay.
- Implement stringent measures to reduce village development committee secretary absenteeism, including censuring secretaries who are found in violation.
- Continue to encourage public participation at all levels of governance and strengthen established mechanisms to ensure meaningful participation of disadvantaged groups in local development at all stages of the decision-making process.
- Implement a code of conduct for political parties to ensure that they are accountable to new measures in local governance and to end undue political party influence in local-level decision making. Such an explicit code of conduct would help formalize the commitment of political parties to local governance procedures.
- Provide robust leadership, central-level directives, and penalties for local-level mechanisms that do not adhere to procedures. Past Carter Center reports have made similar recommendations to boost the capacity of local-level mechanisms, resist the influence of political parties, and improve accountability.
- Hold regular public audits of decisions related to local development and budget allocation. Audits should be modeled on existing rules and regulations but must be attended by all those involved at the district and village development committee level. Also ensure follow-up of any complaints raised.
- Increase awareness about technical terms and local participation bodies, either by strengthening existing mechanisms such as CACs or by considering adoption of new measures to boost efficiency and capacity of members of local development bodies.
- Introduce effective complaints mechanisms regarding performance of local government bodies or their projects.

To Political Parties:

- Support the creation of an environment conducive to holding local elections.
- Play a more supportive role in local governance and end efforts to unduly influence how local-level decisions are made, particularly through users' groups and WCFs.
- Adhere to established guidelines for bodies intended to be non-partisan and facilitate the introduction of a code of conduct in which representatives of political parties at all levels explicitly commit to refrain from using local development projects for narrow partisan interests.

- Encourage the involvement of citizens, particularly those from disadvantaged groups, to play active roles in local governance mechanisms.

To Civil Society:

- Play a more supportive role in local governance and positively encourage the participation of citizens in local governance bodies and local development forums.
- Contribute to the improved understanding and awareness of local participation bodies and local elections.

To the International Community:

- Encourage the government of Nepal to tackle issues of corruption and develop measures to eliminate undue political party influence on local development.
- Assist in efforts to coordinate bodies and consolidate guidelines, policies, rules and regulations to create a more efficient and comprehensive governance structure.
- Support locally led initiatives to increase and improve public participation in local governance.
- Develop stricter accountability measures for donor-funded projects.

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TERMS AND ABBREVIATIONS

| | |
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| APM | All Party Mechanism |
| CA | Constituent Assembly |
| CAC | Citizen Awareness Center |
| CIAA | Commission for the Investigation of Abuse of Authority |
| CIDA | Canadian International Development Agency |
| CPA | Comprehensive Peace Accord |
| CPN (UML) | Communist Party of Nepal (United Marxist Leninist) |
| CPN-M | Communist Party of Nepal–Maoist |
| DAG | Disadvantaged Groups |
| DANIDA | Danish International Development Agency |
| DDC | District Development Committee |
| DFDP | Decentralized Financing and Development Program |
| DFID | Department for International Development |
| FDNF–FLSC | Federal Democratic National Front–Federal Limbuwan State Council |
| FNJ | Federation of Nepali Journalists |
| GIZ | Deutsche Gesellschaft für Internationale Zusammenarbeit—also known as the German Society for International Cooperation (formerly GTZ) |
| INCC | Indigenous Nationalities Coordination Committee |
| IPFC | Integrated Planning Formulation Committee |
| JICA | Japan International Cooperation Agency |
| LDO | Local Development Officer |
| LGCDP | Local Governance and Community Development Program |
| LSGA | Local Self Governance Act 2055 (1999) |
| MC/PM | Minimum Conditions/Performance Measures |
| MoFALD | Ministry of Federal Affairs and Local Development |
| MoLD | Ministry of Local Development, now named MoFALD |
| NC | Nepali Congress |
| NEFIN | Nepal Federation of Indigenous Nationalities |
| TMDP | Tarai Madhes Democratic Party |
| UCPN(M) | Unified Communist Party of Nepal (Maoist) |
| UNDP | United Nations Development Program |
| UNFPA | United Nations Population Fund |
| UNICEF | United Nations Children's Fund |
| UNV | United Nations Volunteers |
| VDC | Village Development Committee |
| WCF | Ward Citizen Forum |

I. INTRODUCTION

Perceptions of local governance are important democratic indicators in any country but particularly so in post-conflict states such as Nepal. Given the sensitive and profound nature of the debate about how power in a future Nepali state would be devolved through federalism, the topic has gained greater relevance in the contemporary debate of Nepal's future. More immediately, how citizens view the role of local officials and themselves in the provision of key public services—including health, education, and road infrastructure—shapes how citizens will assess the capacity of the state to respond to their needs and implement the peace process as a whole. This report looks at “Local Governance in Nepal: Public Participation and Perception.” It is intended to serve as a background document for individuals and organizations seeking to better understand existing arrangements for public participation in local governance work on the ground and ways these structures are perceived by relevant stakeholders, including Nepal's general public.

Following the end of the armed conflict, a number of national and international organizations have looked to increase public participation and social inclusion in local governance. With the signing of the Comprehensive Peace Accord (CPA) in 2006 and the formulation of the interim constitution in 2007, Nepal has committed to a progressive restructuring of the state and to ending its centralized and unitary state structure. The 2007 interim constitution placed greater emphasis on local-level governance measures being inclusive toward those considered marginalized or disadvantaged while an overall state structure is finalized. With the first amendment of the interim constitution in April 2007, the country also committed to a restructuring along federal lines.¹ More recently, with the completion of the second Constituent Assembly election on Nov. 19, 2013, the topic of local elections has gained momentum again in a country that has been without local elected representatives for 13 years.

Per its mandate to observe Nepal's ongoing peace process and constitution drafting process,² The Carter Center has sought to observe the extent to which local governance bodies have internalized such inclusive policies despite the lack of elected local bodies and any bearing such commitments to the restructuring of the state and inclusive policies have had on local governance during the ongoing constitution drafting process. Given the renewed impetus for local elections and the need to adjust the electoral framework, taking stock of the existing structures of public participation and inclusion, seems particularly urgent at this point in time.

¹ In Article 33(4.1) of the 2007 interim constitution, the government of Nepal seeks to “have participation of Madhesi, Dalits, indigenous people, ethnic communities, women, laborers, peasants, disabled, backward classes, and regions participate in all organs of the state structure on the basis of proportional inclusion.” Full details available at <http://un.org.np/node/10500>

² To learn more about the Carter Center's mandate and work in Nepal, visit our website at: <http://www.cartercenter.org/countries/nepal.html>

A. Carter Center Methodology

Since June 2009, The Carter Center has observed Nepal's peace process and constitution-drafting process, with small teams of national and international observers throughout the country. Since then, the Center has published several reports on the topic, including observation reports on identity-based mobilizations, land commitments in the peace process, the role of political parties in local bodies, and the functioning of local peace committees. It is important to note that The Carter Center is not a donor organization, nor does it fund any development activities or projects of local nongovernmental organizations. Therefore, the Center has no direct link with any of the structures or organizations mentioned in the report.

The findings of this report are based on qualitative data gathered by the Carter Center's long-term observers between February and August 2013. Twenty-five of Nepal's 75 districts were visited during this period, with Carter Center teams visiting five districts in each development region.³ Care was taken that samples included districts in the Tarai, hill, and mountain areas and that districts visited varied in their 2010/2011 Minimum Conditions/Performance Measures scores and rank.⁴

During their visits, Carter Center observers visited the district headquarters and two village development committees or municipalities for further follow-up and case studies in each district. In total, Center observers conducted 993 interviews in 25 district headquarters, eight municipalities, and 53 village development committees for this report. Of this total, 710 interviews were conducted with local stakeholders, including chief district officers, local development officers (LDOs), district development committee staff, social mobilizers, and village development committee secretaries. Interviews also were conducted with representatives of political parties, civil society, nongovernmental organizations, district Chambers of Commerce, contractors' associations, users' groups, Ward Citizen Forums (WCFs), and Citizens Awareness Centers (CACs). On each visit, at least 10 citizens—including members of disadvantaged groups—were interviewed to solicit their views on the state of local governance and level of public participation in planning and implementing local projects. A total of 282 citizens were interviewed for this report.⁵

The main question this report addresses is: "In the absence of locally elected officials, what is the state of public perception and citizens' participation in local governance?" Subsidiary considerations include the role of political parties and civil society in local bodies, public opinion on the performance of local governance structures, changes in local governance over the last year, and respondents' belief if local elections would help improve local governance in their area.

³ In some cases, districts were visited more than once.

⁴ Among the districts visited, Sindhupalchok (ranked third) and Khotang and Makwanpur (both ranked sixth) performed best, whereas seven districts, including Mahottari and Dhanusha, failed to score the minimum of 36 points in their 2010–2011 performance measure evaluation. For a full breakdown of district scores, see Appendices B and C.

⁵ Questions were asked in an open-ended manner but based on a standardized form used during each district visit.

In particular, this report focuses on institutions that fall under the purview of the Local Self Governance Act (1999)⁶ and the Local Governance and Community Development Program (LGCDP).⁷

B. Nepal's Legal Framework

Despite its highly centralized nature, Nepal looks back upon a long history of administrative and legislative measures of decentralization and devolution of power. In 1999, the Local Self-Governance Act 2055 (LSGA) expanded the mandates of local bodies such as village development committees, municipalities, and district development committee, allowing them to set priorities, allocate budgets, and monitor the implementation of local development projects.⁸

By 2000, four years after the armed conflict began, nearly half of the 75 districts reported an increase of insurgent activities in rural areas, precluding any form of comprehensive governance in most parts of Nepal. A previously informal/consultative role of political parties after the expired tenure of locally elected bodies in 2001 gained legitimacy after the formation of the interim government in 2006. It was further formalized by the then-Ministry of Local Development (MoLD) with the adoption of the All Party Mechanism in 2009.⁹

In this setting, MoLD outlined a 14-step planning process for local bodies to formulate and implement locally led initiatives in 2000 and a performance-based grant system in 2004.¹⁰ By 2005, the government of Nepal and a host of U.N. agencies, bilateral agencies, and multilateral banks¹¹ introduced the LGCDP to align all local development formations, including international nongovernmental organizations, nongovernmental organizations, civil society organizations, and corporate social responsibilities activities, in support of the decentralization of local governance and community development.¹²

a) Village Development Committees, District Development Committees, and Municipalities

Against the backdrop of the onset of the armed conflict, disjointed planning, and poor capacity at the ground level, a void was left in local governance management by the expiration of the tenure of elected representatives in 2001. As a temporary measure, the government of Nepal authorized

⁶ For more about Nepal's LSGA (1999), read the "Local Self-Governance Act 2055 (1999)" (English). Available at http://www.theredddesk.org/countries/nepal/info/law/local_self_governance_act_nepal

⁷ For more on the LGCDP (2008) program, read the "Government of Nepal, Ministry of Local Development (2008) Local Governance and Community Development Program (LGCDP) Program Document" (English). Available at: http://www.lgcdp.gov.np/home/policies_guideline.php

⁸ Formally, under the Local Self-Governance Act, the term "local bodies" refers specifically to the village development committees, district development committees, and municipalities.

⁹ MoLD was subsequently renamed the Ministry of Federal Affairs and Local Development (MoFALD) in May 2012.

¹⁰ Outlined under MoLD's Local Self-Governance Regulations

¹¹ U.N. agencies (UNDP, UNICEF, UNV, and UNFPA); bilateral agencies (DFID, Norway, DANIDA, CIDA, SDC, JICA, GIZ, and others); and multilateral banks (World Bank and Asian Development Bank, and others)

¹² LGCDP op. cit., p. 18. On July 16, 2013, the LGCDP was to enter its second phase (lasting to July 16, 2017); however, with national Constituent Assembly elections nearing and potential budgetary constraints, the launch of the second phase has been temporarily postponed. It is envisioned that local elections will be carried out within the second phase.

its civil servants¹³—who during the armed conflict often operated out of district headquarters or towns—to assume all functions of the local bodies. To cope with such responsibility, VDC secretaries resorted to consulting with local elites, who were often politically affiliated. After the end of the armed conflict, this informal role of political parties was secured with the official promulgation of the All Party Mechanism in 2009.¹⁴

By 2012, beset by controversies over decision making, corruption, nepotism, and political party favoritism, the APM was dissolved by MoLD, which received an official directive from the Commission for the Investigation of Abuse of Authority (CIAA).¹⁵ This left government-sanctioned officials in positions of power at the local level as they continued to exercise the extra responsibilities of previously elected chairpersons. With the election to the second Constituent Assembly on Nov. 19, 2013, the issue of local-body elections has received new impetus. The 11-point agreement among the four main political parties (Unified CPN (Maoist), Nepali Congress, CPN–UML, and the United Democratic Madhesi Front) that paved the way for the Constituent Assembly election stated that the government formed after the CA election “fix the date of election in the local bodies within the Napalese year 2070 BS (2013/2014).”¹⁶

b) Users’ Groups

Further provisions under the 1999 LSGA included the formation of users’ groups (or consumers’ groups) to aid the implementation and management of projects selected by the village development committee, district development committee, or municipality. Unlike local bodies, users’ groups are intended to be based at the grassroots level and made up entirely of project beneficiaries, with no formal roles for political parties. The expectation was that users’ groups not only would directly benefit economically from the project but also would foster a greater sense of ownership among project beneficiaries.¹⁷ 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. Monitoring committees ensure project specifications are adhered to, and they sign off at different stages of project implementation before installments can be released to the executive committees. At the close of a project, public hearings are held, outlining budget expenditures and project assessments.

Those with a potential conflict of interest, such as elected officials, government employees (including teachers), contractors, and active political party members (including members of the

¹³VDC secretaries for village development committees, LDOs for district development committees, and executive officers for municipalities

¹⁴In 2006, before the official promulgation of the APM, the seven key political parties could send representatives to each local level meeting on a rotational basis. However, after the CA elections in 2008, several political parties split, encouraging a larger number of political party representatives at every meeting and making it extremely difficult to reach consensus and coordinate bodies. A general circular in 2009 directed political parties to nominate one representative to serve a one-year term as the party's representative. The circular also ensured party representatives could be held legally accountable by the courts and the CIAA for the role they play in local bodies.

¹⁵For more information, refer to the “Carter Center Observations on Political Parties in Local Bodies,” Nov. 23, 2011.

¹⁶As stated in the Titan Herald on the Feb. 13, 2013. Accessed at: <http://www.titanherald.com/2013/03/13/nepalese-parties-reach-to-consensus-to-paveway-for-cj-led-government/>

¹⁷For this report, Carter Center observers focused on users’ groups governed by the 1999 LSGA.

village development committee APM) are barred from sitting on either of these committees, and no members are allowed to serve on multiple committees.

c) Ward Citizen Forums and Citizen Awareness Centers

Since 2009, MoLD under the LGCDP formed Ward Citizen Forums and Citizen Awareness Centers in each of Nepal's districts in accordance with the 14-step planning process. While WCFs and CACs only have advisory function, they are expected to voice local level issues, develop suggestions, and prioritize/monitor projects in order to increase government accountability.¹⁸ They are also expected to transform power structures and develop economic policies that favor disadvantaged groups (DAGs), including women, Dalits, Madhesis, Janajatis, people with disabilities, and the poor.¹⁹ WCFs are intended to be made up of representatives from different social groups—with specific requirements for Dalit and female representation—but exclude any government employees or those holding a post in a political party. On the other hand, Citizen Awareness Centers are explicitly for DAGs who are traditionally excluded from public forums. Disadvantaged people can attend meetings every 15 days for two hours to identify, analyze, and act upon issues that directly affect their lives through so-called REFLECT classes.²⁰

d) Integrated Planning Formulation Committees and Village, Area, and District Councils

Integrated Planning Formulations Committees (IPFCs) are held at both the village development committee/municipality and district development committee levels to select programs or project proposals conducted by and in the relevant local body. Essentially, proposals prioritized by WCFs are forwarded to the IPFC at the village level to be further prioritized and selected.²¹ From here, village, area, and district council meetings are to be held, announcing projects selected and the budgets (with budget breakdown) allocated to each project.

According to the guidelines, the IPFC should be made up with a minimum of 14 members who represent different social groups, including government officials, community-based organizations, disadvantaged groups, nongovernmental organizations, and WCF members. The “open sessions” of VDC, district, and area council meetings are to be attended by an equally wide array of representatives/stakeholders to announce the project selections. “Closed sessions” occur after the open sessions and, since the dissolution of the APM, are only attended by government officials to give final approval to the selected projects.

e) Minimum Conditions/Performance Measures and Local Governance and Community Development Program Grants

¹⁸ For more information on the LGCDP's establishment of WCFs and CACs, read the LGCDP's December 2009 "Social Mobilization Guideline" available at

http://www.lgcdp.gov.np/home/pdf/Final_SM%20guidelines%20english%2028_12_09.pdf

¹⁹ According to the LGCDPs "Social Mobilization Guideline" December 2009, p. 5

²⁰ Ibid. p. 21

²¹ For more information on the functions, duties, and rights of the integrated plan formulation committee, read “Local Body Resource Mobilization and Management Procedure 2069,” p. 23, by the government of Nepal's Ministry of Federal Affairs and Local Development.

The Minimum Conditions/Performance Measures (MC/PM) scheme was created by the government of Nepal in accordance with a performance-based grants system in fiscal year 2004/2005 to ensure greater social inclusion (particularly of disadvantaged people) and accountability in local grant allocations. Both MCs and PMs are implemented for district development committees and municipalities, while MCs are used for village development committees.²² Under this scheme, capital grants—such as those requested by Ward Citizen Forums, integrated planning formulation committees, and council meetings in each village, district, and municipality—are released every fiscal year based on a) whether the local body has passed a prescribed list of minimum conditions and b) their score in performance measures by the local body fiscal commission.²³

In 2006, new procedures were introduced that stated that 35 percent of the overall district and village development budget in each district should be allocated specifically for the benefit of marginalized sections of the population.²⁴ Additionally, district-based coordination committees, chaired by development officers and coordinated by a politically appointed vice chair, were formed to manage funds for marginalized communities and to make proposals to district councils. In turn, those councils allocated funds given by the ministry to benefit marginalized communities. Since the formation of the interim election council, committees such as the Indigenous Nationalities Coordination Committee have been dissolved. However, in some locations, coordination committees continue to act as bodies to distribute disadvantaged group-specific budgets along with LGCDP grants. In July 2013, the LGCDP project was renewed and entered its second phase, with the project period ending in July 2017.

C. Previous Carter Center Findings

Previous Carter Center Observations on Political Parties in Local Bodies in 2011 noted:²⁵

- In general, party representatives at the time said they could participate freely in the APM of the district and village development committees and municipalities, and in most districts they reported having “good cooperation” on development matters. However, other interlocutors sometimes referred to this cooperation more negatively, with parties “dividing up the budget” in their own interests.

²² This MC/PM scheme dates back to the UNDP/UNCDF-supported “Decentralized Financing and Development Program (DFDP, 2000-2008),” one of LGCDP predecessor(s). This program also introduced financial incentives (rewards) to staff, which has continued under LGCDP.

²³ For more information on the MoFALD grant breakdown and scoring of district development committees and municipalities according to performance measures, read Jean Louis von Belle’s (unpublished) “Evaluation of the current system of grants to Local Bodies.”

²⁴ LGCDP capital grants require a minimum of 10 percent allocated to benefit women, 10 percent to benefit children, and 15 percent to benefit other disadvantaged groups, including indigenous groups (Adibasi Janajati), Madhesi, Muslims, and people with disabilities.

²⁵ Refer to the “Carter Center Observations on Political Parties in Local Bodies” report for full details. Previous Carter Center findings are further reinforced in an article written by The Carter Center in the Kathmandu Post on Dec. 8, 2011. Available at: <http://www.ekantipur.com/the-kathmandu-post/2011/12/08/oped/the-waiting-game/229117.html>, accessed on the 15.08.2013

- Parties often accepted an informal norm that their influence on local bodies should be in proportion to their relative organizational strength and that they should divide local positions and influence accordingly.²⁶
- Although intended to be nonpartisan, positions on school management committees and, in some areas, project users' groups were highly politicized, and parties sometimes competed for influence in these bodies.
- In areas in which political parties were prominent actors in local bodies, citizens had mixed views of their roles. Some citizens expressed neutral or positive views. They either did not see the politicization of local bodies as a serious problem or believed party involvement could be accountability-promoting. Others had much more negative views, complaining that party-affiliated members pursued individual or partisan interests and that ordinary citizens were shut out of the process.
- A large number of interlocutors expressed a belief that the absence of elected local government since 2002 had resulted in reduced government accountability.
- The management of political parties' role in local bodies and its range of consequences was an ongoing and multifaceted challenge for the government, public, and parties alike. In this regard, numerous interlocutors suggested that holding local government elections would be an important step in ensuring more robust accountability of local bodies to citizens.

²⁶ A UCPN(M) district secretary in the Midwestern region explained that once development plans are announced, political parties meet to allocate the main positions in users' groups. A VDC-level Nepali Congress leader in the same district agreed, and added that although all parties in the VDC get positions on users' committees, the major parties get more and better positions.

II. CHALLENGES TO LOCAL GOVERNANCE

This section highlights the main challenges to local governance based on interview data collected between February and July 2013. In the absence of locally elected officials, the main issues in local governance include budget management, government official absenteeism, political party interference in development planning, graft and corruption, and lack of public awareness on local governance issues. Each of these issues is discussed in more detail in subsequent sections.

Insufficient budgets were almost universally acknowledged to be one of the main challenges for planning and implementation of local projects.

In a number of districts visited, interlocutors stated that attempts to satisfy all community stakeholders led to the fragmentation of available budgets among a large number of projects, at times resulting in projects not being completed or completed unsatisfactorily. A UCPN(M) representative in Sindhupalchok described the current planning procedure as having a “distribution modality” and “not being result oriented.” Too many projects in the district were approved each year, despite an insufficient budget. In Kaski, representatives from the contractors’ association pointed out that such tendencies were aggravated by the absence of uniform planning in the district and the lack of a master development plan. In Ilam, on the other hand, interlocutors indicated that the practice of earmarking budgets at the central level for specific target groups and “national priorities” made it difficult for local bodies to accommodate local priorities. This issue is further discussed in section IV.A.

In several districts, such as Khotang, Arghakhanchi, Jhapa, Darchula, Baitadi, and Kanchanpur, among others, local development officers and VDC secretaries further expressed their concerns that in the absence of a full budget, reduced budget allocations had significantly impacted the ability of local bodies to cater to basic infrastructural needs.²⁷ After the dissolution of the Constituent Assembly, consecutive years of reduced budgets had also led to significant insecurity in the planning process, with budget ceilings during the 14-step planning process often not being provided on time or

CASE STUDY 1: Reduced budget allocation interrupts project development in Makwanpur

The local development officer of Makwanpur was critical of the government’s decision to reduce the budget and flatly provide the same budget to all 75 districts without taking other factors, such as population size, into account.

According to the officer, Makwanpur’s district development committee had received Nepalese rupee (NPR) 20 million in 2012 but had only received NPR 4 million in 2013. Accordingly, village development committee grants had been reduced, with VDCs only receiving NPR 1.5 million this year. The reduction in the budget had forced the DDC to cut many projects that had been approved in the annual plan with the expectation of a full budget - a fact that was difficult to explain to the public.

²⁷ In Baitadi, district development committee officials told observers that in fiscal year 2012–2013, reduced budget allocations had led to DDC funds being spent almost entirely on matching funds for various central-level and donor-funded projects.

based on highly uncertain assumptions.²⁸ In Baitadi, observers found that past uncertainty over budget allocations from the center had led to council meetings in the district that did not plan for the coming fiscal year as prescribed by guidelines but instead making planning decisions for the current fiscal year only.

Late budget disbursement significantly impacted the quality and timing of projects, in turn increasing fiduciary risks.

In addition to insufficient budgets, the late release of budgets from the central level delayed projects and often led to projects being rushed or unfinished by the end of the fiscal year. In Arghakhanchi, interlocutors noted that the late disbursement of the budget contributed to a poor quality of work, as projects would be done at the last minute and in a rush, increasing the risk of graft. In Kanchanpur, interlocutors alleged that officials in the DDC seized remaining budgets at the end of the fiscal year, justifying the theft by forging evidence of completed projects (bills, receipts, users' groups reports from monitoring committees etc.). Interlocutors in Gorkha stated that such problems were compounded by a lack of effective monitoring mechanisms and the timing of the fiscal year that ends during the monsoon.

Further challenges included the lack of transparency and corruption.

Allegations of irregularities, graft, and corruption were reported to observers in almost every district visited. Such allegations of irregularities ranged from representatives of political parties forcing civil servants to support political party programs outside the scope of their work to individual VDC and DDC staff or users' group members forging receipts and pocketing money to government engineers and technicians asking for "commission" before passing any project.

In many districts, civil society representatives alleged that political party representatives and DDC or VDC staff also sometimes colluded with contractors or users' groups representatives to embezzle money. In Dhanusha and Mahottari, interlocutors reported corruption as endemic in the district, with collusion among government workers and political parties leading to projects never

**CASE STUDY 2:
Unsustainable budget spending reduces quality of river embankment project in Kagbeni VDC, Mustang.**

According to several interlocutors, in order to keep everyone happy, the village development committee budget is divided among multiple projects, leaving little money to build a proper embankment capable of withstanding the annual river swell. Each year, the committee has to halt construction and wait for further funds the following fiscal year, by which time the swollen river has washed away the partial embankment. This system forces the project to be restarted time and again.

A political party representative in Kagbeni told observers that every year he suggests pooling the budget into one big project, such as the river embankment, which could then be completed to a high standard and in a timely manner. This suggestion falls on deaf ears, he said, as people are unable or unwilling to see the bigger picture.

²⁸ For further information, refer to RCHC Office (2012) United Nations Resident and Humanitarian Coordinator's Office. Field Bulletin: Public Participation in Local Development Planning. Issue 36, February 2012

materializing.²⁹ In several other districts, such as Gorkha, Kanchanpur and Bardiya, interlocutors reported that the submission of fake receipts or forged public audit reports was a common practice. A variant of this practice was noted in Baitadi and Dhanusha. Interlocutors pointed to instances in which contractors or users' groups had received payment twice for the same stretch of road or wall constructed, effectively allowing them or government officials involved to embezzle money.

In several districts such as Nawalparasi, Humla, Baitadi, and Dhanusha interlocutors reported that VDC or DDC technicians routinely demanded bribes in order to approve projects. These bribes ranged from covering the cost of food and fuel to 1–2 percent of the project budget to the entirety of the project budget, leading to its eventual abandonment. In Dadeldhura district, it was alleged that political parties would steer project decisions to those that required contractors, employing contractors with strong political party affiliations. Misconduct such as this would be carried out despite contradictory ward-level priorities and, at times, led to the redirection of budgets from initial plans.

In Baitadi, Ilam, and Khotang, among others, local gangs interfered with projects, demanding a certain percentage of the budget from the users' groups or contractor, particularly in larger national-level projects, an issue further discussed in section II.B.2.

Mechanisms adopted to mitigate the absence of overburdened government officials, a problem exacerbated by high rates of VDC secretary absenteeism.

In the absence of local elected bodies, civil servants often complained that they were overburdened with the extra responsibilities of the previously elected representatives, hampering their involvement in development planning and implementation. After the dissolution of the APM, their workload reportedly increased. On occasion, village development committee secretaries blamed their frequent absence from meetings on this increased workload. In Khotang, a representative from the VDC secretaries' welfare organization explained that at any one time 10–15 secretaries would be at the district headquarters for administrative purposes previously conducted by elected representatives.

On the other hand, secretary absenteeism and high turnover of local government officials were frequent complaints heard among interlocutors and citizens. In 17 out of the 25 districts covered, complaints were made in 23 VDCs (out of the total 33 VDCs visited) by interlocutors that secretaries spent the majority of their time at district headquarters rather than in the VDC they were appointed to serve. In seven of these districts, secretaries were assigned two or more VDCs, reducing the time they were available for each committee. Secretary absenteeism was higher in remote hill regions than in the Tarai and was said to restrict citizen access to government services, especially in the acquisition of security allowances, birth certificates, death certificates,

²⁹ A cliché recited by almost all citizens in Fulahatta Parikauli, and to some extent in Hathilet VDC, Mahottari district, was that projects were carried out only “on paper,” approved by corrupt technicians. However, the large-scale misappropriation of funds leaves little money for actual work, so projects go unfinished. Citizens in Fulahatta Parikauli VDC of Mahottari, for example, noted that every year a fairly sizeable sum is allocated for a river bank project in the village with no visible sign of progress ever recorded.

citizenship cards, and delayed project implementation. Frequent absenteeism and/or transfer of secretaries also caused several political party representatives to argue that bureaucrats were unreliable and had limited investment in the development of their assigned VDCs. This issue is further explored in section IV.C.

Despite the dissolution of the All Party Mechanism, political parties continue to influence the planning and implementation process at all levels.

Despite the dissolution of the APM, political party representatives continue to play a significant role in local governance, although the extent and nature of the role differed across districts. In Arghakhanchi and Humla, for example, interlocutors raised concerns about the dominance of one particular party over budget allocation and project selection. In Surkhet and Baitadi, interlocutors spoke of a give-and-take between parties colluding to pocket development money. A DDC official in Surkhet reported that political parties exercise considerable control over VDC secretaries, often pressuring secretaries to exceed expenditure caps and spend unnecessarily. He implied that this had contributed significantly to the failure of several VDCs fulfilling their minimum conditions/performance measures.

In Baitadi, Gorkha, and Arghakhanchi, political party representatives raised concerns about the ministry bypassing bottom-up planning procedures and imposing projects directly out of political considerations. In Dailekh, Nepali Congress and UML representatives explained that the central government had assigned an additional 10.2 million rupees to the district, allegedly to influence the political process after the arrests in Dekendra Thapa's case.³⁰ In Gorkha, a district official informed observers that though budgets of other districts had been reduced, that of Gorkha had not. Other interlocutors in the district alleged that this was due to the then-Prime Minister and deputy Prime Minister being from Gorkha.

However, the role of political parties was not uniformly viewed as detrimental to local governance, and per LGCDP guidelines, party representatives were regularly consulted as part of the integrated planning formulation committee. In Pyuthan, political party involvement was not seen as prohibitive. The secretary in Ruspur Kot VDC indicated that despite occasional disputes, overall political party involvement in development planning and implementation at the local level was positive and made his job easier. Similar sentiments were also expressed by officials in Kailali.³¹

³⁰ In January 2013, eight years after journalist Dekendra Thapa was allegedly killed by Maoist cadres, police arrested five people in connection to his abduction and murder in Dailekh, an issue that caused widespread embarrassment to the then UCPN(Maoist)-led government. For more details see http://www.myrepublica.com/portal/index.php?action=news_details&news_id=47750.

³¹ Observers there noted that officials were not overly concerned about political parties' involvement in local bodies but rather perceived it to be supportive.

There is a lack of awareness, ownership, and technical skill among citizens and beneficiaries, particularly in remote areas.

Observers found several instances in which citizens were not adequately informed about the formation of users' groups, despite being the main stakeholders or project beneficiaries. As a journalist in Sindhupalchok noted, "In principle, users' groups should be formed through public gathering under the chair of the social mobilizer/VDC chairperson, but, in practice, the general public is not sufficiently informed about it."

In mountain districts and in districts with a high rate of male out-migration, lack of skilled labor was a significant problem in the implementation of projects. In Taplejung, representatives of UCPN(M) and the contractors' association lamented a deficit of skilled and technically knowledgeable laborers due to international labor migration. This, they argued, caused delays and poor execution of projects. In Khana VDC, Arghakhanchi, a political party representative, explained that planning and execution meetings were poorly attended because the majority of male residents were abroad for work and the majority of female residents were needed at home. This caused, he said, a severe shortage in labor, interest, and investment in local development.

CASE STUDY 3: Political party dominance in Eastern Arghakhanchi

The dominance of political parties in this VDC became clear during an interview with the VDC secretary and a UCPN(M) district in-charge person. The secretary relied on confirmation by the UCPN(M) representative before responding to questions and stated that he and political parties would meet privately to decide on development projects and allocate their budgets. It was emphasized that "political parties hold supreme power" in this VDC, with all decisions being made behind closed doors with no public input.

In previous interviews with the Nepali Congress, UCPN(M) and CPN(M) representatives, accusations were made that development projects were being diverted to a road project that had run over budget last year. When this topic was broached with the secretary, he responded: "It can be The budget is allocated. What they do with it I do not know." The secretary was uncomfortable to describe whether this year's budget would be diverted to last year's road project.

Project audits appeared to be nonexistent, with the secretary explaining that the auditing procedure consisted of the same political party representatives meeting together, reviewing receipts behind closed doors, and posting the results of the "audit" on a public notice board. The secretary stated that "people accept this."

III. PUBLIC PARTICIPATION

A. Participation in the Planning Process

The devolution of power in Nepal has provided greater space for citizens to play a more active role in local decision making and governance. Forums such as Citizen Awareness Centers, Ward Citizen Forums, integrated planning formulation committees, and council meetings aim to ensure that the voice of the general public is taken into account during development planning as well as to ensure greater transparency and accountability from local government bodies during project implementation.

Forums such as these have been credited with increasing citizen participation in local development, particularly of disadvantaged groups, at the village level.³² However, while the level of public participation has reportedly increased in local-level decision making, its impact appears to progressively decrease in the final stages of decision making.

1. Ward Citizen Forums and Citizen Awareness Centers

Ward Citizen Forums were widely praised for their role in facilitating greater participation from a variety of citizens, although there were widespread doubts regarding their effectiveness.

For the most part, interlocutors in Khotang, Arghakhanchi, and Pyuthan, to name a few, considered WCFs as “effective bodies”, ensuring citizens’ participation in the absence of elected representatives. A Tamang man in Khotang stated that “since the formation of WCFs, people are more aware and seriously interested to get more development projects and to see change in their villages”. However, while WCFs were congratulated on increasing participation (in terms of numbers), several interlocutors expressed doubts about the effectiveness of their decision making or the level of local ownership they foster. In Dailekh, Khotang, Humla, Makwanpur, and Ilam, interlocutors interviewed often considered WCFs simply a formality, while political parties and/or central-level government officials had the true authority to select projects. On the other hand, some political parties argued that WCFs were rendered ineffective due to the members’ limited training and awareness of roles and responsibilities. In Nawalparasi, interlocutors from the Nepali Congress, MJF-N, and the Chamber of Commerce pointed out that WCFs had been formed even before clear roles and responsibilities had been explained to its members.

The ineffectiveness of WCFs also was blamed on poor turnouts and limited public interest. While WCFs are meant to meet on a monthly basis, poor attendance often led them to be held “when necessary” or just before council meetings. In Nawalparasi, a WCF member stated that her WCF had to cancel two out of three meetings due to poor attendance. In Kaski, the social mobilizer attributed poor turnouts (particularly from the disadvantaged) to citizens’ engagement in agricultural labor and/or reluctance to attend meetings, which they “don’t consider important.”

³² Out of the 25 districts covered, 15 reported a notable increase in citizen participation in local governance mechanisms, particularly through the use of WCFs and IPFC.

In most cases, Ward Citizen Forums were said to be assuming their intended function in ranking proposals and forwarding them to the Village Development Committee.

Throughout the country, the majority of interlocutors—excluding some political party representatives—felt WCFs provided a good platform for citizens to assess and prioritize their developmental needs. For example, a WCF member and social mobilizer in Jalapa VDC of Khotang stated that the forums helped identify people's needs and that local needs were “more or less” addressed. However, common complaints toward forums included poor project prioritization (i.e. simply collecting project proposals and forwarding them to village development committees without prioritization)³³ and a limited awareness or training among forum members about roles and responsibilities.³⁴ It is important to note that while WCFs were more well-known than CACs, the knowledge of both forums varied dramatically between districts,³⁵ with those directly involved most aware of their formation and role in development planning and implementation. In VDCs where WCF-generated projects were rejected or postponed, budget shortfalls—rather than political party or bureaucratic interference—were often blamed.

The formation of WCFs seemed to follow no overtly formal process, calling into question their legitimacy as a representative forum.

In the majority of districts, including Khotang, Dadeldhura, Kaski, and Nawalparasi, members of Ward Citizen Forums were selected by public consensus at mass gatherings. Following the guidelines, WCFs maintained good proportions of disadvantaged representatives across the country and were often credited with positively increasing public participation in local decision making.³⁶ Significantly, even when unaware of WCFs or their exact functions, citizens interviewed often reported that ward-level meetings had been held to discuss planning proposals in their village. However, several reports indicated that WCF coordinator and vice coordinator positions at times were decided upon or taken up by government officials/political parties or “well-off” community

CASE STUDY 4: Lack of transparency in Dhanusha's Ward Citizen Forum formation

In Mansinghpatti VDC of Dhanusha, it was widely claimed TMDP was controlling WCFs and the CAC, and was excluding other (general) members of the public with little-to-no transparency - a claim also supported by MJF-N and UML representatives. Both claimed that the Social Mobilizer - a cousin of a VDC level TMDP leader - had formed a WCF without informing any of the other political parties and/or citizens. The majority of other interlocutors who were not connected to or part of TMDP had no knowledge of the WCF and its members. Political parties accused each other of WCF interference, creating a complicated network of political rivalry and uncertainty. The VDC secretary had also received complaints of WCFs not being open to participation.

³³ In Raya VDC of Humla, it was reported that projects were prioritized at VDC citizens forums rather than at WCFs. This may have been due to a limited understanding of the differing terms and confusion with council meetings.

³⁴ Similar suggestions of WCF misunderstandings were reported in Mahottari and Baitadi districts.

³⁵ In districts that included Khotang, Arghakhanchi, Jhapa, Dailekh, Ilam, Nawalparasi, Sankhuwasabha, Bardiya, Kaski, Baitadi, Pyuthan, and Makwanpur, WCFs were found to be well-known and active.

³⁶ A WCF coordinator in Jogbuda VDC, Dadeldhura, explained that the forum consisted of 25 people, with at least four community-based organization representatives, two paralegal representatives, and the remaining from Janajati, Disabled, Women and other disadvantaged-group representatives.

members, making them less representative. Other interlocutors argued that the majority of disadvantaged members were either politically well-connected or, alternatively, illiterate and ill-qualified—installed simply to fill quota guidelines. For further detail, see section IV.A.

In Baitadi, some political parties complained that members of WCFs (especially disadvantaged groups) were inexperienced and unfamiliar with the system, unlike previously nominated political party representatives during the APM. However, compared to previous Carter Center findings, the overall perception by political parties of WCFs has improved.³⁷ In Pokhara, where earlier top-level organizations were still functional, WCFs were not formed. In parts of Mustang and Bardiya, WCFs were seen to be redundant by traditional authorities, who were considered more representative of the people. Further detail on traditional authorities is found in section V.A.

Political party involvement or interference was reported in several districts.

A large number of interlocutors in several districts reported political party involvement in WCF formation and final project selection. While forums are intended to be nonpartisan, observers noted several examples, such as in village development committees visited in Dadeldhura, Nawalparasi and Arghakhanchi, where leading WCF positions were being taken up by prominent political party representatives in the village.³⁸ Observers also noted examples of political parties by-passing the system, prioritizing their own projects over community needs.³⁹ In Dailekh and Kailali, some political parties likened WCFs to a “ward level All Party Mechanism” not really representative of citizens. Often, however, political party influence on forums was not very apparent, with speculations made by interlocutors that political parties often indirectly influence WCFs.⁴⁰

However, in districts such as Arghakhanchi, Baitadi, and Dailekh, interlocutors positively noted that political parties were actively encouraging constituents to play greater roles in forums.⁴¹ A few interlocutors backed this claim, noting the difficulties they found in finding active and competent citizens who were not politically affiliated in some way. Such claims were suggested by CPN-M in charge of the Pali village development committee in Arghakhanchi and Ward Citizen Forum members in Jambukandh VDC of Dailekh, among others.

³⁷ In 2011, Carter Center observations indicated that political parties were apprehensive of the role of the then newly introduced Ward Citizen Forums, as they feared it would diminish their role in local governance.

³⁸ In Dadeldhura district, two WCF coordinator positions were taken up by Nepali Congress and UCPN(M). Similar reports were made in Nawalparasi, where the Nepali Congress chairman and the UCPN(M) in charge of Rakuwa VDC were, respectively, the coordinator and a member of the WCFs in their wards. In Arghakhanchi, a Nepal Kumal Samiti representative stated that “in certain areas” political parties divide positions on WCF committees among themselves based on relative strength and that “the coordinator will be from the dominant party of an area.”

³⁹ A UCPN(M) representative from Pali VDC, Arghakhanchi district, said that “arrogant” political party members habitually ignored WCF proposals in favor of their own pet projects. Similar things have been reported in Nawalparasi, Sindhupalchowk and in Sandhikharka of Arghakhanchi district.

⁴⁰ In Kaski, a representative from the contractors’ association considered WCFs “highly politicized” but further explained that the members do not openly claim party affiliation but push their agenda in a “hidden” manner.

⁴¹ The Nepali Congress president in Baitadi, explained to observers that he had issued a circular to his branches encouraging participation from party supporters in WCFs.

In general, awareness about Citizen Awareness Centers was found to be low.

The level of awareness about CACs was much lower than awareness of WCFs. CACs aim at targeting the most marginalized communities/members of a community, occasionally becoming extensions of women's forums. In Bhim Datta Nagar Municipality of Kanchanpur, a CAC was previously a women's group and had simply been renamed. In this case, the members continued to operate as a women's cooperative and did not expand their role to reach out to other disadvantaged groups, nor did they engage in planning and discussing local development issues per the CAC guidelines. In Chainpur village development committee of Sankhuwasabha, Kalika village development committee of Kaski, Dhangadhi municipality of Kailali, and Jhalari village development committee of Kanchanpur, similar examples were found of CACs acting as women's based training and awareness forums. On occasion, these "women's groups" would put forward their own proposals. Among those who were aware of them, CACs were often assessed positively for their role in training and raising the awareness of the participants.

2. Village Development Committee/District Development Committee/Area Council Meetings and Integrated Planning Formulation Committees

In most districts, council meetings at the village, municipality and district levels had taken place without undue delay or dispute; some exceptions were noted.

In most districts visited, council meetings had been held within the prescribed time frame. In a few districts, however, such as in Humla, Dhanusha, Darchula, Dailekh, Mahottari, and Baitadi, intense disputes between stakeholders, mostly due to interparty competition, caused protracted delays in council meetings. In Darchula, district officials described disputes taking place over formal precedence, while in Humla disputes arose over larger development projects and their control. Disputes such as these occasionally led to political parties or disadvantaged groups obstructing council meetings. In Mahottari and Baitadi districts, political parties protested against the imposition of projects from ministries and those that reflected the will of the ruling party. In Jambukandh VDC, Dailekh, the council meeting was delayed for two days as the WCF had raised corruption allegations against the users' groups responsible for the construction of a health post. A Dalit Organization in Dashrathchand municipality obstructed the council meeting after the redirection of DAG budgets. (For further discussion, refer to Section IV.A of the report.) In Humla, interlocutors reported that in two remote VDCs, the secretaries had conducted their council meetings in the district headquarters without any public participation.

In the majority of districts, a wide range of stakeholders were being invited to council meetings and integrated planning formulation committee meetings, with a larger diversity of stakeholders attending the planning formulation meetings.

Across the majority of districts, council meetings and IPFCs were successfully inviting a variety of stakeholders including political parties, nongovernmental organizations, community-based organizations, disadvantaged groups, Ward Citizen Forum members, officials, mother care groups, and child clubs. However, due to this more inclusive nature of the council meetings, several interlocutors complained that these meetings merely announced decisions already made

at the IPFC and did not provide a platform for discussion.⁴² In a few districts, disadvantaged groups, nongovernmental organizations, and political party representatives reportedly complained that they were only being invited to the “open” session of the council meeting, with only prominent stakeholders attending the final “closed” sessions.⁴³ WCFs’ participation in IPFCs, on the other hand, was less regularly ensured in Arghakhanchi, Dadeldhura, Darchula, Dailekh, Sindupalchowk, Baitadi, and Pyuthan districts.

Despite a wide range of stakeholders, integrated planning formulation committees appeared to be dominated by political parties.

In several districts, such as Arghakhanchi, Khotang, Dhanusha, Dailkeh, Ilam, Taplejung, and Kaski, IPFCs were either dominated by one political party or, more commonly, several political parties making key decisions on which stakeholders would be represented at the IPFC. In Dhanusha, observers came to the conclusion that “participation in district- and village-level planning formulation committees largely depended on the strength of political actors.” Interlocutors in Khotang complained that smaller political parties were excluded from meetings and, as a consequence, formed an alliance against the three dominant parties. Representatives from Nepali Congress and UCPN(M) in Ilam and Sankhuwasabha claimed that IPFCs were dominated by “bureaucrats,” providing limited space for political party involvement. In most, but not all, cases, Ward Citizen Forum representatives were invited to IPFCs.⁴⁴

The assessment of integrated planning formulation committees was mixed across districts.

In some districts, such as Ilam, interlocutors considered IPFCs an adequate, if flawed, interim arrangement in the absence of locally elected bodies.⁴⁵ In Kanchanpur, on the other hand, Communist Party of Nepal (Unified Marxist Leninist), Informal Sector Service Center, and Federation of Nepali Journalists interlocutors complained that the IPFC was another means for members to achieve personal ends. In particular, some interlocutors felt that the IPFCs were simply a formality and that real decisions were made behind closed doors among members of political parties and government officials. However, in most districts, IPFCs reportedly followed protocol by selecting proposals that council meetings would merely approve and announce.

B. Participation in Project Implementation

Besides public participation in the planning process, the vision of “local ownership” as embodied in the LSGA and LGCDP extends to the implementation of infrastructural projects. Executive committees and monitoring committees are formed among its users’ groups at the grass-roots level to ensure that the most disadvantaged benefit physically, socially, and economically from the project. According to government regulations, there are two modalities of implementation:

⁴² Such as those found in Humla, Khotang and Dhanusha districts

⁴³ In Dhanusha, Kanchanpur, and Baitadi, nongovernmental organization and disadvantaged group representatives stated they were only being invited to open sessions, while in Kanchanpur VDC and Patan VDC of Baitadi district, political parties complained that only VDC officials and agriculture, health, and veterinary officials attended closed sessions.

⁴⁴ WCF representatives were involved in IPFC meetings in Dailekh, Ramechhap, Humla, Jhapa, Sindhupalchowk, Ilam, Kanchanpur (which also included CAC representatives), Mahottari, Taplejung, and Sankhuwasabha. Numbers, however, varied from one–two representatives in total to nine WCF representatives.

⁴⁵ In Jhalari VDC of Kanchanpur, the UML leader felt that the IPFC was not ideal but “better than nothing.”

Projects up to NPR 6 million can be implemented through users' groups. Projects above this amount must be tendered out. According to the guidelines, users' groups are neither allowed to use heavy machinery nor subcontract the work. A project is deemed complete once a public report has been created by the monitoring committee and a public audit has been conducted detailing all the expenditures and the work completed. Often users' groups are also mandated to provide a labor or cash contribution to the project.

1. Users' Groups

Strong variations in the performance of users' committees were found.

The assessment of the performance of different users' groups and their committees varied considerably not only between districts or villages but also from one users' group to another. While some were said to be transparent and received praise for their work by citizens interviewed, others were not. Often, the effectiveness of users' committees appeared to depend on the capacity and sincerity of individual office holders, timely guidance, performance of the village development committee, and local party relations. Fewer problems were reported with smaller users' committees implementing smaller scale projects at the ward or village level⁴⁶ compared to larger users' committees dealing with more substantial projects such as road construction and electrification. According to a Dalit rights nonprofit organization representative in Darchula, only projects "that are considered vital (such as drinking water) have worked well, as they would face serious opposition if not implemented adequately".⁴⁷ In Dailekh, a district development committee representative explained that disputes are more likely to occur in larger projects where there are higher budgets and less public participation, increasing the possibility of corruption. In Gorkha, interlocutors noted that problems were most likely to occur in road-building projects. In contrast, interlocutors in Kharang VDC, Sankhuwasabha, said that smaller projects often remained incomplete due to a lack of budget rather than political interference.

CASE STUDY 5: Collusion experienced in Taplejung and Humla to control users' committees

In Taplejung, political parties (with the exception of Nepali Congress) filed a complaint at the DDC office challenging the legitimacy of a users' committee handling of a hydropower project. According to reports, the users' committee was headed by a Nepali Congress member. The DDC staff aimed to resolve the issues by visiting the hydropower site with party representatives.

In Humla, political parties (except Nepali Congress) accused the DDC and Nepali Congress of colluding to fill the vacant positions of 15 social mobilizers and a senior mobilizer in a Western Uplands Poverty Alleviation Project. Clashes ensued between supporters of Nepali Congress and other political parties as the DDC decided to go ahead with the appointments, dividing the community along party lines.

⁴⁶ Smaller scale, local-level projects often include the construction of small irrigation ditches or construction of drinking water points/pumps.

⁴⁷ In Gorkha, interlocutors noted that problems were most likely to occur in road-building projects.

Users' committees across the country continue to be highly politicized.⁴⁸

Commonly reported forms of political party interference included the collusion of political parties, government officials, contractors, and competition for executive positions in users' committees.⁴⁹ For example, in Surkhet, observers heard allegations that the DDC agreed to share the benefit of a food-for-work project among political parties. A few interlocutors suggested that this was a common strategy of political parties to sustain their cadre base and/or reward supporters.

In other cases, competition for executive positions among political parties led to the formation of "exclusive" users' committees dominated by one political party. This was often the case where the party in question claimed either credit for having brought the project to the area or predominance in the locality. In several instances reported, party rivalry led to the formation of parallel users' committees along party lines, with resulting disputes often delaying project implementation for several months. In several districts, including Dailekh, Arghakhanchi, Kailali, Taplejung, and Gorkha, interlocutors, among them members of political parties, mentioned that dividing users' committee positions among political parties is a common practice. This was often said to reduce a sense of ownership among beneficiaries and encourage greater corruption.⁵⁰

CASE STUDY 6: Undue influence in user committee formation in Bardiya

In Thakurdwara VDC of Bardiya district, an irrigation project was halted by the district development committee after allegations were made that the UCPN-M formed the users committee without consulting other political parties and villagers. It was reported that village-level Maoist cadres formed the users' committee under direction of the district leadership. Citizens further corroborated such reports, claiming that the Maoists had formed the users' committee, without their consultation, through undue "political influence." The president of the users committee—a former UCPN-M VDC member in charge—refuted the allegation and claimed that the "project could not be completed due to the start of the monsoon season and late budget disbursal."

However, involvement of political party members in users' committees was not always seen as problematic; instead, utilizing their managerial skills and networks was at times seen as crucial to the success of a project. VDC secretaries and civil society activists in Gorkha and Arghakhanchi, for example, suggested that the involvement of influential political party leaders is often crucial for road construction projects in rural areas. Residents are often eager to have a road near their house but are reluctant to contribute land to the project. In such cases, the involvement of influential party figures in the users' committees might be essential to forge

⁴⁸ Political party interference in users' Committees was also reported in a previous Carter Center report. See "Carter Center Observation on Political Parties in Local Bodies," released on Nov. 23, 2011, p 6; available at http://www.cartercenter.org/resources/pdfs/news/peace_publications/democracy/nepal-Parties-in-Local-Bodies-112311-eng.pdf

⁴⁹ Such concerns were particularly pronounced in Kailali, Khotang, Dhanusha, Dailekh, Mahottari, Baitadi, Ramechhap, Surkhet, Gorkha, Taplejung and Arghakhanchi.

⁵⁰ In Khotang, the formation of a users' committee of a donor-funded, local, weekly market-management project was delayed for two months due to CPN-M's demand to be included in the committee. Similarly, in Baitadi, interlocutors accused Nepali Congress and CPN-UML of dividing the positions of president and secretary of the road users' committee among themselves.

consensus in the locality. In other cases, such as in Jhalari VDC of Kanchanpur, observers found examples in which political parties had come to an informal understanding that they would not get involved in users' groups in order not to drag their work into controversy.

While inclusion policies appeared to have been broadly followed, accountability mechanisms remained generally weak.

In the majority of districts, users' committees appeared to follow inclusion policies, ensuring adequate representation from disadvantaged groups. However reports were made in several districts, such as in Kailali and Arghakhanchi districts, that inclusion policies were purely a formality, with DAG representatives acting as signatories but having little meaningful participation. This appears to be part of a wider problem in that chairmen of users' committees were generally expected to be in charge with only limited input from other committee members in the management of the project. For more information on DAG participation, refer to Section I.V.A of this report.

Observers also found that mandatory monitoring committees were not formed in all cases, or when they were, their effectiveness was often questioned. Three main trends were noted across districts: 1) Monitoring committees were formed as a formality but were ineffective monitoring bodies;⁵¹ 2) Monitoring committees were not formed alongside users' committees, but instead were created by or through the VDC;⁵² and 3) Monitoring committees were formed and were considered effective and necessary monitoring mechanisms.⁵³

Importantly, it appears that if controversies arose, users' committee members often found ways to bypass these crucial accountability mechanisms and fulfilled the criteria

CASE STUDY 7: Users' committee of the Radwa-Parikhet road project in Ganeshpur VDC, Dadeldhura. A success story.

This multiyear project was funded by the Poverty Alleviation Fund, the district development committee, and the village development committee. The users' committee was formed by a public gathering of villagers adhering to the inclusion criteria set by the government. Interestingly, instead of taking the mandatory 30 percent financial public contribution, the equivalent was contributed in labor; that is, laborers would be paid for five days of work and would provide a sixth day free. A separate monitoring committee was formed to oversee the performance of the users' committee and published regular reports and conducted public audits after the completion of the project. Stakeholders who attended the public hearing reported being satisfied with the overall project.

⁵¹ Monitoring committees were reportedly formed in Ramechhap, Kailali, Arghakhanchi, Humla, Nawalparasi, Makwanpur, and Baitadi. In Arghakhanchi, interlocutors told observers that monitoring committees are formed alongside users' committees "just to complete the process" while in Kailali and Makwanpur, interlocutors questioned the effectiveness of monitoring committees in the absence of clear transparency measures and strong effective legal provisions.

⁵² Observers were told in Dhanusha, Sankhuwasabha, Kaski, and Jhapa that monitoring committees were not formed alongside users' committees. In Sankhuwasabha, Kaski, and Jhapa, village-level monitoring committees were occasionally created.

⁵³ Such as in Dadeldhura and Mahottari. In Dadeldhura, monitoring committees published regular reports and conducted public hearings. In Mahottari district, observers reported that monitoring committees were formed for all 21 projects in Hathilet VDC. Public auditing was also conducted and the work of users' committees was viewed positively.

only “on paper.”⁵⁴ As users’ committee members had to be assisted by government technicians at every step of project implementation, from the production of the initial survey to the final project endorsement, there were several reports that VDC and DDC technical staff routinely expected a share of the budget to carry out their duties. Interlocutors in Baitadi, for example, described the difficulties they experienced during a road project in which a VDC technician was paid a percentage of the budget to pass the final installment—even though the project remained unfinished.

Public audits, which are intended to ensure greater accountability, were occasionally called into question on their integrity. Citizens in Pyuthan district argued committees simply covered up irregularities in public expenditures during public audits. One Chhetri man in Sarkhighat VDC in Humla explained that there were so many people colluding in such schemes that any genuine concerns would be publically ridiculed and the individual made to look like a troublemaker.

Further examples of due process not being followed included subcontracting the work or the appointment of teachers or those politically connected to executive positions within the users’ committee.⁵⁵ In the western hills of Kaski, Pyuthan, and Mustang, several reports were made of subcontracting projects for less money than was provided by the VDC or DDC. In other districts, it was reported that users’ committees would be provided certain allowances (such as a travel or food allowance) out of the project budget—a provision not accommodated in the policy guidelines. In many cases, such deviations from due process were accepted by the DDC, as it was thought to ease project implementation. Users’ committee chairmen also reported difficulties collecting the agreed labor or cash contribution from its members and, on occasion, reported that they or contractors had fronted the money themselves, recovering it later from the budget provided by the VDC or DDC. This further reduced the budget available for the project.

CASE STUDY 8: Citizens’ pressure in a road construction project in Pyuthan.

In a western village of Pyuthan, the VDC secretary described that the demand for roads surpassed the VDC budgets. This led to increasing pressure on the secretary himself and the execution of external road projects without approval. In Ruspur Kot, four road projects had been planned, each costing NPR 8–10 lakh; however, the village only had a budget of NPR 4–5 lakh for road projects. The secretary explained that on occasion, citizens have organized themselves and contracted road constructions without following due process and then demanded reimbursement from the VDC. He explained that while he tried to reason with such groups and explain the correct process, he eventually had to succumb to the pressure and pay for the construction costs. Such pressures had escalated to such an extent that during the last IPFC meeting, 200 people convened, and he feared he would be physically assaulted outside the VDC office.

⁵⁴ In Gorkha, a laborer interviewed cited examples of a chair, treasurer, and secretary producing fake documents for projects and blamed donor organizations for not keeping better track of their money.

⁵⁵ Although there is no specific provision governing the participation of the political parties in the users’ committees, Directive No. 2 of the Directive Related to Operation of Local Bodies sent by the Ministry of Local Development to all DDCs and municipalities prohibits any person who holds a position in a political party to participate in users’ committees. The directive was issued after the Commission for the Investigation of Abuse of Authority directed the ministry to dissolve All Party Mechanisms.

2. Tender Process

In general, direct interference in government tendering processes appeared to have decreased over the past few years.

In a number of districts, such as Taplejung, Kailali, Sankhuwasabha, Jhapa, Sindhupalchok, Ilam, and Kanchanpur, interlocutors noted that direct interference in tendering processes had markedly decreased in recent years. Often this decrease was credited to the introduction of e-bidding. For example, in Kailali, officials reported that electronic bidding, which had been introduced at the DDC-level in the past year, allowed people to place bids without facing the intimidation generally encountered in physical bidding. In Kaski, the contractors' association demanded e-bidding be introduced for all projects, big and small. Allegedly, before its introduction, it had been common for Young Communist League members to bid on contracts and deliver them to contractors after siphoning a portion of the money.

In Khotang, interference in tender processes appeared to be a relatively recent phenomenon, with interlocutors pointing out that electronic submission had not significantly improved the situation. As one of the interlocutors noted, the person receiving the email can still share it with gangs and make deals. In several districts, such as Taplejung, Baitadi, Pyuthan, and Makwanpur, it was also pointed out that there had been few or no tenders awarded in the last year because of the reduced budgets to DDCs.

After contracts have been awarded, threats, extortion, and pressure continue to persist across districts.

Despite a decrease in direct interference in tender processes, extortions and threats once contracts have been awarded still appear to be common. Such problems were noted among others in Kaski, Bardiya, Baitadi, and several hill and mountain districts of the Eastern region. In the Eastern region, interlocutors noted that such extortion was mostly carried out by local criminal gangs with some level of political protection. In Bardiya and Baitadi, a more direct involvement of political party cadres and youth wings was noted.

In Sankhuwasabha, it was reported that threats, pressure, and extortion occur mostly with regard to big development projects, and there are certain groups, allegedly youth gangs not affiliated with any political party, that seek commission from contractors. Similarly, in Khotang, extortions and threats from local gangs were reported by almost all interlocutors. These gangs allegedly received protection from district- and central-level political leaders, although political affiliations were often indirect and hidden. In some cases, particularly in remote areas, such extortions occurred directly at project sites. In Kaski, respondents said that local gangs would ask contractors for money or disrupt their project, while in Baitadi, contractors accused Maoists of threatening to obstruct projects if they did not get paid. Reportedly, no money is demanded from contractors close to Maoists.

In almost all these cases, contractors simply pay out of expediency. In Khotang, it was widely known that a certain percentage of the project budget had to be given to local gangs, particularly as “they had to continue to work in this environment.” In some cases, contractors reportedly tried

to find some accommodation with local thugs by providing them with jobs. In Sankhuwasabha, despite a reported reduction in gang interference, an interlocutor stated that “people still fear them and just give them commission—sometimes 5 percent or more.”

Other concerns raised were underbidding or collusion among contractors.

In several districts, extremely low bids in a competitive environment were highlighted as a concern. For example, in Kanchanpur, concerns were raised that high competition encouraged contractors to bid below half the estimated costs, win the contracts, and ultimately become unable to complete the work at the price stated or complete the work at a substandard level. In Nawalparasi, Surkhet, Jhapa, Khotang, and Dhanusha, reports were made that low bids—combined with engineer bribes—left little money to complete the project, and the construction quality was often poor. Concerns about underbidding were found to be so widespread that it appears to be a systemic problem, with several respondents demanding a change in policy to prevent bids significantly below initial estimates to be approved.

Aside from underbidding, collusion among contractors was also found to be a concern in some districts. In Nawalparasi and Bardiya, for instance, interlocutors reported that in some cases contractors colluded to allow one to overbid and spread the profits. In Dailekh, interlocutors alleged that only contractors with connections at the central level were given any contracts, while in Bardiya, reports were made that political party youth wings supported a particular contractor by physically preventing others from bidding. In recent years, such cases have been noted by The Carter Center, but they appear to have decreased. Significantly, in approximately half the districts visited, no serious concerns regarding the tender processes were noted.

IV. CROSS-CUTTING ISSUES OF LOCAL GOVERNANCE

A. Disadvantaged Groups Participation

Disparities in terms of wealth, ethnicity, or religion and the legacy of the caste system mean Nepal has a very complex and stratified social hierarchy. Social inclusion of the disadvantaged or marginalized has been at the top of Nepal's political agenda for some time now and has been a focus for many national and international development projects. In an attempt to reduce social disparity and increase participation of disadvantaged groups (DAG) in development initiatives, projects, planning, and implementation, bodies often specifically mandate quotas and earmark budget for such disadvantaged groups.⁵⁶ These measures are also meant to increase awareness of their marginalization, while at the same time providing avenues for their empowerment. Such policies have been successful in increasing the number of DAGs involved in development project planning and implementation, but the extent of their decision-making power continues to remain in doubt.

General consensus among interlocutors was that the participation of disadvantaged groups had notably increased in local development.

Interlocutors commonly credited this increase to the inclusion criteria outlined in the LGCDP guidelines. These guidelines were found to be widely understood by stakeholders and were being implemented in most districts. In Dadheldura, DAG participation was ensured in all WCFs and IPFCs, including in budget discussions outside the 35 percent allocated (successfully in the district) to DAGs. In Kharang VDC of Sankhuwasabha, it was widely claimed the participation of women, Janajatis, and Dalits was ensured at all levels.

For the most part, the guidelines were considered binding by stakeholders, with representatives of several political parties emphasizing the need to follow the guidelines. While such statements cannot be considered truly indicative of adherence, they demonstrated the apparent need for political parties to pay the appropriate lip service to the new inclusive policies. On occasion, the guidelines were observed to be stringently imposed. In Ruspur Kot VDC of Pyuthan district, for example, a social mobilizer explained that citizens from DAGs are appointed as chairs and members of WCF and a fine of 5 to 10 rupees is imposed on those who fail to attend meetings, to encourage attendance.

WCFs were also lauded both for providing *space* for involvement at the local level and building the *capacity* of DAG participants in decision making and project formulation. In Arghakhanchi, for example, the local development officer described WCFs and CACs as “lead[ing]” DAG participation, with the provision that six of the 25 specified members for WCF committees be occupied by DAGs. In Mahottari, however, guidelines for inclusion in governance mechanisms

⁵⁶ In accordance with the 1999 LSGA, disadvantaged groups are to play a greater role in all levels of governance. Stipulations outlined in the LGCDP required not only budgets being earmarked for DAGs (10 percent to benefit women, 10 percent to benefit children, and 15 percent to benefit other DAGs, including indigenous groups, Madhesis, Muslims, and people with disabilities) but also quotas of DAGs to be represented in planning and implementation bodies, such as 33 percent of women and some Dalit representation in WCFs.

were conspicuously failing to be implemented, with DAG representatives generally not invited and government-appointed coordination committees being marginalized.

However, the legitimacy of DAG inclusion and their level of meaningful participation were frequently questioned.

Across districts, despite the lip service paid by interlocutors for the inclusion of DAGs in local governance bodies, Carter Center observers found several examples of DAGs being invited to planning meetings purely to fulfill quotas and meet the guidelines. In several districts, such as Dhanusha, disadvantaged groups commonly played only a signatory role and held little decision-making power. This on-paper pronouncement was repeated frequently in Mahottari also, where, like Dhanusha, it was thought to apply to all gestures toward popular participation. Occasionally, this led to disadvantaged-group representatives being invited only to public council meetings rather than to IPFC where agreements were forged between party members of government officials without public participation. In the public council meetings, these decisions were merely announced and consenting signatures collected. In Arghakhanchi, a Dalit rights nongovernmental organization said that the new “inclusive state policy” only affected DAG participation significantly at the lower level, while in Jhapa, the organization said that the citizens’ participation effectively began and ended at the first stage (the ward level). The budget is discussed in the WCF at the ward level during the first stage, but there is not much more participation from people [beyond this].”

On occasion, “underqualified” DAG representatives were deliberately placed in project planning and implementation bodies, as they were deemed as nonassertive.

To reduce the potential contention of ongoing projects, ensure compliance, and fulfill the required quotas, interlocutors described the placement of “ill-qualified” DAGs in positions of seniority in users’ committees or monitoring committees. In particular, uneducated women were reported in several districts to be put in higher positions of planning committees (such as users’ committees) simply to ensure guidelines

CASE STUDY 9: Placement of undertrained disadvantaged-group representatives to fulfill quota directives in Dadeldhura.

In Jogbuda VDC, Dadeldhura a Dalit man affiliated to UML acted as the users’ committee chairperson for a previous year’s school construction project funded by the Japan International Cooperation Agency. During the mass gathering for the selection of committee members, he proposed his name and was granted the position by public consensus. He was illiterate and argued that in retrospect his proposal to chair the committee had been approved by the VDC secretary and major political parties, as his presence would fulfill quota specifications. Upon the launch of the project, he received little support from his colleagues and committee members and was simply asked to sign documents he knew little about. Inconsistencies with budget dispersal and delayed implementation led to negative feedback on him from both his political party and his community. The project had been finished, although delayed for the next fiscal year.

In Dadeldhura, a member of the Women’s Deliverance Society argued that increasingly, DAG representatives, in particular women who were illiterate and not trained, were being put into higher positions of project execution in order to simply pay lip service to the DAG participation demanded by the quota stipulations.

were met. In Dhanusha, Nepal Federation of Indigenous Nationalities representatives complained that VDC secretaries only invited “safe,” presumably amenable, DAG representatives into governance mechanisms and not representatives from their local chapters.

Continued dominance of political parties appeared to reduce opportunities for public participation, especially among disadvantaged groups.

Despite the dissolution of the APMs, political parties continue to play a fundamental role in decision making at local governance levels, in spite of the recent inclusion policies. This was exemplified in Khotang, where several interlocutors stated that overall, citizens’ participation was limited, as political parties have the final say on all decisions and dominate all processes from making and selecting proposals to implementing projects. In several places, the very involvement of DAGs in a formal sense was regulated by political parties. It was argued that DAG representatives were selected (especially those in higher positions) by virtue of their connection to political parties and, therefore, could be seen as extensions of the political party rather than representatives of their communities.⁵⁷

Similarly, several interlocutors claimed that DAG budgets tended to be given to politically active or well-connected DAG members who often misused them. In Dhanusha, interlocutors claimed that DAG funds were monopolized (and misappropriated) by their community leaders, meaning that the “ordinary” marginalized did not benefit.⁵⁸

The redirection of budgets of disadvantaged groups was commonly reported and condemned but rarely prompted public protest.

In several districts, interlocutors complained that DAG allocated budgets were being redirected to other projects and were being publically proclaimed as “consensual redirection” by senior level leaders, as they supposedly benefited the whole community.⁵⁹ However, despite such claims by DAG-based nongovernmental organizations or DAG coordination committees, there appeared to be few instances of activism or protest. In Dadeldhura, the Women’s Deliverance Society protested against the redirection of NPR 140,000 earmarked for a Violence Against Women prevention project to a sanitation project, although DAG participation otherwise was broadly ensured. In Dashrathchand N.P., Baitadi, Dalit groups padlocked the municipality office during a council meeting, after their projects had been diverted to other sectors.

⁵⁷ Rastriya Muslim Manch in Arghakhanchi confirmed that DAG representatives are chosen by parties rather than the communities themselves in order to discuss the budget earmarked for Muslims. In Arghakhanchi, the LDO, it was said, merely contacts political parties and requests them to send forward whichever Muslim members they have—one for each party that has Muslim members.

⁵⁸ A NEFIN representative in Jhapa stated: “Only Adivasis aligned to political parties receive a budget, but we (Janajatis) don’t receive a rupee.” Similar reports were made in Mahottari by a FNJ representative who stated DAG elites “captured” funds intended for marginalized communities.

⁵⁹ A Dalit rights nongovernmental organization in Arghakhanchi for example, thought that DAGs funds were generally spent on “easy” projects that did not suit the real long-term interests of the disadvantaged, even if the latter did not protest or even welcomed them.

However, diversions of DAG budgets were not always assessed negatively. In Arghakhanchi and Pyuthan districts, interlocutors talked of “pragmatic” diversions of DAG funds in the wider interest of the VDC as “they also benefit.” Such cases cast a different light on the “consensual” reallocation of DAG funds; the phenomenon is, in some cases, symptomatic of a dearth of funds for larger projects demanded by the general community. In Ilam, for example, the LDO claimed that “the government sends budget with too many conditions and expects us to be responsive to the local demands as prescribed in the Local Governance Act. In such conditions, said the LDO, there is not even enough budget for the central level’s plan, and they have to use a certain amount of money from the DAGs’ fund.”

For the most part, disadvantaged group coordination committees were positively associated with the increase of group participation but often had strong political affiliations.

In most districts, coordination committees were fully accommodated into the DDC and were positively credited with the ensuring DAG participation in planning. However in some districts, such as Dhanusha, interlocutors stated coordination committees were not able to function efficiently due to lack of political neutrality, lack of support from the DDC staff, and lack of adequate capacity of the vice chairman. In Ilam, NEFIN and other Janati organizations considered coordination committees as a means for the DDC to “monopolize” the process, stating that the vice chair position of coordination committees are “political appointments” by the minister and serve the interests of the minister’s party. Similar accusations were heard in Mahottari, Humla, and among representatives for people with disabilities in Kanchanpur.⁶⁰

In Mahottari, NEFIN complained about the power over the Janajati budget and projects being devolved to the INCC. As further claimed by NEFIN, the Indigenous Nationalities Coordination Committee as a “government entity” was highly susceptible to political influence, frequently serving the ruling party rather than Janajati interests. In Mahottari, the vice chair was labeled a Maoist appointee, with little real interest in Janajati welfare.

CASE STUDY 10: Limited consultation among disadvantaged groups for allocated budgets in Sindhupalchok

The vice chairman of the Women and Dalit Coordination Committees described how planning most often occurs among DDC staff and party representatives before scheduled DAG meetings take place. For instance, the total NPR 8 lakh of earmarked funds for women and children had been allocated to a children’s welfare program prior to consultation with the women coordination committee. This was repeated at the VDC level, even though DAG representatives were included in IPFC and VDC council meetings.

However, there was evidence of DAG representatives themselves perpetuating the process: Women’s coordination committee representatives in Syuale Bazar and Irku VDCs admitted that they would consult with political party representatives before deliberating on their allocated budget, because “they will ask us how we have used these funds.”

⁶⁰ According to a MoFALD official, the political nature of these appointments was also the main reason coordination committees were discontinued under the interim election council chaired by Chief Justice Khil Raj Regmi.

At times, local perceptions of “disadvantage” or “marginalization” differed from national classifications, encouraging competition for earmarked funding.

Irrespective of national classifications, local demographics shaped which groups were perceived as marginalized or disadvantaged in the district. The mountain districts of Humla and Mustang appeared to display the greatest divergence from national classifications. For example, in Mustang, talk of DAGs invariably referred to Dalits—women were omitted from consideration for some reason—as Janajati groups predominate in the district (with Thakalis forming the great majority in Lower Mustang and Bhote Gurungs in Upper Mustang). In Humla on the other hand, attributions of “marginal” or “disadvantaged” status were found to vary *within* the district, owing to a sharp demographic split between north and south. Lama/Bhotes form the majority in five VDCs, primarily in the northern reaches of Humla, and are socially—although not officially—recognized as Janajatis. As such, Lamas and Bhotes are awarded Janajati-earmarked funding in VDCs where they are the minority. In other VDCs where they are the majority, Lamas and Bhotes do not receive Janjati funds.

In Khotang, citizens of one ward in Jalapa VDC, where the majority is Tamang, complained that those from other wards (Rai majority) dominated development processes in the VDC and that, therefore, their ward was the only one without road or electricity despite raising this demand repeatedly. They explained that Rai dominated WCFs, CACs, and the Adivasi/Janajati budget and that even though DAG group inclusion and participation was good in their VDC, they were still marginalized and left out.

B. Role of Political Parties

The model of decentralization adopted in Nepal accords a key role to political parties through local elected bodies. In its absence, political party influence remains unmanaged and lacks crucial mechanisms for downward accountability. As shown in the sections above, it also encouraged political party representatives to exert more informal influence over supposedly nonpartisan bodies of public participation such as WCFs and users’ groups. This section assesses the challenges and changes experienced to local governance mechanisms since the dissolution of the APM in 2012, with particular reference to the continued influence that local political parties have on local decision making.

In most districts the dissolution of the APM had not necessarily reduced political party participation in local governance.

The role of political parties appears to have been preserved in a belief that they are indispensable, as they have a greater knowledge of the area (VDC, district, or otherwise), have local networks, and are “representative” of the people. As a consequence, although legally the role of political parties is meant to be consultative, little has changed in practice after the dissolution of the APM. Interlocutors in 18 of 25 districts visited complained strongly about continuing political party dominance in all project planning/implementation forums as well as local-level decision making. In some cases, such dominance has provided favorable environments for collusion and corruption in local development. In Baitadi, interlocutors described a division of the budget for development projects in the DDC between the three main political parties, to gain control over a budget of NPR 3 million each in the previous fiscal year.

In Arghakanchi and Mahottari districts, among others, political party members complained that their role has been confined to an “advisory” and “unofficial” one. However, within the same districts, other interlocutors argued that while political parties may not be legally in positions of power, they continue to influence decisions at all levels, including in the selection of politically affiliated DAGs representatives to fill quota requirements.

Some interlocutors opined that current arrangements were more inclusive than the APM, as nonparty actors had greater decision-making roles through forums such as WCFs and IPFCs.

In some districts, interlocutors explained that the dissolution of the APM had led to tangible improvements in the planning and implementation process. For instance, in Mustang and Kanchanpur, interlocutors said that since the dissolution of the APM, parties were not able to “monopolize” the planning process and “compel the DDC to decide in their favor.” In Dadeldhura, observers noted that while undue political interference existed, the problem had decreased in recent years. In Mustang, political parties registered a low level of activity and were said to participate as community members, only dividing along party lines during elections. In a few cases, observers were told that local governance was facilitated as political party representatives had come to an understanding locally not to exert any undue influence.

Others argued that the All Party Mechanism demanded greater accountability from political parties and ensured stable representation.

Such sentiments were often expressed in reference to the numerous stop-gap measures where local development officers and VDC secretaries were constantly changing and being moved between districts. A UCPN-M representative in Bardiya claimed that during the APM the same person would be involved at different stages of planning process, management, implementation, and monitoring; whereas now representatives change so often that they can easily evade responsibility. In Sankhuwasabha, problems of politicization of the planning process had reportedly increased after the dissolution of the APM, with political parties actively seizing projects and protecting their cadres in case of irregularities.

C. Demands for local elections

In all districts, the majority of interlocutors emphasized the need for local elections.

Significantly, the majority of interlocutors demanded local elections as a means of securing accountability from leaders, ensuring greater accessibility to government services, better regulating political party participation in development, and relieving the excessive burden bureaucrats currently face—as reported in Kaski, Jhapa, Mustang, Dailekh, and Ilam. In light of high rates of VDC secretary absenteeism, interlocutors also felt that locally elected representatives would be better placed to monitor secretaries’ attendance and work in the VDC. A UML member in Pyuthan, for example, said that with elections “bureaucrats would be responsible to elected representatives while locally elected representatives would be responsible to citizens,” and that this link was missing in the current system.

A number of interlocutors opined that locally elected officials would be more accessible than nonelected government officials, as they would be from the area, accountable to their electorate, and hence more “approachable.” Such notions were reinforced by the vice chairman of the DDC Women’s Coordination Committee in Sindhupalchok who felt: “It is more comfortable for people to approach a representative they know than a government employee they do not.”

A few political party members feared that local elections would lead to the monopolization of local governance by one main party and reduce smaller parties’ involvement and participation.

A few political party members interviewed by Carter Center teams felt that the current “consensus” arrangement was working and that it ensured both large and small parties had a say in local governance issues. Such sentiments were found cutting across party lines. Thus, a UCPN-M representative in Arghakhanchi, a Nepali Congress member in Mahottari, and a CPN-M representative in Sindhupalchok expressed that they were concerned that with local elections a single party would dominate decision making and monopolize officials to bypass the voice of minority parties. Indeed, such a result would be likely if a first-past-the-post system was adopted for local elections as had been in the past.

However, such sentiments were countered by political party representatives and bureaucrats who argued that the current system was over-politicized, with too many parties demanding a share in the decision-making process—complicating coordination and occasionally halting the development planning and implementation process. In Arghakhanchi, the development officer argued that in the absence of local elections, disputes among parties over their share in decision making were based on previous or purported national or regional prominence.

In some cases, members of identity-based organizations felt local elections would be “premature” until the ongoing federalism debate was resolved.

A number of identity-based organizations were opposed to local elections being held before a federal restructuring of the state. Their main concern was that if local elections were to be held, elected representatives would “get comfortable” with their new positions before potentially being uprooted again with the eventual resolution of the federalism debate. In Ilam, for example, a Federal Limbuwan State Council representative was against holding local elections before a new constitution and federalism were adopted. Similar views were also expressed by representatives of NEFIN and the Federal Socialist Party – Nepal (FSP–N) in Sankhuwasabha. However, besides these political considerations, none of the interlocutors interviewed foresaw major obstacles in conducting local elections in their area.

Citizens, in contrast to political party and civil society representatives, frequently lacked strong opinions or were ambivalent toward local elections.

A large number of citizens interviewed across districts either refrained from responding to questions on local elections or were ambivalent on their execution. Among those who did respond, the majority seemed in support of local elections. The largely ambivalent response could be attributed to the widely shared cynicism toward, and disillusionment with, electoral politics. In Dailekh, observers found citizens to be ambivalent, uncertain, or pessimistic about

the prospect of local elections improving local governance; while in Jhapa and Darchula, citizens told observers that “as long as corruption is there, nothing will change.” Only a minority of citizens interviewed in both districts felt local elections would lead to substantive improvements.

Conversely, on occasion expectations of citizens were found to be overly enthusiastic and unrealistic. A Sherpa man in Ilam and a Yadav man in Mahottari thought that local elections would “improve everything” and “elected leaders would work without bias.” While in Jhapa, several citizens thought local elections would improve the law-and-order situation and would provide more checks and balances in governance.

V. ANCILLARY AREAS OF LOCAL GOVERNANCE

A. Role of Traditional Authority

In a few cases, such as among Bhote-Gurung and Thakali communities in Mustang and Tharu communities in the Midwestern and Far Western Tarai, observers found traditional authorities playing a crucial role in fostering public participation in local planning.

In Mustang, observers found that Mukhiyas, chosen by the local communities, had significant roles in the convening of planning meetings, collecting of proposals, and forwarding to VDC authorities. The committee secretary in Kagbeni said Mukhiyas formally collected concerns and proposals for development projects in ward meetings and forward them to the VDC.⁶¹ The local development officer said Mukhiyas were critical to forge consensus for development projects as “people always follow Mukhiya.” The district development committee, therefore, consults with related Mukhiyas to inform the community and solicit their feedback before commencing a project.

In some villages of the Midwestern and Far Western Tarai, the Tharu Barghars, like the Mukhiyas in Mustang, also engaged to ensure people's participation, collecting and forwarding plans and proposals. Various interlocutors in Thakurdwara and Deudakala VDCs in Bardiya explained how Barghars played a role in the formation of users' committees: They inform, gather, and even mobilize the public in the formation of users' committees and implementation of projects when needed. In some places, Ward Citizen Forums were chaired by the current or former Barghars and were also invited to the IPFCs. In Thakurdwara, the VDC secretary told observers that the Barghars were included in the planning process because they were very strong and influential social leaders; however, there was no official policy to include them in the process. Similar reports were found in Kailali where a social mobilizer in Dhangadi and political party representative in Gadaria VDC told observers that the WCF members were decided by the Bhalmanasa (as Barghars are known in some parts of the Tarai).

B. Citizens' Perceptions on Local State Institutions

Many citizens were satisfied with the performance of local governance bodies at both the district headquarters and at the village development committee level.

The majority of citizens interviewed were positive about the role of the district development committee, district administration office, and the court system in their district hubs, although in a number of cases, citizens were unable to make an assessment due to limited information or interaction with district-level bodies. Many believed that local government services in their villages were either “adequate” or “good,” particularly in key areas such as health, education, and the role of the police. The majority of citizens interviewed also rated the services of their VDC offices as either “good” or “adequate,” but around a fifth of those interviewed stated that

⁶¹ Mukhiyas even mobilized village criers to gather people in ward meetings. Several interlocutors and citizens in Kagbeni and Marpha VDC said attending ward meetings was mandatory for each household. Observers were told about the system of fines in Marpha where people would be reprimanded (with a fine of NPR 250-500) for not participating in the planning meeting.

their services were “poor” or “nonexistent” in their areas (and approximately one-tenth were “unsure”) with assessments varying between different districts and VDCs.

Furthermore, citizens generally felt drinking water supplies and veterinary care was sufficient for local needs. In Surkhet and Mahottari, however, most respondents rated local services as “poor,” with several interlocutors and citizens in Mahottari complaining about difficulties with the process of passport applications at the district administration office.

It is important to note that while the majority was positive about local services, a number of citizens interviewed in Humla and Khotang, for example, were unable to express any opinion on the quality of district-level bodies as they were not aware of the roles of the development committee and administration office or had had little direct interaction with either. In addition, the vast majority of citizens had no opinion on agricultural services. In the few places where they existed, traditional authorities—such as aforementioned Mukiyas and Tharu Barghars in Mustang and Bardiya respectively—were viewed as playing a prominent and successful role in local governance, particularly in facilitating decisions on infrastructural projects.

When asked, a large proportion of citizens across districts did not know where to voice their complaints in situations of dissatisfaction. Those who knew said that they would probably turn to the VDC or the DDC depending on their location but felt they were unlikely to be listened to. A young Dalit man in Surkhet believed that citizens had no recourse to voice their complaints and seek resolution, while in Sindhupalchok, citizens overall felt uncomfortable with the idea of reporting irregularities or complaints for fear of jeopardizing community relations. Often, citizens also explained that they would try to solve the issue within their ward first and only then contact any authority.

Most interlocutors felt the security situation had improved since the signing of the Comprehensive Peace Agreement in 2006.

Most citizens felt increased security allowed greater freedom of movement and engagement in everyday activities. For instance, a Dalit man from Arghakhanchi said, “Before the CPA, people would fear Maoists, but not now.” A young Chhetri woman in Dailekh said that during the

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Observers in Humla found that Limi - one of the most remote VDCs of northern Humla - has improvised elections for positions of VDC chairman as well for ward chairman since the expiry of the tenure of elected officials in 2002. According to the acting VDC secretary of Limi (who has held this position for the past decade), no disputes have arisen in the committee between the population and government bureaucrats (like the secretary himself) or positions like the Ward Citizens Forum chairman as a result of these improvised local elections. At present, all but three of the nine WCF chairmen concurrently serve as elected ward chairmen. Because of the continued practice of holding local elections, the VDC secretary of Limi predicts there will be no challenges to holding state-initiated local elections in the committee. Other interlocutors in the district who had visited the VDC pointed out that this quasi- autonomous institution was rather a result of the remoteness and distance of Limi's population to the institutions of the Nepali state. A social mobilizer for a nongovernmental organization in Humla, for example, stated that geographically and culturally the population of Limi was closer to Tibet than to the rest of Nepal. As a result of this geographical and cultural distance, the population has only limited interaction with the public administration and the state, and according to the Lama Cultural Forum, none of the political parties have presence in the VDC.

conflict she was “too scared” to study because of the conflict, but now that a peace agreement had been signed, the situation was better and “girls could go to school.” In Mustang, however, nearly all citizens interviewed felt that the security situation remained largely unchanged, likely due to the fact that Mustang was largely unaffected by the conflict.

In light of improved security, many citizens believed that a more conducive environment had been created for greater economic prosperity. This included the majority of respondents in Gorkha, Dadeldhura, Nawalparasi, Jhapa, and Mustang, who suggested that economic development in their respective districts had improved in recent years.

Observers did find some citizens who expressed concerns about the deteriorating state of law and order. For example, citizens from Khotang, Dhanusa, and Humla believed that their economic status had not improved in line with their expectations after the CPA was signed, while citizens in Ramechhap and Surkhet had seen few improvements in local security. A Tamang man from Khotang said that “the only change in terms of economy [was] that everybody can afford dal bhaat now.” In Tarai regions, many citizens agreed that the security situation had improved since the 2006 CPA but said their economic conditions remained the same.

VI. CONCLUSION

The complexity of local governance in Nepal renders a complete, definitive analysis beyond the scope of this report. Instead, this report has analyzed perceptions about the status of local governance in the absence of locally elected officials, paying particular attention to the ongoing challenges at the local level. These findings are based on field observations from February to August 2013, although they draw upon the Center's continuous observation of the peace and constitution-drafting processes from June 2009.

This report has highlighted that local-level interlocutors believe local governance has improved, particularly in the past 12–24 months. This view was based on a number of different criteria—from how district and VDC-level government bodies perform vis-à-vis central-level criteria to economic prospects at the local level. That said, most interlocutors suggested that the late or reduced budget dispersal, the redirection of funds earmarked for disadvantaged groups, and local government official absenteeism remain key challenges to effective local governance.

Carter Center observations indicate that responsibility and ownership over local governance has to some extent shifted from political parties toward local officials, bureaucrats, and citizen and disadvantaged group participation bodies. With regard to public participation, many interlocutors believe that the participation of disadvantaged groups and citizens has increased, especially in mechanisms such as the Ward Citizen Forums. However, observers were often told of concerns about the quality of participation and the ability of disadvantaged group representatives to actually prioritize programs. The report demonstrates that representatives from these groups continue to face resistance to their participation when development projects are finally implemented on the ground. Similarly, while citizen participation has increased, general awareness about local governance—including the planning and budget allocation—remained low, with few hearing of WCFs and, even less, of Citizen Awareness Centers.

Despite the dissolution of the All Party Mechanism, political parties appear to remain deeply involved in local governance and development bodies. Although similar dynamics have been highlighted in detail in previous Carter Center reports, recent observations suggest that political party involvement has become more informal and opaque than in the past. In cases where no undue influence over non-partisan body was noted, the Center's observation indicates that this was often facilitated by a tacit understanding between political parties at the local level not to use local governance measures to further narrow interests. Finally, the report notes that the majority of civil society and political party representatives supported the idea of holding local elections, arguing that it would improve performance and accountability of local bodies.

Given the prospect of local elections, representatives of political parties will clearly retain a key role in setting agendas for local governance agendas and development priorities. In the light of this report's findings, it is imperative that roles and relations between local elected bodies and other channels for public participation, such as WCFs and CACs, become more clearly defined. The Center also believes that an explicit code of conduct for political parties might facilitate local governance, actively committing representatives of political parties to refrain from exercising undue influence and to adhere to established procedures.

RECOMMENDATIONS

The report concludes with some key recommendations, including:

To The Government of Nepal:

- Hold local body elections as soon as possible.
- Streamline existing rules and regulations, particularly with regard to budget allocation and disbursement.
- Ensure timely budget disbursal.
- Fill vacant village development committee secretary positions and ensure that people transferred out are replaced with minimal delay.
- Implement stringent measures to reduce village development committee secretary absenteeism, including censuring secretaries who are found in violation.
- Continue to encourage public participation at all levels of governance and strengthen established mechanisms to ensure meaningful participation of disadvantaged groups in local development at all stages of the decision-making process.
- Implement a code of conduct for political parties to ensure that they are accountable to new measures in local governance and to end undue political party influence in local-level decision making. Such an explicit code of conduct would help formalize the commitment of political parties to local governance procedures.
- Provide robust leadership, central-level directives, and penalties for local-level mechanisms that do not adhere to procedures. Past Carter Center reports have made similar recommendations to boost the capacity of local-level mechanisms, to resist the influence of political parties, and improve accountability.
- Hold regular public audits of decisions related to local development and budget allocation. Audits should be modeled on existing rules and regulations but must be attended by all those involved at the district and village development level. Also ensure follow-up of any complaints raised.
- Increase awareness about technical terms and local participation bodies, either through the strengthening of existing mechanisms (such as Citizen Awareness Centers) or consider adopting new measures to boost efficiency and capacity of members of local development bodies.
- Introduce effective complaints mechanisms regarding performance of local government bodies or their projects.

To Political Parties:

- Support the creation of an environment conducive to holding local elections.
- Play a more supportive role in local governance and end efforts to unduly influence how local-level decisions are made, particularly through users' groups and Ward Citizen Forums.
- Adhere to established guidelines for bodies intended to be nonpartisan and facilitate the introduction of a code of conduct in which representatives of political parties at all levels explicitly commit to refrain from using local development projects for narrow partisan interests.
- Encourage the involvement of citizens, particularly those from disadvantaged groups, to play active roles in local governance mechanisms.

To Civil Society:

- Play a more supportive role in local governance and positively encourage the participation of citizens in local governance bodies and local development forums.
- Contribute to the improved understanding and awareness of local participation bodies and local elections.

To the International Community:

- Encourage the government of Nepal to tackle issues of corruption and develop measures to eliminate undue political party influence on local development.
- Assist in efforts to coordinate bodies and consolidate codes of conduct, policies, rules and regulations to create a more efficient and comprehensive governance structure.
- Support locally led initiatives to increase and improve public participation in local governance.
- Develop stricter accountability measures for donor-funded projects.

Appendix A

Findings on Social Security and Scholarship Distribution

Besides planning and implementation of local development projects, social security and scholarship distribution is perhaps the area in which citizens are in most frequent contact with government bodies and their services.

Under the Ministry of Education, there are 16-17 types of scholarships for girls, Dalits, people with disabilities (four categories), conflict-affected people, martyrs, disadvantaged groups, and students in remote areas. Scholarships usually do not follow a needs-based approach, and both affluent and disadvantaged girls, for example, can claim a scholarship. Currently approximately NPR 2 billion is allocated to scholarships every year. Social security allowances are distributed under MoFALD's Local Governance and Community Development Program to senior citizens, the destitute, people with disabilities, widows, and those in need of local-level employment.

In the majority of districts, no serious complaints were made in reference to the distribution of social security allowances.

Existing complaints commonly revolved around late allowance dispersal with a few exceptions in Dhanusha, Mahottari, and Kaski, where cases of embezzlement and administrative failure were reported.

Often late social security allowance distribution was considered a "minor" issue such as noted by observers in Humla, Dadeldhura, and Sindhupalchowk. In other districts, such as Khotang, late dispersal of social security allowances had led to protests and the obstruction of the district council meeting. Reports of corruption were found in Hathilet VDC and Fulahatta Parkauli VDC of Mahottari and in Baitidi district where citizens were not receiving the full allowance amount. One Maithili man in Mahottari stated that "eligible people received only NPR 500 of the promised NPR 1,000, with the DDC and VDC secretaries taking the rest." In Ilam, Sindhupalchowk, and Kalika VDC of Kaski, observers heard reports that due to inadequate public record updating mechanisms, members of the public claimed the allowances on behalf of family members who were no longer living while VDC secretaries intentionally failed to update public records in order to claim allowances of deceased citizens for themselves. In a move to reduce such practices, districts such as Sindhupalchowk have made a concerted effort to reduce the practice by updating public records. Reportedly, following this measure, 60 lakh of the budget released under social security allowances in the district had been returned to the government account.

For the most part, distributions of scholarships have been assessed positively, with marginalized groups being the primary beneficiaries across districts.

Citizens from all districts commonly associate scholarships with those from disadvantaged groups. In Mahottari, for example, citizens described scholarships as a "Dalit thing," while in Bardiya citizens believed they were only provided to Janjatis. Indeed, instead of being denied scholarships, DAGs appear to be actively demanding and seeking out scholarships. A Dalit man in Lali VDC of Humla, for example, stated, "If they do not give it to us, they know we will go to the school management committee and forcefully take it."

Reported irregularities to scholarship distribution included the diversion of scholarship funds to unrelated projects, reduced allowances, and/or allocation of scholarships on a rotational basis. In Kanchanpur district, accusations were made that funds allocated to Dalit students were being used to pay for teachers' salaries, while in Sindhupalchowk, scholarship funds were being redirected to infrastructural projects. In Baitadi, citizens from disadvantaged communities reported having scholarship funding on a rotational basis whereby only one child in a family would be provided a scholarship every year, forcing families with more than one child to educate their children on an annual basis. Such issues were often credited to a lack of transparency and inadequate information dissemination among the public on their entitlements.

Appendix B

Table of Districts Visited Based on Their 2011/2012 Minimum Condition /Performance Measure Score⁶²

| Region | Mountain | | | Hills | | | Tarai | | |
|----------|---------------|---------------|---------------|------------------------|-------------------------|---------------|---------------|------------------------|------------------------|
| | Above Average | Average | Below Average | Above Average | Average | Below Average | Above Average | Average | Below Average |
| East | Taplejung | Sankhuwasabha | | Khotang | Ilam | | Jhapa | | |
| Central | Sindhupalchok | | | | Ramechhap, Makwanpur | | | | Dhanusha, Mahottari |
| West | Mustang | | | Arghakhanchi, Kaski | Gorkha | | Nawalparasi | | |
| Mid West | | Humla | | Dailekh | Surkhet, Pyuthan | | | Bardiya | |
| Far West | | Darchula | | | Dadeldhura, Baitadi | | | Kailali, Kanchanpur | |

| Category | MC/PM Score | Capital Grant |
|---------------|---------------------|--------------------|
| Above Average | 66–80 | + 25 % |
| Average | 51–65 | + 20 % |
| Below Average | 36–51 & below 36 | No change -20 % |

⁶² Districts and municipalities are evaluated according to prescribed performance measures and assigned a score that determines their grant allocation for the upcoming fiscal year.

Appendix C

Map of Districts Visited and Their 2011–2012 Minimum Condition/Performance Measure Score

