

The role of local governance in a fragile state: the case of Nepal after the 2006 Peace Agreement.

or

Politics by other means: struggles of the Nepali demos.¹

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Abstract

The 2006 peace agreement ended 10 years of civil war in Nepal. A number of local government programmes were already in place, but had little significant impact due to the conflict. One programme, the Decentralised Finance and Development Programme, continued to operate in some of the worst affected districts. It became a basis for the Local Governance and Community Development Programme launched in 2008. This programme arguably brought an element of accountable local governance in a context of no elected local councils, multiple forms of social exclusion and economic inequality and major political divisions.

Donor agencies played a critical role, but also demonstrated classic ‘failings’; national politicians gave support, but also resisted changes that might undermine their own political interests; political parties manoeuvred according to their own tactical interests. Identity politics in the context of a new federal republic, the politics of neighbouring countries, and the structural weaknesses of the post-conflict economy added to the fragility of the country’s political condition and the challenges faced.

The paper suggests that the local government bodies, though unelected and lacking more formal democratic status, nevertheless kept an element of local governance functioning that was to be crucial post-2006 Comprehensive Peace Agreement. The local bodies provided important ways for local communities to engage with the state and their governance. They also came to be a key mechanism in rebuilding a social contract between citizen and state in the country.

So, in the 16 years since the reintroduction of multi-party democracy and the renewed focus on local government in Nepal, what is it that has worked and has aid helped?

¹ The demos is the populace as a political unit within a democracy. I introduce this in the title as Nepal’s recent and ongoing history is partly to be seen as a struggle to create a system of representative democracy and a struggle to be constituted as a demos within and by that system. The former struggle is under constant challenge from political, social and economic elites; the latter struggle is under constant challenge from identity politics promoting social and cultural exclusion and divisive nationalisms.

Introduction

Decentralisation emerged in the 1980s and 1990s as an important reform advocated by development advisors and policy shapers as a means to promote good governance, build local democracy and improve the quality and delivery of public services. Across the developing world there was a wave of decentralization programmes, often involving national government, but frequently government and donor driven and funded. Some programmes built upon an existing tradition of local government in which elected and administrative local bodies had long played a role in providing services, settling disputes and implementing local development schemes such as in many of India’s states and in Bangladesh. Other programmes sought to introduce new local government frameworks, sometimes alongside existing local institutions, often customary; for example Sierra Leone with the parallel local government institutions of councils and paramount chiefs, Mozambique where again local government bodies created by the national government vied with the role of local chiefs in the settling of disputes and the management of public assets. For donors, while decentralisation might point to a wide involvement in local development, limited revenue and expenditure assignments, weak administrative capacity, and resistance from other parts of government often left local government as a relatively minor sector project or programme without high priority. In many cases programmes had the status of experiments with projects limited to a specific locality rather than the country as a whole² or to a particular aspect of local governance such as capacity building of officials in the practice of participatory planning or new systems for local public financial management. A dependence on donor funding led to these being unsustainable once the funding ended resulting in little by way of outputs after only few years had passed.³

Part of the challenge lay in local government’s position in the global development discourse with decentralisation being one of several instruments to counter-balance or reduce the role of national government and the central state. As such, decentralisation reforms were subject to other agendas and tendencies in development. Another challenge lay in the national politics of decentralized local government and the fact that strengthening local government was perceived as a threat to their positions by many central level bureaucrats and politicians in that they feared a loss of power and influence through a reduced control of government resources.

More recently, a more nuanced discussion on the nature and role of decentralization programmes has taken place. The many experiences with decentralisation that have emerged over the past three decades have provided for a large body of research into the many approaches to decentralisation practiced in multiple locations around the world.⁴ Parallel to the experiences located in the decentralization of governance are the policy and implementation experiences from a broad range of sector reform programmes in many locations, including education, health, forestry, climate change, environment, agriculture, and local economic development. In these, the role of local institutions has remained an important element, but with a growing trend towards involving local government as a political and administrative actor. Here, it can be argued that the interest has moved beyond approaches involving just the delegation or deconcentration of roles. The potential of devolved local government bodies that possess clear revenue and expenditure assignments, and a stronger engagement with citizens under their

² DANIDA’s original support for decentralisation in Nepal began in just 20 Village Development Committees out of 3,915; a later programme focused on 2 districts out of 75. UNCDF had a long tradition of piloting in a few districts in many countries and USAID continues to develop interventions in sub-national localities including Nepal.

³ Local government programmes in Malawi, Liberia, Pakistan,

⁴ See World Development Vol. 53, 2014

administrative jurisdiction, has increasingly come into focus in areas such as education, natural resource management, climate change mitigation and adaptation, and social protection.⁵

For the purposes of clarity in the discussion it should be understood how the terms ‘decentralisation’ and ‘governance’ are being used in this paper. The former, decentralisation, is used to denote devolution, i.e. where national government devolves specific functions to local government bodies that have given geographic and functional domains. It is not delegation, deconcentration or privatization for that matter; it usually involves the devolution of certain revenue and expenditure assignments and involves one or more tiers of local government.⁶ Governance is defined by Fukuyama (2012) as “a government’s ability to make and enforce rules, and to deliver services, regardless of whether that government is democratic or subject to the rule of law.”⁷ Local governance is the projection of the national system of governance down to the local level and to the interface between citizen and the state.

It is important to note that for both decentralisation and local governance, formal democracy in the form of regular local elections to local councils or their equivalent, contested on a party political basis, are not a necessary condition or even a requirement; however, discussions of devolution and local governance, tend to carry a heavy set of arguments suggesting that democracy, both direct and representative, is necessary to secure strong accountability to those being governed. This, in turn, is argued to strengthen the effectiveness and efficiency of the work of local government officers, elected and administrative in that populations are being consulted and engaged in the work of local government. The evidence from Nepal discussed later appears to support the case for democratically elected bodies not being seen as a necessary condition for accountable and effective local development. At the same time, the practice of good local governance has the effect of strengthening a tendency towards their (re-)establishment as 70 percent plus electoral turnouts in Nepal’s 2017 local elections illustrates.

Today it is argued by many that the devolution of local government is a policy that should be at the heart of any national strategy, whether it is concerned with a particular sector such as education, health, or natural resource management or an overarching cross-cutting theme such as climate change, gender, rule of law and human rights.⁸ It is also accepted as a global reform and not just for the developing world and is linked to improving performances in areas such as climate change adaptation, socially inclusive social protection, managing food security and strengthening local economic development.⁹ Similarly the strengthening of governance and local governance as a central element in this, is seen as a key pillar in bringing about a more inclusive and dynamic development trajectory for a country, whether developing or developed.

But what of post-conflict situations? Logic would suggest that if conflict is rooted in poor governance and not least local government that promotes social exclusion, delivers poor public services, and permits clientelism and corruption on the part of local officials and politicians, then strengthening and improving local government can be a key instrument in stabilizing and rebuilding a state’s relationship with all of its citizens, whatever the position during the conflict. Recent literature on political, administrative and fiscal decentralisation reform experiences point to the important role these can have in preventing a return to conflict and that a policy failures in these same areas can threaten peace and conflict resolution initiatives

⁵ See for example UNCDF (2012).

⁶ See Faguet and Sánchez, 2008; Manor, 1999; Smith, 1985; amongst others.

⁷ Fukuyama (2012, p1) cited in Faguet, (2014) p3.

⁸ For example, Nordic and other like-minded donors include good governance, human rights, and decentralisation as standard elements in most ODA country strategy programmes.

⁹ Not just a key element in SDG 16 – Peace, Justice and Strong Institutions – the relevance extends to most SDGs in one way or another.

quite quickly.¹⁰ The evidence from Nepal appears to support the case for decentralisation as part of a post-conflict stabilization strategy, but it is also in the absence of local elections, it has been something of a corner stone for rebuilding a semblance of local democracy. In this the nature of the conflict has to be taken into account. First, it emerged from a non-ethnic conflict; that is not to say ethnic identities have not played a central role, but the primary issues are seen to be economic and social, that is poverty and inequality with strong roots in locality, caste, gender and to some degree ethnicity. Second, the conflict led not only to considerable brutality in many areas, but it also led to many men migrating out of the country. Both contributed to a popular desire for peace and a return to some degree of normality. Regarding the first, ethnicity has become much stronger in so far as it was a basis for mobilizing opposition to the King in the latter stages of the conflict and has a strong presence in the making of a new constitution. With respect to the second, migration has led to major flows of remittances, equivalent to 33% of GDP today. This has reduced the economic disparities for many poor families, but has also produced other dynamics with associated fragilities. For example, what happens if Qatar sends its migrant workers home due to the ongoing conflict with Saudi Arabia?

The case of Nepal

Nepal experienced a violent civil war from 1996 to 2006 with tens of thousands of civilians, officials, army and police personnel being killed, injured, many tortured and hundreds of thousands migrating away not just from affected towns and villages, but from the country itself.¹¹ The country had already witnessed a largely peaceful but widespread uprising against the monarchy in 1990 that led to the reintroduction of party-based democracy and a new constitution. Social exclusion based on caste and ethnicity, poverty, corruption on the part of a small political and bureaucratic elite and not least, the royal family, were powerful drivers of the movement. The return of political parties, and not least their leaders from exile in several cases, raised considerable expectations of change for the better amongst many sections of the population.

Local government was already in place. Between 1950 and 1990 it was apolitical, based on local councils (panchayats) that were for the most part extensions of the central government, possessing only limited responsibilities and resources, and were far from being ‘nodes of representation’ for the local populations.¹²

Post-1991 and after the first ‘peoples’ movement’, subsequent key developments in Nepal’s local government include:

- The first multi-party based local government elections were held in 1997. This saw the election of political representatives from different parties to 3,915 Village Development Committees (VDCs), 68 Municipalities’ councils and 75 District Development Councils (DDCs).
- The 10 years of civil war from 1996 to 2006 during which the Maoist movement gained control over much of the country, primary rural and hill areas, often destroying the offices of the local government bodies, but permitting aspects of local government and public service provision to continue.

¹⁰ See for example Edwards, et al (2015)

¹¹ An estimated 15% of the population are currently outside Nepal working as migrant labour, mainly India, the Gulf States and countries in Southeast Asia such as Malaysia and South Korea. The conflict period saw the most dramatic increase in numbers as particularly men from mid-teens upwards left to avoid being forced to side with the Maoists or the army, or being accused and treated as if they had done so.

¹² See Webster et al. (2009)

- The cancelling of local elections due in 2002 by the ‘nominally elected’ government of Sher Bahadur Deuba (one wing of the then divided Nepali Congress party) and the subsequent dissolution of the elected local government bodies.
- The appointment by the royal-led government of political representatives to All Party Mechanisms in each local government body as an attempt to bring an element of political representation back into local government.
- The Comprehensive Peace Agreement in 2006 that saw a key role for local government as the state sought to re-establish its full presence across the country again. Local government also became a key area of support for a large number of government Development Partners.
- 2015 April 24th a major earthquake hits Nepal and the role and status of local government in the country in relation to the need for organisation and delivery of relief is exposed to critical examination.
- The passing of a new federal constitution after two constituent assemblies and much political inter- and intra-party bargaining. The constitution paves the way for 7 new federal provinces under which the three sets of local government bodies – VDCs, Municipalities and DDCs – will function, albeit in revised forms and numbers.
- After an 11 year delay, the holding of new local elections in 2017 (local government bodies in 6 of the provinces) and 2018 (local government bodies in the 7th province).
- 2018 Federal provincial elections to be held in the newly created 7 provinces.

At the general level, the past 20 years demonstrate the impact that competing political and also cultural agendas can have on the nature and condition of local governance. It is still the case that decentralisation of government remains a contested policy area in Nepal today. What is interesting is the growing status that decentralisation as a policy, as a reform agenda, possesses in the country, not least as the newly adopted constitution takes the country towards its new secular and federal state framework. For both the government and its development partners, local governance has grown in importance since 1991, even during times when key actors have opposed the reform in one way or another.

Undoubtedly the context has been, and remains dynamic, it is constantly affected by the organization and practice of politics and the interests that drive political and development agendas at each level and in each activity. In the case of Nepal, political struggles have continuously affected the nature and practice of local government; the 1990 Peoples’ movement restored multi-party elections at national and local levels; the civil war from 1996 to 2006 saw a serious erosion of democratic process with the suspension of elections, the imposition of direct government under the monarchy, the breakdown of social and political relations and institutions in large parts of the country, widespread violence, neglect of human rights and the polarization of politics and not least the militarization of politics. The breakdown of local political institutions at the local level, state and traditional, was matched by the breakdown of social and cultural institutions as men in particular left their families and villages in the face of Maoist and government aggression and violence.

The Comprehensive Peace Agreement signed in 2006 saw a cessation of the violence, but the post-conflict situation was far from being stabilized from one day to the next. For ten years, the state had been experienced by increasing numbers as a source of violence, not of development. Public services had not collapsed, but their infrastructures in many areas were seriously damaged or neglected. The political and economic work of local government had not been present for significant sections of the population towards the end of the civil war; physically much needed to be rebuilt, local government offices, schools, clinics, etc., and the local state needed to be re-established as both a political and a development entity.

The Comprehensive Peace Agreement was accompanied by a significant increase in donor support and presence, led by the United Nations’ Mission in Nepal (UNMIN). Already from 1991, Nepal had become a greater focus for donor support from a number of bilateral as well as multi-lateral agencies. The 1991 constitution opened the country to new democratic trends. However, the extent to which there had been a popular movement demanding change and the growing aspirations of a population that believed that changes were happening, also paved the way for deepening the institutional depth and breadth of governance reforms, not least with local government. At the local level, local government reform was directly associated with improvements in livelihoods, from capacity building of local government in planning, implementation and monitoring of local development. But it was not enough to undermine the basis for Maoists launching a People’s War and for that movement to gain sufficient traction to become a full civil war.

The main building blocks of donor support for decentralized government in Nepal, 1991-2016

Development partners, donors, have been significant supporters of decentralisation from 1991, though with varying approaches and with agendas that have changed over time. Whether intended or unintended, the effect has been to promote an underlying popular demand for more accountable and effective development and not least more socially and culturally inclusive in its impact. As indicated above, the Comprehensive Peace Agreement in 2006 brought a number of government and development partner agendas together with a diverse set of more general political demands that had both fed the conflict and were now being channeled into ‘peace process’. Whether the identity politics of peoples demanding a change from Parbatiya upper caste domination of national government, demands for better and more inclusive service provision from poor groups across the country, or the pursuit of domestic or foreign economic opportunities by households weary of violence, citizens and a burgeoning civil society expected and sought change.

The Decentralised Financing and Development Programme (DFDP)

By 2006 DFDP was being implemented in 20 districts with funding from UNCDF and DFID. The programme provided block grants to the District Development Committees (DDCs) for small scale infrastructure projects, aimed at increasing access to basic public infrastructure for poor people living in remote and rural areas. Important for DFDP was that it sought to lever institutional change within the local government system by improving local governments’ capacities in planning, infrastructure delivery and management, financial management, and overall accountability and responsiveness. DFDP worked very much within the framework of Nepal’s local government system, not least the rules and regulations outlined in the local government legislation and the procedures established for its implementation. To this DFDP added an additional instrument to incentivize the performance of local government; block grants were linked to an annual review of their compliance with a limited set of Minimum Conditions derived from the Local Self-Governance Act (1999) and an additional performance grant was linked to the same annual review on compliance.

Of significance in 2006 was that while DFDP was working in a number of districts considered as most affected by the conflict, it was continuing to be implemented. Both Maoist- and army-controlled areas in these districts were covered; projects were literally crossing the ‘trenches’ in locations such as Jumla District in the mid-west region.

The Decentralised Local Governance Support Programme (DLGSP)

DLGSP was working in 662 Village Development Committees (VDCs) in 60 of Nepal’s 72 districts in 2006. It was based upon earlier programmes including the Participatory District Development Programme (PDDP) and the Local Governance Programme (LGP). The focus was on capacity building of the local government

bodies and at the community level, the emphasis was on livelihoods of the ultra-poor, women and ethnic minorities through social mobilization and skill development activities. However the programme remained separated from local government in key ways, not least in use of separate programme facilities and personnel.

Rural-Urban Partnership Programme (RUPP) and Public-Private Partnership for Urban Environment (PPPUE)

Two programmes that carried a number of similarities, to the extent that their merger was proposed and a UNDP mission was given the task of preparing a new project document to that end in March 2006. RUPP and PPPUE worked to promote a more inclusive development in municipalities, for example by working with local Tole Lane Organisations to form community-based organisations. These were then used as vehicles for skills training and support to entrepreneurial activities.

Other programmes on local governance existed in 2006, but as illustrated in the above UNDP programmes, community-based organisations were more often than not a substitute for local elected organisations; support to local government institutions had been seriously compromised by the dissolution of the elected bodies in 2002, little more than efforts at some capacity building remained. It was a local governance landscape largely fractured and fragmented by the conflict and by the variety of different local development initiatives being implemented.

DFDP was perhaps the most interesting programme as it used financial management instruments to secure an element of accountable local government. To illustrate, one of the King’s appointed provincial representatives was placed in Jumla, the district headquarter of Jumla District. Jumla, with its airport, banks and government offices, had been attacked several times by the Maoists as a strategic town in the mid-western hills that the Maoists regarded as their stronghold. In 2005, when I visited Jumla, I found the Representative’s office surrounded by a mine-field, trenches and a ‘flight’ trench leading up to the main army camp on the hill behind. The town was also surrounded by lines of trenches manned respectively by police, the armed police and the army. The banks and government buildings had been badly damaged in the attacks and there was little left of strategic worth apart from the symbolism of control over the town. The Representative had demanded that the Local Development Officer use the DFDP funds for 2004-5 to strengthen the army’s base. The Local Development Officer had refused pointing out that such ‘misuse’ would trigger the sanction of no funds for 2005-6. The outcome was that the funds continued to be used for projects identified and planned for in the district’s VDCs. Women’s groups were found to be formulating project proposals and then locating the VDC secretaries in Jumla town, where they were sheltering from the Maoists. They would secure the approval of the VDC secretary and then submit the proposal to the Local Development Officer.¹³ The VDCs were all under the nominal control of the Maoists. Monitoring of the projects suggested that they were being implemented by women’s groups as intended. Women were not just taking over the management of cultivation, cattle and more, and functioning as de facto heads of households, they were sustaining an element of local government activity in securing these development funds.¹⁴

The Local Governance and Community Development Programme, Phases 1 and 2, 2008-2018

May 18th 2006, Loktantrik Day (Democracy Day), saw the King removed from being head of the army, the country becoming a secular country rather than a Hindu Kingdom. The interim constitution was then passed by the new government on 28th May and the Constituent Assembly subsequently elected in 2008.

¹³ See Webster (2006)

¹⁴ Women were also delineating the social boundaries of local ‘communities’ rather than government or NGO social mobilisers, introducing another interesting dynamic into the process. One that challenged the tendency for global actors to define local entities (see Schuurman (1994) discussion of ‘glocalisation’)

Thus ended the 240 year old monarchy and Nepal was formally declared to be a Federal Democratic Republic. The way was opened for a major joint government - donor initiative in local governance.

Local Governance and Community Development Programme is a national programme that began in 2008 by covering all 3,915 Village Development Committees (VDCs), 58 Municipalities and 75 District Development Committees (DDCs).¹⁵ It worked with three key focus areas: (i) Strengthening the supply side of local governance through activities designed to strengthen the capacity and capability of local government bodies to deliver public services, resources and assets. (ii) Strengthening the demand side local governance through activities designed to strengthen the capacity and capability of local citizens to access the services, resources and asset, to present their interests and to monitor local government’s provision and performance. (iii) Strengthening the national framework for local governance through policy reforms designed to enhance resource provisions, responsibilities and the general pursuit of subsidiarity.

The programme appears to be both complicated and large; for example each annual work plan under Phase I carried 8 outcomes, more than 40 main outputs and well over one hundred activities. The initial budget for the Local Governance and Community Development Programme Phase II (2013-17) was \$1.4 billion, of which \$1.15 billion came from the Government of Nepal. The scale of the programme and the size of the budget with major government involvement (approx. 85% of total budget) established the programme as one of most ambitious examples of a local governance programme in the developing world. Even with subsequent scale-downs to an eventual expenditure in the region of \$750-800 million, it remained immense.

Two key sets of instruments in the activities of Local Governance and Community Development Programme of relevance to the discussion in this paper, are those directed at social mobilization and those directed at the public financial management of local government bodies. The former are built upon the intensive use of participatory approaches aimed at bringing citizens and their communities into an active engagement in projects and programmes intended to improve their development. The latter focus on securing more effective, efficient and not least accountable local government work through the use of a performance based grant system and the monitoring and incentivizing of the performance of local government bodies.

[From community mobilisation to active citizenship](#)

The peoples’ movement of 1990-91 paved the way for significant and a rapid expansion of aid funding to Nepal. It was also a point in the global aid agenda when participatory approaches and empowerment of local communities were seen as important means for bringing about political and economic development. In the case of Nepal, the growth in funding and its orientation towards the local community and its empowerment community and Nepal manifested in interventions in areas such as natural resource management, micro-finance and micro-enterprise initiatives. The promotion of local communities in collective decision-making, joint implementation and management, and not least local ownership was important. Forestry and the formation of Community Forest User Groups (CFUGs) is one of the best known in the broad range of such activities in Nepal.¹⁶ The degree to which local government was involved is a moot point however. Often this was the case on paper, but not in practice. Local government bodies were seen by donors often as weak, prone to mismanagement and local politicians guilty of nepotism and

¹⁵ The numbers of VDCs and Municipalities has changed over time as a process of territorial amalgamation has reduced the number of VDCs and increased the number of municipalities. In 2017 the numbers are: 3,157 VDCs, 212 municipalities and 75 DDCs. With the local elections, 2017 in three phases on 14 May, 28 June and 18 September will establish elected bodies in 6 metropolitan cities, 11 sub-metropolitan cities, 246 municipalities and 481 rural municipalities. These replace the former VDCs and municipalities.

¹⁶ Ojha (2015)

corruption. The rapid rise of local NGOs in the same period¹⁷ also gave greater voice to those questioning the efficacy of local government and as to whether they should have a direct role in local empowerment initiatives. The problem is that such a position might have a technical justification, but it challenges the basics of citizenship in any country in which national government is physically, politically and socially distant from the local population.¹⁸ The ‘bypassing’ of local government might secure more effective and efficient local development in the short term, but it undermines local democracy and its engagement with the national system of governance in the longer term. Bringing citizens into a direct engagement with local government through social mobilisation, i.e. promoting the demand side of local governance, is where Local Governance and Community Development Programme sought to break with the prevailing trend in Nepal in 2008.

The instruments designed to strengthen local public financial management and promote more effective and accountable interventions by local government can be said to be a key counterpart to the social mobilization, at least in theory. They promote the supply side of governance and local government’s practices in particular. The performance approach system had been tried out under the DFDP, but under Local Governance and Community Development Programme it was developed nationally to cover all local government bodies, that is the VDCs, municipalities and DDCs. The Local Bodies Fiscal Commission was given the responsibility of carrying out independent annual performance reviews of all these bodies. Each category had a limited number of minimum conditions that they needed to achieve. From 2008 these were introduced on a gradual basis over the first years, the threshold of minimum conditions set each year needed to be passed if an additional grant was to be allocated. The same assessment provided the basis for identifying weaknesses in each local government body for which a capacity grant element could then be used to address these with the aim of improvement in the coming years. A third grant element, a performance grant, was allocated on the basis of the performance achieved over and above the basic threshold.

The size of grant was established by combining a basic grant with a formula based element and the performance based elements described above. Such ‘formula funding’ is used in an attempt to remove political interest and pressure from the basic grant allocation. In 2012 a senior official in the then Ministry of Local Development suggested that his position was not advantageous for his future promotion; if a minister approached him to allocate funds to the minister’s home constituency, the official could only say no as allocations were already fixed.¹⁹

The performance based grant system was a significant break with previous practice as not only was it linked to institutional performance, but it was only ‘unconditional’. That is to say that the local government body takes the decision as to how it is to be used. This is in sharp contrast to most other funds that are allocated by higher government bodies and the local government’s role is to implement their decision (see Table 1

¹⁷ In early 2002, the then Nepal Government circulated a draft of what it called the “Policy Paper on Civil Society Partnership” as a discussion paper for a Pre-Consultation Meeting of the Nepal Development Forum—2002. In it, the government maintained that while the number of non-governmental organisations (NGOs) which had been legally registered with the 75 District Administration Offices (DAO) of Nepal was unknown, it estimated that there were upwards of 15,000 such entities. In 2014 the Social Welfare Council stated the number registered with it as 39,759. See: <http://kathmandupost.ekantipur.com/news/2017-02-24/revisiting-the-ngo-numbers-debate.html>

¹⁸ For example, in Nepal the World Bank used HIPC funds to finance its Poverty Alleviation Fund. The approach is summarized in Figure 1. It is to be noted that local government bodies are seen as supporters to the local community organisations established under the fund, but in the same light as other potential partner organisations such as NGOs, private sector organisations and community organisations. The same eligibility criteria to be a partner organisation are applied to all, thus reducing the ‘government’ status of the local government bodies to a purely technical characteristic at best.

¹⁹ Personal communication with author.

below). When funding is conditional and allocated in advance, it removes the discretionary element from the work of the local government bodies.

Tabel 1: Local Government grants

Types of grants	DDCs	VDCs	Municipalities	Total
Total grants to LBs	3,347,000	7,360,300	4,148,000	14,855,300
Total unconditional grants to DDCs	1,272,925	5,794,000	1,150,000	8,216,925
% Unconditional grant to total LBs Grants	38	79	28	55
Minimum unconditional grant to LBs	4,000	1,500	3,000	
Number of LBs	75	3,276	191	3,542
Total minimum unconditional grant/LBs	300,000	4,914,000	573,000	5,787,000
Performance based unconditional grants	926,925	880,000	577,000	2,429,925
PB grants as % of total unconditional grants	76	15	50	30

Source: MoFALD/LBFC²⁰

Citizens and their representatives: Seeing the state

What has been the impact of Local Governance and Community Development Programme? Too often citizens and their local communities do not see the state as central to their governance, they are even encouraged not to. As discussed above, they are ‘empowered’ by programmes to mobilise themselves and to stand for their own development, albeit with funds provided from outside the government and often the country. Local Governance and Community Development Programme broke with this community approach to work with what is best described as an active citizen approach. Namely, to mobilise citizens, as opposed to individuals or communities, to engage with government, and thereby to introduce citizen agency into the working of the local state. As such, social mobilization took on a very different meaning under Local Governance and Community Development Programme in that it became a part of local governance, it the demand side that counter-balances and validates the presence and work of local government at the lower end of the supply side. In such an approach, the objective is not to have the central state mistrusted, ideologically opposed or instrumentally marginalized. It is to view the state, local and national, through the lens of the social contract between state and citizen. The strengthening of accountability lies at the heart of the approach as it strengthens the social contract and thereby the condition and relevance of the state in the eyes of the citizen.

Seeing the state thus involves being able to see the work and performance of the state. As stated above, this is central to accountability as well as for securing more effective and efficient functioning of the (local) state. The PBGS was designed to provide this possibility. Not only does the annual performance assessment result in local government body’s budget being affected, it also provides a simple and transparent means with which citizens and those that act on their behalf, to see whether their local government officials are living up to certain basic requirements in the carrying out of their duties. By going online, the performance of one’s VDC, municipality or DDC can be seen and the consequences that performance has had on the body’s budget allocation. Failure to hold a public meeting to present the proposed annual plan by the required date or to present the independent auditors’ report to the public are examples of non-actions that break the rules and regulations under which local government bodies work, result in the failure to meet the minimum conditions of the PBGS, and result in the loss of grant funds. Knowing this is an important step for the citizens to begin to take action, be that through the media, through local civil society organisations, or through direct communication with officials.

²⁰ MTR (2016) p16

Local civil society has been over-developed in Nepal. As discussed above, the flow of donor funding into the country produced a fertile ground for civil society organisations, and one that could find multiple diverse ‘communities’ with which to work. Ethnicity, caste, geographic, gender, age, relation to a natural resource, relation to a particular aspect of climate change, a particular medical condition, these and many other social, cultural, economic, and demographic characteristics have been the basis for defining communities with which to work. In many cases, inequality based on social, cultural and economic divisions was and is present, and the state directly or indirectly contributing to the reproduction of such inequalities by its actions and by its failure to act.

Table 1 Number of NGOs registered to the Social Welfare Council between 1977 and 2014 in different sectors

Sectors (Nepalese NGOs)	No. of NGOs
AIDS and abuse control	98
Child Welfare	1,149
Community and rural development	25,403
Educational development	517
Environmental protection	1,451
Handicapped and disabled	758
Health services	875
Moral development	1,146
Women services	2,967
Youth services	5,395
TOTAL	39,759
Additional International NGOs	189

But civil society has also had a tendency to bypass the state, to be an alternative source of support to that of the state, and in many instances failed to mediate between its target groups and the state. Unusually for a decentralisation programme led by government, Local Governance and Community Development Programme created a Governance Accountability Fund with the specific intention of supporting the local monitoring of local government’s activities. Public audits, budget tracking, social audits at district (DDC) level, were designed to inform local populations about the use of government funds and also to provide space for directly questioning local government officials as to what had been achieved, and not achieved. This was new for citizens, to be made such central actors by local civil society organisations with respect to government; it was new for the government to be administering funds to local civil society organisations, who would then monitor local government; and it was new for the civil society organisations to be asked so directly to act as a true civil society organisation at the local level.²¹

In 2011 the focus in the Local Governance and Community Development Programme shifted significantly towards the local level and the demand side of local governance. In each ward of the VDCs, a Ward Citizen Forum was created²² and in one of the nine wards a Citizen Awareness Centre was also created. The former was designed to be the lowest point of planning and monitoring in each VDC, eventually feeding not just into the VDC annual plan, but also into the annual plan of the DDC. The Citizen Awareness Centres were aimed at the marginal and excluded groups in Nepali society with the aim of ensuring that greater inclusiveness across the local populations could be achieved.²³ In the absence of elected councils, a degree of citizen engagement with the local state was enabled and a degree of representation that secured greater

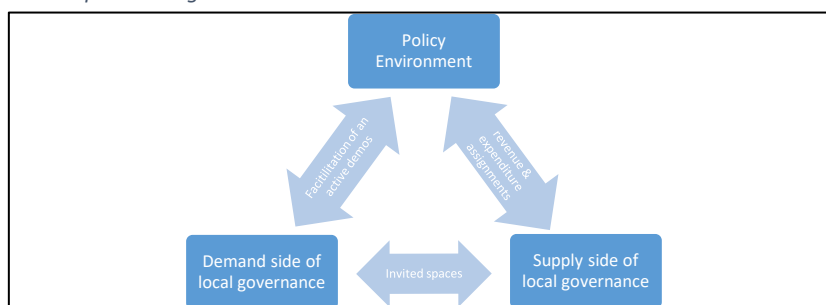
²¹ See Engberg-Pedersen & Webster (2002) for a discussion of civil society and political space.

²² Each VDC has nine wards; each Ward Community Forum is composed of representatives from local women’s groups, farmers and other workers, youth organisations, forestry user groups, and similar.

²³ Local Governance and Community Development Programme, Annual Work Plan, MLD, (2011-12)

and more inclusive representation in the work of the local state, albeit work undertaken by local government officials without the counter-balance of local elected representatives. In figure 1 below, the demand side of local governance is where this active citizenship is enabled and practiced. It points to a clear link with the concept of an ‘invited space’²⁴ into which active citizens enter to engage with the state through local government, a space that local government has been institutionally pressured and incentivized to provide and work through.

Figure 1: The working of local governance in Local Governance and Community Development Programme



Source: author

The state, the ‘salarial’ and

Seeing the state is also about how the state sees itself and, through this, how it presents itself and engages with citizens at both individual and institutional levels. In 2009, when the first performance assessments for Local Governance and Community Development Programme were finalized and the new grants allocated to the local government bodies, a headline in the national English paper, The Kathmandu Post, announced that 8 DDCs were being denied access to additional funds, not that 68 DDCs had passed an initial set of minimum conditions in their administration of public finances based on government rules and regulations. The Local Development Officers from the affected eight DDCs had come to Kathmandu to protest against this ‘discriminatory’ action, in their eyes, taken by the Ministry of Local Development.²⁵ The Ministry at the time regarded the media in an extremely negative light and it saw no need to present or explain the performance assessment process and results to the media. The positive aspect here was the perceived need of the ‘affected’ local development officers to publicly register a protest despite the irony that lay in the failure of their own administrations to meet basic requirements that the rules and regulations developed to implement the Local Self Governance Act (1999)²⁶ The negative lay in their failings in these matters and in the attitude of the ministry, an attitude that suggested a strong belief in the rights accorded by a hierarchical administrative organisation.

By 2011 the position of the Ministry had changed somewhat and a detailed briefing of assessment methods and results was presented to the media at the time of the results for all local local government bodies being made public.²⁷ But the power and status of the salariat²⁸ in Nepal is embedded in economic, social and cultural structures that make institutional change slow and often unsustainable. While the ministry might

²⁴ Cornwall, A. (2002)

²⁵ The responsibility for the performance assessments lies with the Local Bodies Fiscal Commission. It is a semi-autonomous body placed under the Ministry of Local Development (now the Ministry of Federal Affairs and Local Development).

²⁶ The Local Self Governance Rules and the Local Bodies Financial Administration Regulation (1999).

²⁷ Author’s own knowledge as UNDP’s and UNCDF’s Chief Technical Adviser for local governance in Nepal, 2009-2012

²⁸ See Alavi’s excellent and very relevant discussions of the nature, status and roles of the salariat in south Asia, notably Pakistan. (Alavi, 1989)

have realized that the media could also be used to aid the work of governance, the tendency towards rent seeking behaviour remained an institutional challenge even though disquiet with it might be growing.²⁹

So what has been the role of the bureaucracy in Nepal?³⁰ Under a centralized government system, local government is seen here as a set of delegated authorities that provide the local state institutions through which to deliver centrally derived and driven policies and their programmes. The officials are not elected by citizens within an administrative locality, but selected by higher-level authorities, be these ministries, political parties or, as is often the case, a combination of the two. Allegiance and thereby accountability is upwards as are their aspirations more often than not, be that for a favourable promotion within the administrative service or for elevation within the hierarchy of a political party, again the two often being closely connected.

Though writing in the 1980s, the political analyses of Hamza Alavi identified the power, role and challenge of the salariat. “An analysis of the politics of ethnicity in South Asia suggests that there is one class or social group whose material interests have stood at the core of ethnic competition and conflict, although other class forces have played a role in it. That class was a product of the colonial transformation of Indian social structure in the nineteenth century and it consists of those who have received an education that equips them for employment in the state apparatus, at various levels, as scribes and functionaries. For want of a better term I call them the “salariat”, for the term middle class is too wide, the term intelligentsia unwarranted and the term “petty bourgeoisie” has connotations, especially in Marxist political discourse.” (1989: 225)

Alavi’s argument is that the salariat is vertically fragmented in so far as its upper echelons occupy positions of great power and prestige in the state apparatus, very different from the position of the lower-level functionaries, but they have a common interest in securing and monopolizing the limited opportunities for state employment and the considerable benefits that lie therewith. He also argues that the salariat is very prone to fracture and align along ethnic lines: “Such cleavages occur because of the historical organisation of the division of labour and occupational specialization in India by communities, as well as by uneven regional development.” (ibid: p226)

Nepal is not India, Pakistan nor Bangladesh for that matter; not least it has never been colonized. However the history and socio-cultural nature of the bureaucracy in Nepal carries strong similarities to that elsewhere in South Asia, as presented by Alavi. David Gellner’s works dealing with the caste and ethnic dimensions of Nepal and the Kathmandu valley in particular,³¹ reveal the caste and sub-caste dynamics of state power, are similarly linked to education.³² Bahuns or Brahmins and Chetris are the two highest castes of the Parbatiya ethnic group that dominates the bureaucracy in Nepal and the Kathmandu valley where power can said to reside. The Newar ethnic group is the third dominant ethnic force in the Kathmandu valley, it too is divided by caste with the Newar Brahmins often seeking to present themselves as closer to Parbatiya Brahmins than to Newars, As found in India, the practice of sancritisation whereby rituals and practices of a higher caste are adopted in order to promote and align the social status and position of a particular caste group with that to which it aspires. Newari Brahmins have sought to follow Parbatiya Brahmins in this way; they also tend to speak only Nepali and not Newari.

²⁹ See Webster (2015) for a discussion of the challenges in financial management practices in Nepal.

³⁰ Drawing directly on Alavi (1989). See also Alavi (1972).

³¹ Gellner et al (2008)

³² Access to education was long strictly controlled by the Nepali state, with schools only be open to specific groups and not to all well into the 1950s.

In 1991 it was estimated that 80% of the posts in the civil service, army and police were held by Parbatiya Brahmans and Chetris while 13% were held by Kathmandu valley Newaris. The 1991 eleven-member Council of Ministers had six Brahmans and 3 Newaris and the 1990 Constitution was drafted by a nine member Commission of which six were Parbatiya Brahmans.³³ Nepal abolished caste-based discrimination in 1963 and the 1990 constitution describes Nepal as ‘multi-ethnic, multi-lingual and democratic’. But according to Lynn Bennett, contrary to the claims of the constitution “many hierarchical institutions, especially the powerful informal networks, behavioural norms and expectations remained unchanged. The unitary, centralized and non-inclusive state structure remained largely unchallenged. (Bennett, 2005:p7) The continuation of exclusion as the norm within the state was aided not least by the fact that Nepal only began to first collect data on ethnicity and caste in 1991 when 60 caste and Janajati³⁴ (ethnic) groups were listed in the census. In the 2001 Census, 103 social groups, based on ethnicity, caste, religion and language were listed.

The civil war and the increasing totalitarian approach to governance by the monarchy as the country polarized, witnessed the decline of the role of the legislature as a counter-balance to, and source of guidance and control over, the administration. This situation continued in the post-conflict period as the upper echelons of the political parties sought to manoeuvre into positions of government control and power, their role in national governance has tended to take a back seat, further empowering the upper echelons of the salariat.³⁵

Moreover, the ethnic-cultural characteristics of the bureaucracy and its exclusivity are mirrored in the leaderships of political parties. In 1999, 10 years after party-based elections were reintroduced the Brahmans and Chetris held nearly 60% of the seats in the Parliament and Newaris held nearly 10%. Cabinet positions were dominated by the same Brahman Chetri groups, certainly a contributing factor in explaining why the same groups’ presence in the civil service had increased from 70 percent in 1985 to 90 percent in 2002. (Bennett, 2005:p18), and the central political leaders were and remain drawn from the same groups. Of the current mainstream parties, Nepali Congress is seen as traditionally being the party of Parbatiya Brahmans and Chetris; the Communist Party of Nepal-Unified Marxist Leninist (CPN-UML) is more culturally and ethnically diverse, but still carries a strong orientation towards the norm of a secular Nepal as defined by the dominant caste groups; the Maoist Kendra, the main party to merge from a series of splits and mergers within the Maoist movement and its parties rooted as much in personalities as in ideological lines;³⁶ the United Democratic Madhesi Front (UDMF) that is a coalition of Madhesi parties from the terai areas adjacent to India.

If the hierarchical and socio-ethnic nature of the bureaucracy has enabled it to project and defend a strong self-interest, the multi-party nature of the democratic system could be argued to promote political competition and the layers of local government to only add to this dynamic. This should in turn support the motivation of politicians to be seen by voters in their respective constituencies to be performing well. From a local political representative’s perspective, decentralisation enables the localization of political concerns and debates, away from a national level focus. It also permits other political candidates to enter into

³³ Savada (1991)

³⁴ Janajati is a term taken on by marginalized ethnic groups to replace their ‘tribal’ title accorded by the dominant Parbatiya upper-caste construction of Nepal’s social and cultural view of its peoples. One closely linked to categories found in British colonial India and subsequently India.

³⁵ See Jha (2014)

³⁶ On the surface, united in its military struggle, it subsequently began to split into three main factions, each with its own leader. To what degree the differences are ideological, strategic or personality-based depends upon whom one talks to. All clearly play a role, each of these variables interacting with, ‘legitimising’ and reinforcing the others.

political competition with those from the mainstream parties. These might not carry the organizational weight of a party behind them, but they can demonstrate a political capability at the local level that later serves any attempt to move upwards in the hierarchy of government levels. Experience documented elsewhere in South Asia does also demonstrate the ways a national political party can bring organizational capacity to local elections that independent local candidates simply cannot match.³⁷ In both instances, competition can be argued to have a potential for positive effects in areas such as the effective delivery of public services and the generation of strong local inputs into public policy and its implementation.

Post-conflict Nepal has seen the national party systems as dominant, not least because of the absence of elected bodies and the delays in holding local elections. It is also apparent that the national political leaderships feared local elections for what they could lead to, not least a compromising of the centralized political party leaderships’ power and control. In Nepal, local elections that eventually commenced in May 2017 and are due to be completed in September 2017, are undoubtedly viewed as a challenge to the main political leaders. At the same time, the fact that federal and national elections will first take place in 2018 and the full details of the powers and responsibilities to be placed with federal governments and national government have yet to be finalized, there is still much to be played for. National party elites with their strong party controls retain possibilities for enhancing their position, or at least believe that they do.

The key issue is perhaps the degree to which ethnic nationalism is permitted to emerge as a central organizing mechanism in party politics and thereby the politics of representation.

Post-conflict stabilization or a qualitative change in the ‘norm’ of local government?

The absence of local elections for 11 years after the peace agreement has undoubtedly been a weakness in decentralized local government in Nepal. As previously pointed out, un-elected local government officials owe their positions to those who appoint them and accountability therefore flows upwards; their behaviour and engagement are affected accordingly. The social mobilisation practiced through the Local Governance and Community Development Programme did introduce a counter-balance to this, not least the introduction of Ward Citizen Forums across all VDCs and their direct and required involvement in planning and implementation activities has been important. The use of specific grant allocations to women and disadvantaged groups pushed the social inclusion agenda in these forums’ work.

The promotion of fiscal decentralisation and the use of a performance based grant system has taken this process a considerable step further. Individual officials do not have incentives, but the performance of the institution for which they are directly responsible do have. Linked to open transparency of performance assessments and the introduction of local civil society organisations into the monitoring of performance, there has been a significant shift in the accountability of local government officials. As providers of public goods and services, they have been directly linked to the citizens that they serve.³⁸ If social mobilisation organises citizens to enter the space of local governance to present their interests, to engage with local government officials and to give feedback on their work and performance, then the institutional incentives linked to their performance help to secure the ‘invited’ spaces that citizens and those that represent them can seek out.

³⁷ Webster, 1992.

³⁸ Minimum conditions include the use of participatory planning to make a local plan, the presentation of the VDC/DDC plan and its budget to a public meeting by a certain date, the presentation of an independent auditor’s report on their financial activities.

On this basis, by late 2014³⁹ it can be argued that the Local Governance and Community Development Programme had brought about a number of significant changes in the local governance of Nepal. First, local government had a physical presence and a role in development in all parts of Nepal. Second, citizens were being encouraged to engage with government and the effects of their engagement could be felt and experienced at the local level, by those involved. Third, on the supply side of local governance, while the normal instruments for promoting downward accountability, most notably local elections and elected representatives were not present, there were ‘invited spaces’ of local governance into which members of local communities were being encouraged to participate and the opportunities for local civil society to represent groups such as women, youth, Dalits, handicapped, and not least poor households were present and being used. Fourth, local government was receiving increased financial support and the grants were only loosely allocated – 15% to marginal groups, 10% to women – and even with these funds the decision on use was intended to be made at the local level (ward).

On the policy side, the Ministry of Local Development, subsequently the Ministry of Federal Affairs and Local Development, decided in 2012 to move the specialists working for the programme into the wider structure of the Ministry, thereby integrating the former programme unit into the mainstream organisation. In many ways this represented the establishment of full ownership of the programme, in many ways the programme becoming as one with and within the Ministry.

What were the challenges?

The salariat remains and the higher echelons of the salariat are not only with the Ministry of Federal Affairs and Local Development, they are present across all the ministries and their departments. Movement within the civil service, across ministries, weakens the processes of change introduced by the programme. The norms of the bureaucracy remain strongly centric, strongly primordial, and much opposed to change that might weaken the bureaucracy’s position within government and control over the resources of government.

In 2014, the periodic movement of senior local government officials at district and municipality level was officially after a minimum of 3 years, but frequently was shorter. Six months was not unusual if the position was away from the ‘comfort’ of the Kathmandu valley and the official in question possessed a good set of social and political connections. Such a turnover permitted the blame for poor institutional performance to be passed to the previous occupant of the senior position – the Chief Officer of a municipality, the Local Development Officer of a DDC, or similar.

The main sector line ministries that also operated at the sub-national level, notably health, education, forestry, agriculture and roads, were unwilling to cooperate with the local government bodies. A ‘silo’ approach to service provision remained, a fact recognized by the government as far back as 2001 when health, education, agriculture and postal services were prioritized for promoting greater decentralisation and cooperation with the then elected local government bodies. The initiative faded with the dissolution of elected bodies in 2002. The concerned ministries perhaps understandably have sought to preserve their budget shares and to ensure that their own line personnel retain control over programme implementation. The wider consequence is that pressures from the institutional incentivizing of ‘good practices’ by the performance assessments and grants plus the use of formula funding remain inadequate for significantly changing the norms of the Nepali salariat.

³⁹ ‘Fieldwork’ in the form of employment by UNDP and UNCDF to support the government and development partners in the further development and implementation of the Local Governance and Community Development Programme ended at the close of 2014.

Development partners to the government have also shifted and modified their approach to local government. The successes generally agreed upon under the first and second phases of the Local Governance and Community Development Programme have provided the basis for continuing support into a third phase, currently being designed (2017) ready to commence in 2018. But the period of unquestioned acceptance of the principles of Paris Declaration (2005)⁴⁰ and Accra Accord (2008) is passed with national interests coming though more strongly, even in 2014. The positive side to this is that the use of performance based grants and of formula funding can and has strengthened public financial management and reduced the degree of fund misuse and abuse.⁴¹ The negative side is that the transparency of the performance assessments publicized corruption more easily leading to greater criticism from their own headquarters for many bilateral and multi-lateral donors.⁴²

Local elections, federalism and post-conflict stabilization in Nepal

The holding of local elections in 2017 and federal elections in 2018 sees a return to multi-layered representative politics. On the one hand, it can strengthen the benefits of political competition, of more accountable and effective use of resources and not least more socially inclusive development as decision-making is rooted in elected bodies with strong local dynamics within a country with considerable diversity.

On the other hand, the growth of ethnic identity politics during the civil war and in the political contest that followed, not least in the drafting of the new constitution have strengthened a set of political forces that could well lead to greater conflict in its promotion of difference and thereby exclusion on the basis of cultural and ethnic identities. Some argue that decentralisation and a federal framework of government can reduce the potential conflicts in an ethnically diverse country (Myerson, 2013) and with the use of incentives to secure accountability and equity in the management of development interventions and public services, stability can be maintained. But a longer tradition of political scientists see the dangers of institutionalizing social or ethnic divisions such that they structure the practice of government, promote social exclusion rather than inclusion and generally reproduce inequality between and within federal regions.⁴³ Theory is very much ambiguous on the role of ethnic nationalisms due to its empowering and liberating capabilities as well as its promotion of difference and division.⁴⁴ From a democratic perspective, elections to local government bodies that possess the responsibilities and resources to undertake development, are just one element in a framework of countervailing dynamics that mitigate against one group capturing power in a locality. In unstable democracies, not only might this happen, as indeed it has at the national level in Nepal, but it might lead to the use of non-constitutional means and action to challenge the inequalities and accompanying grievances of those excluded from power and influence. Again, Nepal has born witness to this very process.⁴⁵ Whether national elites in future can find and provide political space to federal elites and whether they in turn can find the same space for local elites, is yet to be seen. Many analysts and observers still turn to the phenomenon of so-called ‘elite capture’, but who is capturing from whom is often not clear. More often it is elites that are unwilling to surrender power due to the opportunities for political clientelism and bureaucratic patrimonialism they see as being at risk if they do

⁴⁰ Ownership, alignment, harmonisation, results and mutual accountability.

⁴¹ See Webster (2015)

⁴² As suggested by the author to one bilateral concerned with media reports of corruption in one of the terai districts as tracked by local civil society organisations: ‘No news is bad news, bad news is good news’. It leads to national coverage, awkward questions and something being done rather than ignored and brushed under the carpet.

⁴³ See.....

⁴⁴ See Tom Nairn’s classic essay on ‘The Break-Up of Britain: NLR

⁴⁵ The example of India is pertinent with its ability to maintain unity despite the diversity and ‘disunity’ of its federal states with their multiple ethnic and socio-cultural differences. Political space, both vertical and horizontal, enabled separate identities to co-exist within the federal framework.

so. This leaves little to be captured by local elites, at least in a more negative sense when comparing with the present situation.

The suggestion here is that the instruments of social mobilisation and performance based grants as used by the Local Governance and Community Development Programme strongly mitigated the norm of local government mismanagement, corruption and lack of downward accountability. At the national level of governance, while the Ministry of Federal Affairs and Local Development might have adjusted to a new approach, within the wider scope of things, not much changed.⁴⁶ The upper echelons of the salariat remain little changed.⁴⁷

The central government in 2017 appears to be in a state of some flux; on the one hand promoting local government through the holding of local government elections and continuing to plan the holding of provincial elections in early 2018. At the same time, a draft bill on Inter-Governmental Fiscal Transfers placed before parliament appears to go back on the Local Self Governance Act (1999) by reducing the revenue assignments of local government while maintaining the high level of expenditure assignments (i.e. work that it is mandated to undertake) under the 2015 new Constitution. The revenues are re-allocated either to central government (e.g. 85% of revenues from natural resource extractions such as sand and gravel, 78% of VAT and excise revenue) or to the future provincial governments (10% of natural resource extractions, 7% of VAT and excise revenue).

Towards a conclusion

From 2009 to 2014, the Local Governance and Community Development Programme, with its common approach by government and development partners to the strengthening of local government, has arguably provided a framework for local politics to function, albeit without the presence of elected local bodies. In particular the use of social mobilisation to strengthen the recreation and engagement of citizens with their local state and the use of fiscal decentralisation instruments to strengthen the development work of local government, and not least its downward accountability, produced significant progress in stabilizing post-conflict Nepal. It also has to be said that shifts in the national policy environment and the gradual recognition that decentralisation would not ‘go away’ has seen local government placed close to the centre of many policy debates and not least in the future federal Nepal.

The present situation is far from stable however and it must be recognized that federalism continues to push politics in several directions at the same time; there are both centripetal and centrifugal forces at play. The type of party system is very critical and charting a path between the two sets of forces by balancing the powers between local elites and national elites within political parties, the bureaucracy, and society generally will be very difficult, but critical if the growth of conflict is not to take place.⁴⁸ None of the seven provinces carries an ethnic majority as such and compromised will be critical. At the local level, the experience of the Local Governance and Community Development Programme has shown that development is the critical and dominant concern. If local government institutions can embrace this and deliver, then it can reduce the ability for national elites – political or bureaucratic – to play with ethnic identities.⁴⁹ By providing incentives along with compatible limits on the powers of different levels of government, decentralisation can support greater democratic stability in Nepal. For the economy to thrive

⁴⁶ See the discussion on corruption and the norm in Webster (2016)

⁴⁷ See Khim Lal Devkota (2017)

⁴⁸ The example of India between 1947 and 1996 under the Congress rule is illustrative of the political art of balancing national and regional agendas where strong socio-cultural divisions can quickly emerge in response to central government policies as with the language movements in the 1950s.

⁴⁹ See Myerson,(2014:8)

across the country requires more, open access, political, economic and civic organisations that support open, competitive politics. This is as much a requirement for civil society organisations in Nepal as it is for the country’s political parties. Linked to strong incentives for officials to respond to local citizens’ needs, to fulfil the mandate of decentralized government together with adequate revenue assignments, then Nepal could develop rapidly.

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