

An opportunity to improve service delivery through local governance in Nepal

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Introduction

The present form of Nepali state was created in 1769 by unifying many small and large principalities. Since 1769 to 2008, the country remained a kingdom and the dynasty that led the unification process headed the state. In terms of exercising executive powers, the country witnessed different forms of rules and forms of governance, ranging from direct rule by the king to hereditary prime minister to absolute monarchy and then a parliamentary form of government. Despite different forms of rules, the country remained unitary and highly centralized.

Currently, Nepali people are writing their constitution through the constitution assembly (CA) which has been a longstanding demand of Nepali people. The election of the CA was held in the backdrop of the historic people's movement in 2006 and a decade long Maoist insurgency preceding the movement. The Interim Constitution declares Nepal a federal democratic republic and the CA is writing the constitution along the federal line. The Constitution justifies federalism as a means to end ethnic, cultural, linguistic, geographical and class-related discrimination that has been practiced by the establishment. One of the major reasons why people belonging to particular ethnic, linguistic, geographic, cultural communities felt discriminated by the regime is the poor state of public service delivery.

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This article explores the State of Nepal's service delivery and decentralization efforts in the light of the current opportunity of constitution writing. Nepal is a late starter in terms of providing public services to the general people. Prior to 1951 when Nepal was ruled by a family autocracy there was no question of providing public services to the citizens. The State machinery was devoted to please the rulers, who were not accountable to the citizens. Schools and hospitals that existed were accessible by only a few. After the end of autocratic rule in 1951 the government started thinking providing basic services to the people. Since then, despite its tough geographic terrain and prolonged conflict there been progress in terms of increasing access to the basic services. By 2004-05, 91 percent and 63 percent of households had primary schools and health posts/sub-health posts, respectively, within 30 minutes of travel time (CBS, 2004). Thirty seven percent and 44 percent households had access to electricity and piped water, respectively. The private sector is also expanding its investment in sectors like health and education.

However, Nepal still faces challenges improving efficiency in public service delivery. A sizeable number of people do not yet have access to basic public services. Some health facilities, for example, are devoid of essential medicines and equipment or the medical personnel to work at the facilities. The poor state of service delivery is a cause of public concern. While the central government has played a lead role in policy formulation, financing, and regulation, it's involvement in the delivery of basic services has not been as efficient and effective, as would be desired. More recently, the role of local bodies in service delivery has increased; however, they are yet to be established as institutions of public service delivery.

With the ongoing constitution writing process in Nepal, an opportunity presents to create a foundation for strong, reliable, responsive and accountable local governments that can more efficiently and effectively deliver basic services. Therefore, defining the roles and responsibilities of the different tiers of government is a fundamental step in the current policy deliberation. Of particular focus in this article, the role of local governments will have to be carefully incorporated in the constitution to enable them to function as effective self governments that can provide basic local public services.

The potential role of local bodies has not been fully discussed and deliberated to inform the constitution writing process. The debate has mostly centered on the division of roles and responsibilities between the

central and state governments. Against this background, this paper briefly analyzes the potential roles of local governments, the state of service delivery in Nepal and discusses some measures to improve service delivery under a federal structure.

Concluding remarks

In conclusion, despite the recent efforts to improve access and quality of service delivery, Nepal is yet to reach a more desired and efficient model in which citizens' priorities and needs are provided by their jurisdictions. The central government still occupies a central stage in basic service delivery. Yet, for some of these services, local bodies are better situated to provide them and perhaps other higher level local governments where services with greater economies of scale are involved. The role of local bodies' remains limited in part due to weak administrative capacity to manage and implement government programs. Enhancing the roles of the local bodies to efficiently deliver basic services will require a shift in the current paradigm.

In the context of the ongoing constitutional writing process, the role of the lowest tier of government, and indeed the entire realm of fiscal decentralization in Nepal will continue to be debated. In this article, we discuss some of the key issues that pertain to the subject of fiscal federalism and service delivery with the aim that much more attention will be paid by the policy makers on what may be required to provide basic services more efficiently and effectively in Nepal. In conclusion, the following are some of the issues that may require greater attention.

Constitutional guarantee of local governments: Local governments need to constitutionally form a tier of government headed by elected representatives. With this, the local governments will unlikely be victims of vagaries of the central and state governments.

Clear expenditure assignments: Local governments ought to be mandated to provide basic local public services. The expenditures of local governments should be clearly assigned. Perhaps not all expenditure responsibilities of the local governments need to be listed in the constitution itself. After assigning certain rights and responsibilities in the constitution, it could be laid down in the constitution that the rest will be devolved based on the principle of subsidiarity. This will avoid constitutional rigidity and at the same time ensure competencies of different tiers of government.

Adequate revenue for the local governments: Unlike in the current context, local governments should be provided adequate revenue sources. In addition to local taxes, they should be allowed to levy surcharges in tax revenues like income tax and valued added tax. This will allow urban local governments to generate substantial revenues from their own sources.

Principle-based intergovernmental transfer system: Even after assigning substantial revenue sources to the local governments, it is highly likely that there will remain substantial gap between the revenue generated and the expenditure needs, particularly in rural areas given the low revenue potential of rural local governments. This gap will be serviced through transfers from the federal and state governments. The design of the transfer system will therefore form an important part of the fiscal federalism agenda in Nepal.

Separate provisions of local governments in rural and urban areas: Given the uneven development and revenue potential between rural and urban areas and the differences in administrative and fiscal capacity to deliver on basic public services, separate structures need to be created for rural and urban areas. This allows for separate expenditure and revenue assignments to the local bodies. As the local bodies in urban areas will be more capacitated and more liquid than their counterparts in the rural areas, the municipal bodies can be given more powers to manage their affairs, and state and central governments can put a greater emphasis on improving the capacity of the rural local governments.

Proper accountability structure in place: The constitution should provide for proper and adequate institutions ensuring accountability of the local governments, without which there is no guarantee that local public service delivery will improve. In this regard, the role of the electoral system, intergovernmental relations and citizen empowerment in development programs are critically important. Likewise, fiduciary issues (financial management, procurement, budgeting, accounting, auditing and reporting) will require focus and clarity across the tiers of government. Rights to information, including enhanced social accountability mechanisms and cognizance of environmental and social safeguard issues will be equally important.

Restructuring of local governments: Restructuring is necessary to make local governments as viable. Much has changed in terms of

technology, infrastructure and connectivity since the present form of local bodies, especially districts and village development committees were created and as such will have to be reflected in the new structure of local governments. The structure of local governments will have to take into account geographical proximity; ethnic, cultural and linguistic homogeneity; ease of service delivery; economies of scale, and physical infrastructure, among many other factors.

Staffing: Local governments should be allowed to have their own staff that is accountable to locally elected representatives. This right should not be unconstrained, however. The local governments should face a hard budget constraint; otherwise the central and state governments will have to bear the brunt of the liabilities created by the local governments. Finally, the authority to hire own staff should be guided by clear accountability principles.

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