
Public Policy and Governance: Catalyzing Local Development and Economic Growth

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Abstract

The relationship between local development and public policy is inherently interconnected and critically important. From this ontological standpoint, this paper seeks to explore the intricate linkages between these two domains. Public policies establish the foundational frameworks and guidelines that directly influence local development processes. This study employs an explanatory and qualitative methodology, relying on a review of secondary data sources. The findings suggest that well-conceived and effectively implemented public policies can significantly enhance local development outcomes, driving economic growth, improving quality of life, and fostering community well-being. However, the study also reveals that in practice, the processes of policy formulation and implementation are often disorganized and lack a scientific basis, limiting their potential contribution to national development. Many local governments remain unclear about their development priorities and fail to emphasize sustainable practices that leverage local resources and generate employment for local residents. In the federal context of Nepal, where local development is a cornerstone of democracy, there has been a noticeable deviation in public policy approaches from what is needed. Given Nepal's federal system, the government should prioritize sustainable development to ensure performance legitimacy. The study concludes that grassroots democracy in Nepal currently faces numerous challenges and obstacles. Transforming these challenges into opportunities requires a more people-centric public policy approach aligned with local development goals.

Keywords: Public policy, local development, economic growth, LGOA, governance

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Introduction

Public policy refers to a framework of principles, guidelines, and actions established by governments or other authoritative entities to address societal issues, promote general welfare, and achieve specific objectives. These policies span a wide range of decisions and initiatives impacting various sectors, including economics, social services, education, healthcare, infrastructure, and the environment. Typically, public policies are formulated through a systematic process involving problem identification, research, stakeholder engagement, and decision-making, leading to resource allocation, regulations, laws, and programs. The overarching goal is to achieve desired outcomes such as public safety, poverty reduction, improved health, economic growth, and the protection of individual rights.

As Thomas Dye (1972) succinctly put it, “policy is whatever governments choose to do or not to do.” Public policy is deliberate, purposive, and goal-oriented, shaped by public authorities who engage in a continuous cycle of actions. It emerges from societal needs, where governments respond to perceived issues, sometimes under external pressures. Policies can yield positive outcomes (deliberate purposive actions) or negative ones (intentional decisions not to act) (Smith & Larimer, 2017, p. 3).

Public policies operate at multiple levels—local, regional, national, and international—and play a critical role in directing the social and economic course of a society. Effective public policy formulation necessitates balancing economic feasibility, social impact, ethical considerations, and the practicalities of implementation. In Nepal, efforts toward decentralization began as early as the 1980s, although significant focus on building participatory institutions only emerged in the 1990s (Cheema, 2005, p. 126). The 1990 Constitution, though silent on local government structures, saw the introduction of the Local Self-Governance Act (LSGA) of 1999, which formalized a two-tier local government system at the village/municipality and district levels. This system largely mirrored the Panchayat model in both structure and principles (Hachhethu, 2008, p. 46). While the LSGA did not fully establish local self-governance, it marked a shift towards increased authority and responsibility for local governments,

empowering them to collect taxes and bolster administrative capacity (Cheema, 2005, p. 126). With the adoption of federalism in Nepal in 2065 B.S. and the implementation of the Local Government Operation Act 2074, the country restructured into seven provinces, replacing the previous system of 14 administrative zones and five development regions. Each province comprises local units, including six metropolises, 11 sub-metropolises, 276 municipalities, and 460 village councils.

In the current Nepalese context, local governments possess significant legal authority and autonomy in policy-making and development initiatives. However, a critical question arises: why are local policies failing to align with sustainable development goals? How can good governance effectively bridge public policy and sustainable development? The answer lies in recognizing that public policy and local development are inherently tied to democratic processes, civil society engagement, and the strength of governmental institutions, alongside the government's commitment to these principles.

Methodological Approach and Analytical Framework

This paper employs an explanatory and qualitative approach, reviewing and analyzing secondary data sourced from government reports, academic publications, research papers, and relevant international organizations' reports. The data collected offers a comprehensive understanding of the issues surrounding public policy and local development in Nepal. A descriptive analysis of this data was conducted to identify and summarize key challenges, such as governance issues, institutional capacity gaps, corruption, socio-economic disparities, limited participation, and coordination problems.

The paper utilizes an analytical approach to explore the underlying causes and interconnections among these challenges. By examining the root causes and interactions of these issues, the analysis sheds light on how they relate to local government operations, particularly in the context of the Local Government Operation Act 2074 and the principles guiding local governance in Nepal.

Scholarly Review

The literature on building democratic institutions, particularly the work by G. Shabbir Cheema (2005), provides an in-depth examination of democracy and governance systems, focusing on prospective development dimensions. Cheema's work highlights the relationship between democratic governance and various aspects of development. Similarly, Radhakrishnan (2017) discusses the public policy process from formulation to evaluation, emphasizing the dynamics and consequences involved. Mezey (1989) provides insights into the interplay between political institutions and public policy, highlighting how these institutions shape policy outcomes.

Smith and Larimer (2017) offer a comprehensive analysis of the public policy-making process, presenting both theoretical perspectives and systematic methodologies. Their work is instrumental in understanding the key events and decision-making stages involved in public policy development. Pradhan (2064 B.S.) addresses the administrative challenges and governance issues in Nepal, with a particular focus on good governance and management. Tatalovich and Daynes (1988) focus on social regulatory policies, with a special emphasis on American politics.

The shift in Nepal's governance system, particularly following the 2015 Constitution, introduced a federal structure and granted local governments greater autonomy and responsibilities. The literature on local governance in Nepal can be categorized into two main strands: (1) studies examining the historical evolution of local governance, and (2) studies evaluating the performance of local governments under the federal system. Research on the historical development of local governance reveals that it has undergone significant transformations since the establishment of the first local governments in the 19th century. The 2015 Constitution marked the latest shift, creating a federal system that expanded local government powers and responsibilities.

The Local Government Operation Act (LGOA) of 2017 serves as a guiding framework for local development in Nepal. The effectiveness of public policy is crucial for the successful implementation of development

initiatives. Sapru (2017) argues that without sound public policies, a country's development trajectory is likely to falter. Public policies should align with broader developmental principles such as socio-economic equity, liberty, self-reliance, and national goals (Sapru, 2017, p. 7). Further literature explores the challenges and opportunities faced by local governments in Nepal, with a focus on the role of gender in governance and the potential for local governments to drive development and improve citizens' well-being. The World Bank (2019) provides a detailed analysis of gender equality in local governance, covering the legal framework, women's representation in local government, and their participation in decision-making processes. Similarly, the UNDP (2016) report examines the legal and policy frameworks for local governance, the capacity of local governments, and citizen participation in local decision-making.

Analysis and Findings

Public Policy and its Influence on Local Development in Nepal

Public policy significantly impacts local development by shaping decisions, actions, and regulations implemented by governments and public institutions to address societal issues and promote citizens' well-being. Particularly at the local level, governance operates closest to the people, directly influencing their daily lives through services and representation. Effective local governance requires understanding community needs, addressing local problems collectively, and providing services that align with sustainable development goals. Management of public services and civic participation are not only key elements of local governance but also indicators of its effectiveness.

Modernization, defined as the progression from traditional practices to contemporary consumption patterns, plays a critical role in socio-economic development. In Nepal, modernization began with the 1950 political changes, which laid the foundation for democratic governance (Poudyal, 2013, p. 147). Local governments are expected to provide essential services and represent the public interest efficiently. In most of the countries, local units serve as legal entities delivering public services while

also being democratic institutions governed by elected representatives accountable to their constituents.

The Local Government Operation Act (LGOA) of 2017 in Nepal marks a significant step in decentralizing power and enhancing local governance. Enacted following the 2015 Constitution, the Act formalizes the three-tier government structure—federal, provincial, and local—outlined in Article 56(1). The new federal system grants unprecedented authority to local governments, empowering them with responsibilities and resources previously unavailable. A high-level commission, chaired by Balananda Poudel, was established to delineate the boundaries and numbers of municipalities, rural municipalities, and special autonomous areas as per Article 295(4) (Rijal, 2018, p. 95).

Public policy directly influences various aspects of local development. Key areas of influence include:

1. **Infrastructure Development:** Policies determine resource allocation for essential infrastructure like roads, bridges, and utilities, enhancing connectivity and fostering economic growth.
2. **Economic Growth:** Business-friendly policies related to taxation, incentives, and regulations stimulate local economies by attracting investment and creating job opportunities.
3. **Land Use and Zoning:** Zoning regulations guide land development, affecting the balance between residential, commercial, and industrial areas, which shapes the character and function of a locality.
4. **Education and Workforce Development:** Education policies impact workforce quality, while training programs and industry partnerships enhance residents' skills, fostering innovation and economic vitality.
5. **Social Services:** Policies addressing healthcare, housing, and poverty alleviation directly affect residents' well-being and contribute to social equity.
6. **Environmental Sustainability:** Environmental policies promote sustainable practices such as renewable energy adoption and waste management, ensuring long-term community well-being.

7. **Cultural and Heritage Preservation:** Supportive policies for preserving cultural heritage boost community identity and pride, which can also enhance tourism and economic prospects.
8. **Community Engagement:** Engaging local communities in policy-making ensures alignment with residents' needs and aspirations, fostering more effective governance.
9. **Urban Planning:** Thoughtful urban planning policies create vibrant, walkable communities that facilitate social interaction and economic growth.
10. **Transportation and Mobility:** Efficient transportation policies enhance accessibility, reduce congestion, and open economic opportunities.
11. **Public Safety:** Policies focused on crime reduction and public safety create secure environments that attract residents and businesses.

The success of public policies in driving local development depends on governance structures, stakeholder engagement, resource availability, and alignment with broader regional and national strategies. Comprehensive and coordinated approaches that integrate these various policy domains are essential for sustainable local development.

Public Policy and Governance in Nepalese Context

The concept of good governance gained prominence in the late 1980s, particularly after a World Bank study identified poor governance as the main factor behind the economic underperformance in Sub-Saharan Africa (Shrestha, 2000, p. 35). Since then, good governance has become a global concern, recognized as a fundamental prerequisite for economic progress. The relationship between democracy and good governance is strong, with numerous elements directly linked to democratic principles (Pokhrel, 2011, p. 760). Good governance can contribute to accelerating the overall development in Nepal (Chaudhary, 2020).

Good governance refers to a government approach rooted in justice, peace, and the protection of human rights and civil liberties. According to the United Nations, it is measured by eight key factors: Participation, Rule of

Law, Transparency, Responsiveness, Consensus Orientation, Equity and Inclusiveness, Effectiveness and Efficiency, and Accountability. In Nepal, local leaders prioritize village and district development as their primary responsibility (Baral et al., 2001, p. 63).

Local government serves as a platform for grassroots democracy and a training ground for future leaders. Participation at the local level equips citizens with experience in managing public affairs, preparing them for larger responsibilities at the state or national level. Additionally, local government offers people the opportunity to engage directly in public matters. Given the expansive scope and size of modern states, which often lack the capacity to address localized issues, local governance stands out as a more effective and economical solution.

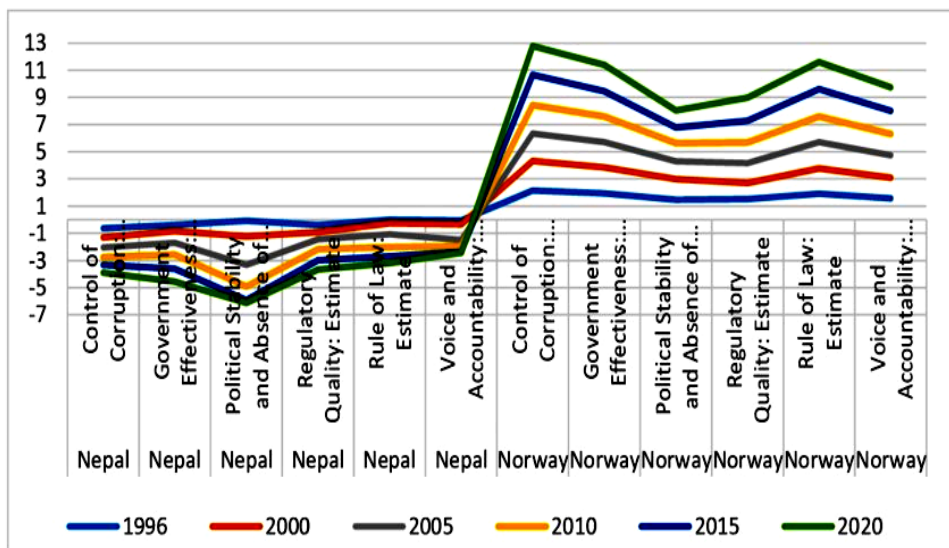
Nepal's journey toward effective public policy and good governance is complex and ongoing, demanding a multifaceted approach that addresses structural and systemic challenges. The commitment of political leaders, civil society engagement, and active citizen participation are key to shaping the future of governance in Nepal. The Local Government Operation Act (LGOA) of 2017 provides the primary framework for local government, detailing the rights, duties, and powers shared among Nepal's three tiers of government—federal, provincial, and local.

In Nepal, the constitution empowers local bodies significantly, but challenges to good governance have emerged with the advent of federalism. The decentralization of power aims to achieve several objectives, including:

1. Improving Government Accountability and Responsiveness
2. Strengthening Public Participation
3. Enhancing the Quality of Service Delivery
4. Empowering Local Communities and Institutions
5. Developing Leadership at the Local Level
6. Promoting Balanced Development
7. Mobilizing Resources Effectively
8. Fostering National Integration

While the constitution grants substantial authority to local governments, the successful implementation of good governance practices remains a critical challenge in post-federal Nepal.

Figure 1: Performance of Nepal Compared to Norway on Good Governance



Source: World Bank, 2020

Challenges and Opportunities for Good Governance

Good governance, essential for sustainable development, became prominent in the late 1980s when the World Bank identified poor governance as a key factor in Sub-Saharan Africa’s economic struggles (Shrestha, 2000, p. 35). For good governance to be effective, it must be anchored in a robust democracy that upholds the rule of law, a free press, vibrant civil society organizations, and independent public bodies like the Commission for Human Rights and Good Governance. These institutions

ensure transparency, accountability, and the protection of human rights. However, Nepal faces significant challenges. Transparency International's Corruption Perceptions Index 2020 ranked Nepal 113th out of 180 countries, with a score of 34, showing a decline compared to previous years (Transparency International, 2022).

Local government, being closer to citizens, is better positioned to understand and address socio-economic and political issues effectively. Democracy, with its diverse political ideologies and freedoms, also demands adherence to norms and values, ensuring that politicians remain accountable and transparent (Khanal, 2005, p. 103). In a democratic system, transparency in policy-making and administration is crucial, as it supports pluralism and the free expression of diverse political opinions. Multi-party systems are typically more conducive to good governance than mono-party systems, as they promote inclusivity and regular, free, and fair elections.

Efforts to improve governance in Nepal have been supported by international institutions like the Asian Development Bank (ADB) and World Bank (WB). However, their governance reform programs often targeted issues such as bureaucratic inefficiency, poor implementation of development initiatives, and budget misallocation (Shrestha, 2019). Good governance involves a clear separation of powers among the executive, legislative, and judicial branches of government, ensuring checks and balances. In Nepal, addressing disparities based on gender, caste, ethnicity, and geography requires inclusive governance and democratic practices (Gyawali, 2007, p. 32). Effective local governance depends on adhering to principles of transparency, ethical conduct, and accountability. The distribution of power among different levels of government can enhance efficiency and improve service delivery, ultimately fostering law and order (Lawoti, 2007, p. 335).

Nepal's journey toward federalism brought local self-governance to the forefront, with the 2015 Constitution fully endorsing it. Although earlier constitutions recognized local governance, they lacked the provisions necessary for genuine local development. Now, statutes like the Local Government Operation Act (2017), along with anti-corruption and

transparency laws, guide Nepal's efforts toward good governance. However, local representatives must be aware of their rights and limitations, ensuring that their actions reflect constitutional aspirations. For federalism to be truly effective, local governments must demonstrate tangible differences in development outcomes compared to central authorities

Challenges in Public Policy Formulation and Implementation

Public policy formulation, implementation, and evaluation are integral components of the policy process. These stages form a continuous cycle involving multiple actors and competing forces that either support or oppose policy objectives. However, as Sapru (2017) notes, no policymaker can assume that decisions will be implemented exactly as envisioned (p. 301). While public policy is meant to follow a systematic process, Nepal's practice reveals numerous gaps and inconsistencies. Common issues include the lack of proper needs assessment, weak prioritization, insufficient risk and opportunities analysis, and inadequate stakeholder consultation. These shortcomings result in poor ownership and a top-down approach focused more on meeting procedural requirements than addressing substantive concerns. This rushed and unsystematic approach often stems from time pressure, leading to ineffective implementation. As Upreti (2023) argues, the right formulation process is crucial for successful implementation, and the failure to adopt such a process is a key reason for policy breakdowns.

In Nepal, public policies are frequently developed in a matter of weeks or a few months, bypassing essential public consultations due to ministerial pressures. Consequently, public ownership is lacking, leading to policy failures. While many policies include provisions for monitoring and evaluation, they often lack clear indicators, timeframes, or assigned responsibilities, reducing these provisions to mere jargon. Additionally, society is burdened with policies that are widely recognized as ineffective but remain entrenched. Some policies become pervasive, affecting all levels of government—federal, provincial, and local. Notable examples include election area development programs, users' committees in

development schemes, and agricultural subsidies, which act as financial drains benefitting political cronies (Ghimire, 2023).

The Constitution of Nepal provides clear guidelines for national priorities and outlines a basic roadmap for development. Article 51 addresses various state policies related to security, development, agriculture, resource mobilization, social justice, and other public needs. However, many central and local governments fail to align their policies with these constitutional provisions. Following federal restructuring, local governments have focused predominantly on physical infrastructure while neglecting internal policies and work culture. This results in confusion over priorities and a disconnect from social needs. Local governments should prioritize sustainable development by leveraging local resources and modern technology to create jobs.

Governance is methodologically challenging and empirically contested issue (Sapkota, 2023), which seems not exceptional to Nepal's context (Chaudhary, 2023; Sapkpta, 2020). Careless resource allocation, poor policy design, and inadequate policy complementarity have been detrimental. An additional challenge is the overlap between political leaders and public officials; while ministers are engaged in micromanagement, bureaucrats are focused on policy management. The involvement of development partners, who promote their favored policies through financial support, further complicates matters. Corruption, rent-seeking behaviors, and weak political commitment have also undermined the effectiveness of various initiatives (Ghimire, 2023). Although local governments are central to addressing development needs, they are hindered by misplaced priorities. For instance, several local governments have invested in view towers and welcome gates, which neither align with identified needs nor with national priorities. This mismatch between local needs and policies highlights the ongoing challenges in Nepal's governance and development landscape

Concluding Remarks

The interplay between public policy and local development is crucial for fostering sustainable progress within communities. Public policies provide a strategic framework that guides the planning and execution of local development initiatives. These policies shape various dimensions of local development by directing the allocation of resources, such as financial investments, infrastructure enhancements, and capacity-building measures. Effective policies, tailored to the specific needs and contexts of local areas, enhance the ability of local institutions to drive sustainable growth and create more equitable and prosperous communities.

In Nepal, the development process faces numerous institutional and systemic challenges that hinder progress. Issues such as low government worker salaries, adherence to outdated practices, and ineffective anti-corruption measures frequently disrupt development efforts. Additionally, local governments often struggle with responsibility and maintaining organizational unity in pursuit of their goals. Addressing these challenges requires a comprehensive approach that includes collaboration between government entities, civil society, the private sector, and international partners. By developing and implementing evidence-based policies tailored to Nepal's unique circumstances, these challenges can be effectively addressed, paving the way for more successful and sustainable local development.

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