



Human Resource Development Policy in Nepal's Local Governments: Challenges and Reform Imperatives

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Abstract

Background: Public sector reform and decentralization have reshaped local governance in Nepal, yet human resource development (HRD) remains a critical challenge for effective service delivery.

Objectives: This study examines the effect of public sector reform on HRD policies in Nepal's local governments, identifies capacity-related problems of public sector workers, and explores reform imperatives for strengthening decentralized governance.

Methods: An exploratory case study design was employed, using surveys and in-depth interviews with 115 local government employees across metropolitan, sub-metropolitan, and municipal offices, supplemented by key informant interviews with twelve senior officials and analysis of institutional records. Data triangulation combined quantitative descriptive statistics with thematic qualitative analysis.

Findings: Public sector reform has influenced HRD direction within decentralization, but multidimensional capacity problems persist: policy-based challenges (ineffective HRD systems, poor information management), skill/task/organizational problems (inadequate



training funding, lack of career development, absent HR units), and performance/motivation deficits (low job satisfaction due to poor salaries, unequal training access, inadequate recognition). Metropolitan municipalities demonstrated stronger HRD relevance (mean 3.29) than smaller municipalities (2.77). Critical issues included low policy awareness (1.89) and insufficient management investment in staff development (2.02).

Conclusion: HRD challenges in Nepal's local governments are complex and interconnected, requiring systemic reforms beyond isolated training programs.

Implication: Establishing professional HRD units at all local levels, aligning HRD with organizational culture and systems, and addressing salary structures and motivational factors are essential for building a competent, resilient workforce capable of delivering responsive public services through decentralized governance.

Keywords: Capacity building; Decentralization; Human resource development; Local government; Public sector reform

Introduction

The issue of human resource development is of significant importance in the context of the increasing globalization of the world economy and its knowledge base. Specifically, the importance of building human resource capabilities in the public sector has been highlighted as one that is essential to enhance service provision by the public sector. Indeed, this issue has gained prominence in the reform programs adopted by different countries, particularly those under the New Public Management reforms (Taylor, 2001).

In relation to public sector reform, two major policies that have come into focus are decentralization and HRM/D. The reform process based on NPM theory has been seen to accord great importance to managerial efficiency, performance, and institutional capacity, and therefore, the significance of human resources in the process cannot be understated. According to Hope (2001), decentralization is generally regarded, both theoretically and practically, as a means of fostering good local governance and enhancing public service delivery by virtue of its allocative and productive efficiencies. Nevertheless, whether the expected benefits will actually accrue or not will depend largely on how the process of decentralization is managed, and the degree to which there is sufficient institutional, technological, and HRM/D capability for the process (Analoui, 2002; Kahkonen and Lynya, 2001).

Based on the above deliberations, important questions arise that become central in defining the purpose of this study, especially in relation to the problems and challenges facing investment in human resources for the efficient operation of the decentralized local governance system of Nepal (Acharya & Zafarullah, 2022). Even more significantly, due to the inherent managerial nature of NPM-based reforms, it becomes imperative to analyze how human resource issues have been addressed in the process of reform of the public sector of Nepal. To provide answers to such questions, this paper begins by situating the analysis within a relevant theoretical



context by examining the main perspectives on human resource management, decentralization, and capacity building. Following this, the paper provides an overview of the scope of the study and the research methodology used in its conduct. Finally, the findings obtained from this study are presented and discussed with a view to understanding the implications of these results in devising human resource development policies and practices in the Nepalese context.

Human Resource Development and Decentralization

The problem with making a systematic quantitative study of human resource development in Nepal lies in the difficulty of such an undertaking. While the Ministry of General Administration acts as the central personnel organization in Nepal and the National Planning Commission establishes developmental policies in terms of which manpower demand and supply are coordinated, Nepal does not have a unified system of manpower information at the national level for its civil services. The inadequacy is more pronounced when we look at the local government services due to the disorganized nature of information and coordination mechanisms. In this regard, the centralized authority still serves as the main motivating and controlling force.

As demonstrated in research under the Local Governance and Community Development Programme (LGCDP), there is evidence that issues related to morale and motivation need to be addressed through reforms in the local government sector (Kanaujiya, 2016). Proper mentorship and assistance, in addition to matching job responsibilities to the skills and abilities of workers, are crucial in enhancing the results of service provision (Radha et al., 2025). Unfortunately, the current hierarchical approach in local government institutions is likely to frustrate these efforts. The structure of authority tends to be inflexible, where seniors are supposed to set examples to junior colleagues, but they are sometimes limited by politics from elected officials and civil servants who have been seconded to these agencies. The persistence of hierarchical privilege, where senior officials enjoy discretionary freedoms while expecting strict compliance from subordinates, poses serious challenges within a democratic and decentralized governance framework. This feudal mode of administration is increasingly incompatible with modern public management principles. When subordinates are required to operate under unequal norms and arbitrary authority, organizational morale deteriorates, rule compliance weakens, and motivation declines. In a decentralized bureaucratic setting, such contradictions undermine both institutional legitimacy and service effectiveness (Pepinsky et al., 2017).

"The human resources in any organization can be said to be the most valuable resource available," an assertion that has held at all times for the World Bank (Analoui, 2002). The development of ideas, planning, resource mobilization, implementation of initiatives, and delivery of results rests upon the personnel of any organization; hence, the performance of the organization hinges upon the personnel management (Powell, 2001). Given this, it comes as no surprise that the issue of human resource management and development has been at the forefront of debates on public sector reform. In particular, there have been reservations over



the applicability of the new public management philosophy that has its origins in the private sector (Taylor, 2001; Hope, 2001; Rhodes, R. A. W., 2026).

In Nepal, before the implementation of the Economic Recovery Programme in April 1984, several critical systemic barriers within the public sector were revealed. These include institutional vulnerability, underdevelopment, and poor management of human resources, inadequate performance monitoring and incentive schemes, and poor information management systems (World Bank, 1999). To address these issues, consecutive governments have implemented various reform programs for the public sector since the reinstatement of democratic governance in 1910. Through a series of reforms over almost two decades, numerous changes have taken place in policies, processes, and organizational procedures designed to improve the efficiency of the public administration system (Nepal Human Development Report, 2009). One of the most important achievements made through these reform programs is the formulation of an extensive decentralization program based on past experiences dating back to the 1960s.

Decentralization and Local Governance

Local governance has been an essential feature of Nepalese socio-administrative structures for many years. The connection between local governance and service provision is direct in that governance structures at the local level determine the ease with which services are provided. Before the 1960s, there had been no systematic efforts toward engaging local communities in planning and development efforts. In fact, it is during this period that the government passed legislation that made it possible to form a network of local governing bodies across the country. This has since been enhanced by decentralization initiatives whose purpose has been to devolve some of the functions of the government to local bodies.

The passing of the Local Self-Governance Act (LSGA) was another landmark event in this process, in that it provided a complete legal structure detailing the powers, duties, and functions of the local authorities. In addition to reorganizing the administration, the Act aimed at tackling problems relating to inclusion and reconciliation through participatory decision-making. Several clauses were included to ensure greater participation of women and marginalized sections of society in local governance.

Local Governance under the Panchayat Era (1962-1990)

As per the constitution of Nepal 1962, which guided Nepal for around three decades, there was an emphasis on decentralization as one of the state policies in its preamble and directive principles of state policy. Decentralization was seen as a means to ensure participation of the people in the process of development of the nation at large and as a way of carrying out state plans and programs at the grassroots level. To achieve these ends, the state of Nepal developed a whole system of local bodies operating at three different tiers, namely the village/town panchayat, district panchayat, and zonal panchayat (abolished later).



In this regard, several acts have been formulated during this phase for the practical realization of decentralization and for effective development planning at the local level. Some of these are the Decentralization Plan 1965, Decentralization Act 1982, and Decentralization Working Procedure Rules 1984. All these were expected to enhance the involvement of local bodies in development processes, especially in preparing local development plans/programs. The participation-based system has certain limitations due to the overall context of centralization and autocratic politics prevailing in the country (Dhungel & Sapkota, 2011; Pokharel, T., Kharel, T.P., 2025).

Democratic Reforms after 1990 and the Concept of Local Self-Governance

Following the political changes that occurred in 1990, the Panchayat regime was officially abolished, and the Constitution of the Kingdom of Nepal was enacted. As opposed to the Constitution of 1962, decentralization was not mentioned in the preface section of the new constitution, although it was explicitly mentioned in the directive principles and policies of the state. According to Article 25.4 of the constitution, decentralization was a core duty for the state to foster democracy by encouraging people's participation. It would ensure that citizens were able to take advantage of democracy and enhance their social well-being (Ibrahim, A. H. H., 2024).

Decentralization also necessitated that there was an increased focus placed on human resource development at the local level of governance structures. The experience of the past made it clear that the system of governance prevailing in Nepal was one that was centralized and non-democratic in nature. This meant that the people working in the local administration were used to dealing with a centralized system of governance. Hence, the process of decentralizing governance would require them to change their mindsets and be adequately capacitated. The issue of building up the capacity of local personnel became very important (Dahal, Upreti, & Subba, 2001). Lack of competent human resources at the local level had always led to a situation wherein the system of governance became centralized once again.

In the case of Nepal, where state restructuring was accomplished through the adoption of the Constitution in 2015, it entailed changing the unitary state structure into a federation with a democratic republican government, with the intention of devolve adequate powers to the local government. In other words, the process of decentralization of political and administrative power to the local level in Nepal involved giving the local level considerable authority through devolution of power (Chaudhary, 2019). Nonetheless, despite the constitutional requirement of decentralizing political and administrative power to the local level, the effective implementation of such an important aspect is highly challenging due to certain factors. For instance, despite the provision of decentralized power, Pokharel (2026) asserts that the federal government maintains control of all aspects of policy-making, finances, and administration, implying that local autonomy is largely restricted. This problem is further worsened by poor implementation of policies and legislation, ineffective coordination among local and



central/provincial levels, and inadequate functioning of local governance mechanisms (Chaudhary, 2019).

Capacity and Capacity Building

For many years now, the issue of capacity and capacity building has been at the heart of discussions on development and public sector reforms. Capacity and capacity building are sometimes used interchangeably, although, as pointed out by Larbi (1998), they are not really interchangeable. Capacity, according to Larbi, pertains to a current state. On the other hand, capacity building becomes imperative in situations where there is insufficient or no capacity at all (Gurung et al., 2024). The development of effective capacity-building programs should first identify capacity gaps that need to be addressed. For instance, in the public sector setting, the Asian Development Bank describes capacity as the capacity of governments to plan, manage, and sustain development in keeping with the requirements of society (Asian Development Bank, 2010).

Capacity from the perspective of public policy is viewed by Lane and Wolf in terms of governing capacity, which, according to the authors, depends on human capital. Therefore, governance capacity implies the presence of collective know-how, dedication, competence, and skill among the workforce within governmental agencies. As it follows from the previous definition, administrative capacity is inherently a matter of human capital; therefore, issues connected with motivation, attitudes, and performance become especially important. On the other hand, Turner and Hulme (1997) define capacity in functional terms as the ability to accomplish proper tasks. Under this definition, capacity is defined as task accomplishment that is done efficiently, effectively, and sustainably on the part of individual members, groups, organizations, communities, and even governments. After having discussed some basic aspects of capacity and capacity building, it seems pertinent to consider an approach that could capture the essence of those phenomena. In this connection, open system theory appears to be a conceptually adequate tool for analyzing the role of human resource development in organizations, including governmental organizations.

Systems Approach to Organizational Capacity

The systems approach is based on the premise that organizations have similar features to life systems in that both consist of interconnected parts (Analoui & Karami, 2003). A system can be defined as an organized set of interconnected parts, where the interdependency of the parts creates order and functionality of the entire system (Jackson & Schuler, 1999). The open system approach to public sector organizations allows one to recognize the interactions between the organization and the outside world while emphasizing its importance to socio-economic development. Within this approach, the effective functioning of organizations is viewed as being contingent upon the efficient use of three major resources—economic, physical, and human.



Of these, human resources can be said to be the most important resource in any organization. In the literature on human resource development, the HR development process has been seen as a sub-system of the human resource management process that operates as part of the larger organization (Adhikari, 2010; Analoui & Karami, 2003; Armstrong, 2001). The choice perspective on human resource management by Analoui (2002), which adopts an open systems perspective, has seen HR practices such as HRD as inputs to organizational processes whose outputs include change and performance improvement.

In a similar vein, Wright and Snell (1991) use the open system approach in their study by considering the skill and capabilities of the employees as inputs received from the external environment, the behavior at work as a transformation process, and satisfaction and productivity of the employees as outputs. In light of the HRD perspective, Chalofsky and Reinhart (1988) contend that for an HRD function to be successful as a subsystem of the organization, it must have professionally qualified people, cooperation from line and staff managers, and the proven ability to achieve significant results.

Areas of Analysis and Research Direction

This research paper focuses on understanding how these conceptual aspects operate within the context of the changing Nepali system of local government administration, which is being affected by reforms in the public sector. The key issue that is considered here is how the external environment generates pressures and opportunities for human resource capacity building from an open system approach. Within this context, any effort at human resource capacity building should be understood within the wider context of public sector reforms and decentralization processes. The research issues addressed in this study include: To what extent has priority been accorded to human resource development in strengthening the administrative capacity of decentralized local government systems in Nepal?

- What are some of the important human resource development problems that frequently arise when implementing decentralization in relation to reforms in Nepal's public sector?
- How do workers within local governments view some of the major human resource development problems facing the functioning of a decentralized system of local governance?

Scope of the Study and Methodological Strategy

The methodology strategy followed in this research was dictated by the nature of the public organizational environment, as well as the multiplicity of participants involved in the decentralized local government service of Nepal. As such, taking into consideration the above factors, an explorative case study methodology was deemed the best fit, in that it facilitated an analysis of the institutional process and HRM issues at play in a real-world setting. Taking into account limitations in finances, logistics, time, and other practical considerations, the empirical exploration covered certain aspects of the decentralized local government service of Nepal.



The study relied on both primary and secondary sources of data. Primary data were collected using self-administered questionnaires and structured interview schedules distributed to 115 local government employees drawn from key institutions at the metropolitan city, sub-metropolitan city, and municipal levels. These respondents represented the main organizational units targeted by the study. In addition, semi-structured interviews were conducted with key informants in five local authorities, comprising twelve senior public officials and managerial personnel, to capture strategic and experiential perspectives on human resource development and decentralization.

Secondary sources of data were acquired from policy documents and other forms of records, which were meant to supplement the data collected primarily. In order to add strength to the results gathered, the technique of data triangulation was utilized, whereby several sources were combined alongside qualitative and quantitative approaches in analyzing the data. The process of analysis of qualitative data involved thematic discussion and content analysis of interviews and documentary evidence, while quantitative data was subjected to descriptive statistical analysis such as frequencies, percentages, mean, median, mode, and standard deviation.

Findings

Addressing the research problem on how far human resource development has been considered important in enhancing administrative capabilities in decentralized local governments, the results revealed that there are certain organizational structures that have been put in place through the reforms in the public sector, aimed at promoting human resource development. In particular, there has been the formation of an HRD unit that operates under the concerned ministry, with a human resource specialist overseeing the affairs of the unit. Further, an institute has also been set up with the mandate of training the political leaders and administrative staff in local governments. In carrying out this research, the focus was on HRD policies and programs as a means of assessing the level of support offered by top management towards human resource development.

The analysis of the data collected from the surveys reveals that, on average, three key areas of HRD practices have been regarded by the participants as highly relevant. As shown in Table 1 below, the level of importance of the current HRD policies about their responsibilities had an average score of 2.97, the level of support for HRD policies on behalf of senior management scored 2.82, while participation of line managers in HRD policy-making achieved 2.67.

From the analysis, it is evident that metropolitan municipalities demonstrate the highest level of relevance of the existing HRD policies to the work-related activities of workers, with an average score of 3.29; sub-metropolitan municipalities have the second-highest score of 3.06; whereas municipalities are rated at 2.77. In other words, as the municipalities become smaller, there is progressively less connection between the HRD policies of these municipalities and the responsibilities assigned to the staff members. Metropolitan municipalities enjoy the advantages of more developed institutional structures of support, including separate HRD sections, as well as opportunities for accessing various training institutions like the Institute for



Local Government Studies. Hence, the relevance of the HRD policies of such municipalities may be associated with the fact that HRD strategies can be customized in accordance with the work duties of employees. On the contrary, sub-metropolitan municipalities, which still have relatively high scores of 3.06, are characterized by somewhat poorer connections between HRD policies and employees' duties, perhaps because these municipalities lack the necessary resources for HRD development and implementation. The lowest scores obtained by municipalities may be explained by their inability to adapt HRD policies according to their needs.

However, there were two aspects that stood out as significant limitations when it came to HRD in organizations. Firstly, there was low awareness of HRD policies by respondents in their organizations (1.89), indicating poor communication on matters related to HRD. Secondly, there was a negative perception among respondents on the effort that management took in developing all employees through investments in terms of both money and time (2.02).

Table 1: Employees’ views on HR policies and programs

HRD policies and programs	Metro	Sub-Metro	Municipality	Total
a. Current HRD policies are relevant to my work	3.29	3.06	2.77	2.97
b. HRD has full management support	3.22	2.76	2.59	2.82
c. HRD policies are formulated with other line managers.	2.87	2.73	2.48	2.67
d. All members of staff are aware of the HRD policy of this organization	1.9	1.69	2.12	1.89
e. All members of staff are aware of the HRD policy of this organization	2.79	1.92	2.81	2.43
f. Management makes sure all staff enjoy their work	2.58	1.79	2.53	2.23
g. Management see people as the most important resource	2.68	2.03	2.84	2.48
h. Management spend time and money to ensure the development of all staff	2.40	1.73	2.16	2.02
i. This organization has a policy to reward the contribution made by members of staff	2.89	1.91	2.56	2.37

Notes: Survey scale: (1) strongly disagree, (2) disagree, (3) agree, (4) strongly agree, (0) don't know

Perceptions were fairly uniform regardless of the type of location, be it metropolitan, sub-metropolitan, or municipal level, and also irrespective of the respondent’s cadre of work, both at junior and senior level positions. Refer to Table 2. In order to determine the effectiveness of the Human Resource department, ten major functions of HR were evaluated. It is clear from Table 2 that the overall performance of the human resource department was fairly average. It is particularly interesting to note that in the case of poor performance evaluation of HR



functions, the proportion of respondents who rated them negatively tended to be greater at metropolitan and sub-metropolitan levels.

The perception was more or less similar irrespective of whether it was related to metropolitan, sub-metropolitan, or municipal level. The respondents' assessment regarding the effectiveness of the human resource department was sought by asking the respondents to rate ten primary HR jobs. The findings of an analysis of the mean rating obtained on these roles, as shown in Table 2 below, indicate that the overall performance of the HR department is moderate. Interestingly, wherever poor ratings are provided for particular role(s), a relatively high number of ratings have come from metropolitan and sub-metropolitan level respondents. On the other hand, wherever good ratings are made, metropolitan and sub-metropolitan level ratings form a relatively low proportion.

Table 2: Employees’ rating of the HRD department's performance

HRD role	Metro	Sub- Metro	Municipality	Total
a. Keeping of employee’s record	2.59	2.83	2.85	2.79
b. Advocating for employee’s rights	2.14	1.67	2.56	2.11
c. Helping staff to manage change	2.09	1.60	2.49	2.05
d. Working in partnership with management	2.77	2.02	2.61	2.41
e. Working in partnership with line managers	2.77	2.40	2.80	2.64
f. Promoting team work among staff	2.41	2.45	2.98	2.65
g. Providing Advice and Counsel to Staff	2.95	1.95	2.85	2.30
h. Planning and organization of staff training	2.55	1.69	2.10	2.03
i. Providing equal opportunity to the training of all staff	2.00	1.48	2.12	1.84
j. Helping staff to claim retirement benefits	2.59	2.17	2.80	2.50

Notes: Survey scale: (1) poor; (2) fair; (3) good; (4) very good; (5) excellent

The above-mentioned trends suggest that the reform process in the public sector needs time to settle and spread throughout the organizational hierarchy, especially in the case of a least developed nation like Nepal, where local governments face numerous constraints in terms of technology, logistics, and finances. In terms of staff development, over 80% of the respondents recognized that there is an urgent need for improvements, suggesting that there is substantial dissatisfaction with current HRD programs. To obtain a clearer understanding of their perceptions, respondents were asked to point out the key barriers faced by their organization in developing human resources. The outcomes, listed in Table 3 below, were ranked according to the number of times mentioned.



The major concerns raised were inequality regarding access to training and development among the employees, insufficient funding being devoted to training and development, and poor job satisfaction due to a poor salary structure. The problem was ranked fourth in the list and third by those respondents who belonged to the category of sub-metropolitan or municipal levels. Furthermore, this issue was ranked by respondents at the metropolitan level based on employees' interest in their assignment that provided financial gains. This shows that the problem remains persistent for the low pay offered in the public sector at a time when the daily wage in the economy is about Rs. 350. Although one can make arguments that at times, there might be an exchange of financial benefits between the public service organizations and others for smooth completion of business, it should not be happening in such proportions.

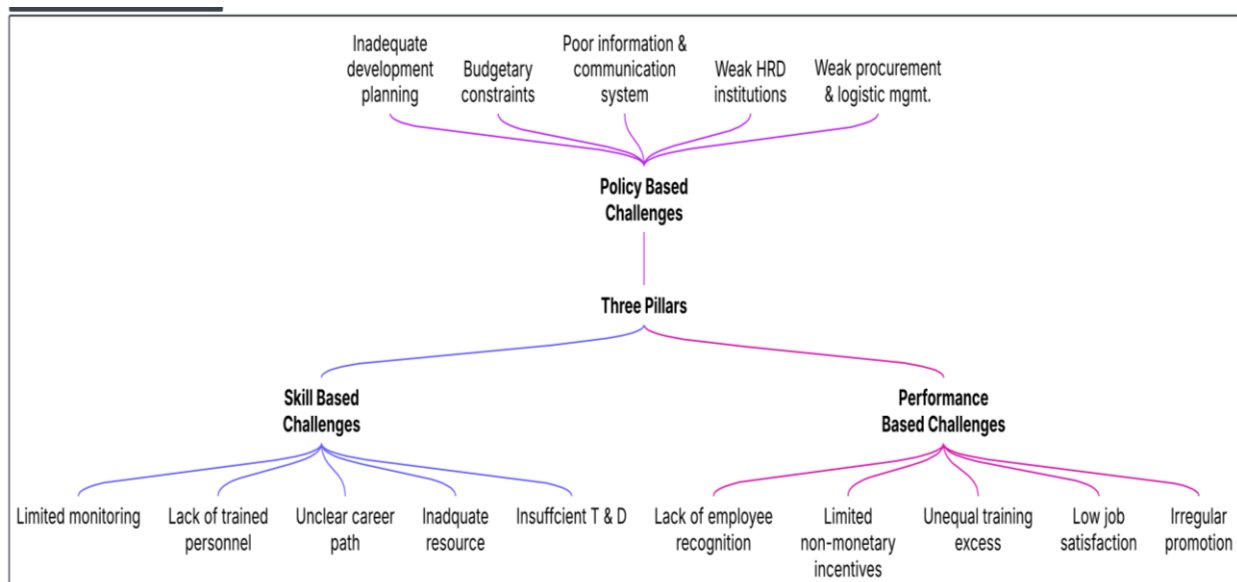
Table 3: Rating of major problems affecting HRD

Statements	Metro	Sub-Metro	Municipality	Total
Unclear career development path	4 (5 th)	3 (5 th)	4 (5 th)	11 (5 th)
Lack of people with required skills and competence	1 (7 th)	2 (6 th)	1 (7 th)	4 (9 th)
Inadequate funds for T&D of people	9 (2 nd)	4 (4 th)	8 (1 st)	21 (2 nd)
Unequal T&D opportunity for all staff	11 (1 st)	7 (2 nd)	5 (4 th)	23 (1 st)
Poor interpersonal relationship among staff	6 (3 rd)	1 (7 th)	2 (6 th)	9 (6 th)
Individual Interest in jobs with financial gains	5 (4 th)	5 (3 rd)	6 (3 rd)	16 (4 th)
Inadequate recognition delays in promotions	4 (5 th)	3 (5 th)	1 (7 th)	8 (7 th)
Low job satisfaction due to poor salaries	3 (6 th)	8 (1 st)	7 (2 nd)	18 (3 rd)
No HR department with trained professionals	0 (8 th)	0 (8 th)	1 (7 th)	1 (10 th)
Other	3 (6 th)	2 (6 th)	0 (8 th)	5 (8 th)

This framework highlights the existence of human resource development problems faced by local governments of Nepal and their possible classification into three interconnected categories: policy-based, skill/task/organizational-based, and performance/motivation-based problems. Policy-based challenges relate to the problems associated with inefficient human resource development and management systems; ineffective information communication and management; inadequate procurement and logistic processes; limitations in development planning and implementation; and limitations in financial management and budget balancing on a local level. Skill/task/organizational-related problems include insufficiency of general training and development of the local government staff, insufficient funding of training programs, the lack of career development opportunities, the lack of properly organized human resource management units equipped with trained personnel at all levels of governance, and limited ways to improve staff performance and quality of services provided. Finally,

performance/motivation-related problems include the lack of staff recognition for their achievements, deficient working relations between employees, lack of adequate non-financial rewards for good job performance, insufficient equal access to employee training and development, uneven promotion practices, and insufficient staff motivation and job satisfaction levels.

Figure 1: Local government’s HRD challenges in Nepal



Generally speaking, the study demonstrated that the human resource development issues faced by the decentralized local government service in Nepal are intricate and multifaceted in their essence. The human resource development challenges can be categorized into three interconnected aspects and are illustrated in Figure 1: challenges of the policy aspect, challenges of the skill/task/organization aspect, and challenges of the performance/motivation aspect. The challenges of the policy aspect mostly derive from the current local government structure and its drawbacks. However, the skill, task, organizational, performance, and motivational challenges constitute a combination of the concerns raised by the respondents during the study.

Conclusion and Policy Recommendations

From this analysis, it can be seen that HRD problems in Nepal’s decentralized local governance are multi-faceted, including those related to policies, skill/task/organization, as well as performance/motivation areas. Even though there are some efforts through training programs, it is not enough to guarantee performance on the job. It is vital to have a conducive working environment, well-motivated employees, and good goals within an organization to improve performance.



The approaches for handling HRD issues can be seen as the recruitment of qualified managers, career and promotion plans, incentives, proper communication, and cooperation through good leadership. Policy implications stress the importance of having professional HRD bodies at all levels within the local government organizations and building up the core competencies of the personnel and management. The comprehensive approach to organizational learning will emphasize human capital (competence and capabilities), social capital (connections), and organizational capital (corporate memory and knowledge). Moreover, HRD policies need to be synchronized with the organization as a whole, which includes culture, structure, personnel, and HRM systems. Nepalese local bodies can create a skilled, dynamic, and resilient workforce that is competent enough to provide efficient and responsive public services through decentralized governance by considering these factors.

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