

Practice of Local Government Planning in Federal Nepal

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Abstract

This study investigates the implementation of local government planning provisions in Nepal, with a particular focus on the annual planning process. Utilizing document analysis and literature review methods, the research reveals that, despite the existence of robust legal frameworks such as the Constitution of Nepal and the Local Government Operation Act (LGOA), there are significant gaps in the application of planning provisions. Key issues identified include inconsistent knowledge of planning provisions, centralized decision-making processes, limited community engagement, and inadequate accountability. To address these challenges, the study recommends enhancing training and capacity-building for both officials and community leaders, improving decentralization mechanisms and community involvement, and establishing stronger accountability measures to ensure effective and inclusive planning practices.

Keywords: local government, planning provisions, practice, annual plan, legal framework

Background

Local Development Planning (LDP) is a central element of decentralization, designed to promote regional development and empower communities. It focuses on engaging local populations in the planning and implementation processes, ensuring that local needs are addressed. Additionally, LDP aims to effectively mobilize and utilize local resources to

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enhance overall community welfare (Nepal, 2008).

Nepal adopted both local and national development planning in its first annual budgeting system in 1951 (Sapkota & Malakar, 2021) and introduced the first five-year plan (1956–1961) in 1956. Local planning was simultaneously incorporated under this plan, aiming to foster self-sufficiency and a "welfare state" (Pant, 1966). Despite significant efforts, development plans remained centralized (Hachhethu, 2008; Tandon, 2023).

Community-centered development and local planning became more effective only after the People's Movement of 1990 (Acharya and Zafarullah, 2020; Tandon, 2023; Bhusal, 2018). Despite the provisions of the 1990 Constitution and the 1999 Local Self-Governance Act (LSGA) aimed at promoting community participation, their implementation faced significant challenges (Acharya et al, 2022; Tandon, 2023).

Furthermore, after the promulgation of the Constitution of Nepal in 2015, the enactment of the Local Government Operation Act (LGOA) in 2017 and associated guidelines significantly advanced the implementation of local development projects, inclusive planning, and budgeting processes (Acharya & Zafarullah, 2020; Adhikari, 2024). However, despite these provisions, local planning remains dysfunctional, centralized, and influenced by specific interests (Acharya & Zafarullah, 2022).

Although there is a lack of sufficient scientific research on the practices of local government planning in Federal Nepal, some studies do address the issue. While research on the causes of these challenges in post-federal Nepal is limited, some studies suggest that a lack of confidence and understanding of planning provisions, along with insufficient commitment from local government officials and communities, significantly contributes to incomplete implementation (REDEF, 2022; Adhikari, 2024).

In this context, the present study is dedicated to a comprehensive assessment of local government planning practices within the framework of Federal Nepal. The focus is on critically analyzing the implementation of established provisions to understand how they are operationalized at the local level. By examining these practices, the study seeks to identify gaps, challenges, and inefficiencies that may hinder effective planning and governance. Moreover, the findings aim to offer actionable insights and recommendations that can inform policy adjustments and capacity-building initiatives, ultimately enhancing local government planning processes and achieving more effective governance outcomes.

The rationale for this study is to identify and address deficiencies in local government planning practices in Nepal. It evaluates how well local governments adhere to the provisions of the Constitution of Nepal (2015), the Local Government Operational Act (LGOA, 2017), and related guidelines. Understanding these practices is crucial for improving local planning effectiveness, fostering participatory governance, and ensuring that development initiatives meet community needs. The study aims to offer insights that will enhance the responsiveness and effectiveness of local governance. The key objective

of the study is to evaluate local government planning practices, focusing specifically on annual planning, identify existing gaps, and enhance the effectiveness of local planning processes.

Methodology

This study adopted a qualitative research approach, primarily utilizing **document review** and **literature review** methods to critically assess the implementation and practice of local government planning in Federal Nepal. To achieve the study's objective, a structured approach was applied. The methodology included document reviews and literature reviews methods. Document reviews analyzed key legal texts, such as the Local Government Operational Act (LGOA), the Constitution of Nepal, and related guidelines to understand local planning provisions. The literature review examined secondary sources, including reports, articles, dissertations, and books, to explore practices related to these provisions.

Result and Analysis

1 Provisions for Local Government Planning

Before assessing the practice of planning provisions, it is essential to review Nepal's local government planning framework. Key documents include the Constitution of Nepal (2015), the Local Government Operation Act (LGOA) (2017), and the Intergovernmental Fiscal Management Act (IGFMA) (2017), which outline core processes for local planning. Additional guidelines, such as the Guideline for Local Level Plan Formulation (GLLPF) (2078), the Local Level Annual Plan and Budget Formation Guideline (LLAPBFG) (2074), and the Annual Plan and Budget Formation Handbook of Local Level (APBFHLL) (2077), provide detailed frameworks for implementation.

Plans to be Prepared

The Local Government Operation Act (LGOA) 2017 mandates that local governments prepare three types of plans: Periodic Plans (5 to 7 years), Annual Plans (one year), and Strategic Sectoral Plans (mid to long term) (Government of Nepal, 2017). Periodic Plans cover all sectors**, Annual Plans address sectors annually, and Strategic Sectoral Plans target specific sectors. Additionally, local governments must prepare a Medium-term Expenditure Framework (MTEF) every three years to align public expenditure with these plans (Government of Nepal, 2017).

** Section 5 .1 .3 of the Local Level Annual Plan and Budget Formation Guideline (MOFAGA, 2017) and Section 4 .8 (1 .2) of the Guideline for Local Level Plan Formulation (National Planning Commission, 2078) identify five key thematic areas for local government annual plans: Economic Development (agriculture, tourism, financial services), Social Development (education, health, inclusion), Infrastructure Development (roads, energy, urban projects), Forest, Environment, and Disaster Management (conservation, climate adaptation, disaster preparedness), and Good Governance and Institutional Development (human resources, fiscal management, service delivery) .

Annual Planning Process/Steps

The Seven-step participatory planning process for annual planning and budgeting, as detailed in the GLLPF and LLAPBFG (National Planning Commission, 2078; MOFAGA, 2074), is conducted before the fiscal year starts, with plans and budgets for the upcoming year prepared during the current year. This process, illustrated in the figure below, involves several key stages in local government planning and budgeting.

Figure 1. Seven Step Planning Process



Source: National Planning Commission, 2078; MOFAGA, 2074

Figure 1 illustrates the Seven-step participatory planning process for local government annual planning and budgeting. STEP-1: Preparation (Mid-January to Mid-April) involves updating data, preparing the Medium-Term Expenditure Framework (MTEF), projecting revenue and expenditures, and setting ceilings for thematic areas and wards. STEP-2: Resource Estimate and Budget Ceiling Preparation (Fourth week of April) focuses on finalizing ceilings from federal and provincial governments, and establishing budget ceilings for thematic committees and wards. STEP-3: Settlement Level Planning /

Project Selection (Mid-May) includes organizing meetings to select plans, ensuring broad community participation, and aligning projects with development goals. STEP-4: Ward Level Planning / Project Selection and Prioritization (Fourth week of May) involves grouping and prioritizing projects, then presenting them to the municipality's budgeting and planning committee. STEP-5: Integrated Budget and Programme Formulation (Third week of June) covers integrating inputs from various stakeholders and drafting the budget proposal. STEP-6: Budget and Programme Approval from Rural/Municipal Executive (Fourth week of June) requires obtaining approval from the rural/municipal executive for the budget statement and related documents. Finally, STEP-7: Budget and Programme Approval from Rural/Municipal Assembly (Fourth week of June to Mid-July) involves presenting the budget and program documents to the assembly for discussion and final approval, with the final budget published in the local gazette.

During the planning process, it is expected that local governments must align their policies, goals, objectives, timelines, and procedures with those of the federal and local governments. Additionally, according to section 24 (2) of the LGOA (2017), plans must address cross-cutting issues such as good governance, environmental concerns, child-friendly initiatives, climate change adaptation, disaster management, and gender and social inclusion (Government of Nepal, 2017).

Practice of Local Government Planning

Some studies have discussed local government planning practices in Federal Nepal, detailing methods, mechanisms, and challenges. However, research on planning and budgeting under federalism, particularly after the Constitution of Nepal (2015) and the Local Government Operation Act (2017), is limited. This study will primarily examine planning practices post-federalism while also providing context on the preceding period.

Practice Before Federalism

Initially, many nations, including Nepal, adopted a top-down approach to planning, increasing dependency on the state. Since its introduction in the 1960s, planning has been integral to local decision-making. Pant (1966) noted that it helped local authorities mobilize public support for development projects. In the 1970s, reforms aimed to consult citizens on local issues, though critics argued public input was often overlooked in decision-making (Abullaish, 1980; Wildavsky, 1972).

At the same time, since the 1970s, Nepal and other developing democracies have increasingly adopted a bottom-up approach to planning and development (Sapkota & Malakar, 2021). In the early 1980s, revisions to the planning process involved local communities in identifying grassroots issues and collaborating on small-scale projects (Paudyal, 1994). Tandon (2023) notes key efforts like the 1975 District Administrative Plan, which required village panchayats to propose plans based on local needs, and the 1982 Decentralization Act, which aimed to promote people's participation in local planning.

However, scholars such as Hachhethu (2008) and Lohani (1980) argue that despite these efforts, development plans remained centralized, with participation often more discussed than practiced. The planning system was criticized for being unworkable and exclusive due to limited funding, centralized decision-making, restricted borrowing, and low public participation. Factors like unaccountable growth, elite control, social taboos, remoteness, and political and economic isolation contributed to this closed process (Khanal, 2016).

Furthermore, after the 1990 People's Movement in Nepal, people-centered development gained momentum. Acharya and Zafarullah (2020) note that the movement enabled greater public involvement in local planning and decision-making. Tandon (2023) highlights that the restoration of democracy led to significant reforms, including the transformation of village panchayats into Village Development Committees (VDCs) and the enactment of the 1999 Local Self-Governance Act (LSGA), which institutionalized participatory planning and decentralized power. Bhusal (2018) adds that this approach aimed to enhance citizen engagement in local policies and development, with oversight by elected leaders.

Despite the provisions, implementation of participatory planning approaches was hindered by the Maoist insurgency (1996-2006) and the lack of local elections from 2002 to 2017 due to security concerns from the civil war (Tandon, 2023). Scholars argue that the absence of elected representatives and minimal local budgets were significant barriers to effective participatory planning (Acharya, 2018; Adhikari, 2006; Tandon, 2023). Pandeya and Shrestha (2016) note that local bodies were dissolved during this period, with central bureaucrats assuming control. Despite these challenges, Bhusal (2019) highlights those efforts continued, with centrally appointed bureaucrats and village secretaries managing local development plans.

In addition to this, Tandon (2023) notes that, during the 1990s, international donor agencies embraced participatory models for development projects, which bolstered the legitimacy of the new democracy by demonstrating the government's commitment. Acharya and Zafarullah (2020) highlight that, in the absence of elected representatives, numerous projects were supported by the government and international organizations through community-based organizations (CBOs), which acted as a substitute for local democracy.

Summing up, Nepal's local government planning history before the 2015 federalization shows progress mixed with significant challenges. Legislative efforts like the 1990 Constitution and LSGA faced hurdles from political instability and centralized decision-making. The role of CBOs and central bureaucrats highlighted the system's limitations. Future improvements in citizen participation and local governance will need to tackle these issues and support a more inclusive, decentralized planning framework.

Practice inpost-Federalism

While scientific research on local government planning and budgeting post-federalism is limited, some studies have explored these topics. Acharya and Zafarullah (2020) report progress in local development and improved conditions for disadvantaged groups following the 2015 Constitution and the 2017 Local Government Operation Act (LGOA). Tandon (2023) emphasizes the Constitution's provision of significant autonomy to subnational governments and the LGOA's facilitation of citizen participation in local planning, with elected representatives overseeing the process. The LGOA's and related guidelines' participatory planning process known as seven-step planning and budgeting process aims to be participatory, involving all stakeholders, especially marginalized groups, in policy and budgetary decisions. Adhikari (2024) discuss that the provisions for local government planning in Nepal underscore a commitment to decentralized governance and grassroots development. By empowering local authorities with the tools and frameworks necessary for effective planning and budgeting, these provisions enable communities to address their unique needs and challenges while advancing sustainable development goals. Through inclusive participation and strategic prioritization, local governments can harness their resources and capacities to promote equitable growth, social inclusion, and environmental sustainability across the nation.

Adhikari (2024) further discusses how local government planning provisions in Nepal reflect a commitment to decentralized governance and grassroots development. These provisions help communities address their unique needs and advance sustainable development goals. He further argues that legal and constitutional frameworks, including the Constitution, the LGOA, and various guidelines, embed provisions for marginalized communities. Mechanisms such as Rural/Municipal executives, ward committees, and thematic committees ensure diverse representation and encourage the active participation of marginalized groups in planning processes. This approach underscores Nepal's commitment to fostering participatory, inclusive, and sustainable development practices (Adhikari, 2024; Tandon, 2023).

Despite the provisions for inclusive and participatory planning, Nepal's local-level planning process remains dysfunctional and centralized, often catering to specific interests rather than addressing the needs of marginalized groups (Acharya & Zafarullah, 2022). Women, Janajatis, and Dalits continue to be excluded from local planning and budgeting processes. Acharya and Zafarullah (2022) argue that these groups are frequently overlooked in budgeting activities, with their needs inadequately addressed.

Adhikari (2024) reveals that the implementation of the participatory planning process known as Seven-Step Planning Process in sampled rural municipalities is often superficial. Preliminary preparations are made but frequently lack thorough stakeholder engagement and detailed analysis. Project prioritization often relies on subjective judgments rather than structured criteria, and plans frequently lack comprehensive input from all stakeholders (Adhikari, 2024). He further notes that Despite efforts to involve diverse community members in planning, participation has been inconsistent and inadequate. Legal mandates

for inclusivity are not fully met, and marginalized groups are often inadequately engaged. Tandon (2023) argue that, although, deliberative discussions take place in deliberative forums (planning committees) formed at municipal level to utilize the unconditional budget, there is no citizen participation. She further adds that Citizen participation can only occur in the budget corresponding to the tole Bhela, which is very limited (10 to 13 percent).

The Nepal Administrative Staff College (NASC, 2022) emphasizes the importance of community consultations for effective subnational planning. Their study found that (55%) of local government respondents in Bagmati and Sudurpaschim reported holding community consultations as needed, while around (30%) in Madhesh indicated these meetings occur only once or twice a year. Tandon (2023) critiques the limited citizen participation in budgeting processes, noting that only (10-13%) of the budget is subject to public input, with deliberative forums often lacking meaningful engagement. NASC (2022) also found that (34%) of respondents reported budget priorities are influenced by national policies, with some impact from past practices and local leaders.

The Constitution of Nepal (2015) and the Local Government Operation Act (LGOA) of 2017 were intended to facilitate inclusive planning and budgeting, granting significant autonomy to subnational governments and empowering citizens to participate in local planning. However, implementation has been incomplete, with marginalized groups, including women, Janajatis, and Dalits, often excluded from these processes, violating constitutional rights. Studies indicate that while some community consultations occur, these are infrequent and often limited in scope. The space for elected Dalit, women and ethnic members has not been sufficiently expanded, and as a result, they are unable to play a meaningful role in decision-making (Acharya & Zafarullah, 2020).

Causes for Current Condition

While research on the causes of these challenges in post-federal Nepal is limited, some studies suggest that a lack of confidence among community members, understanding of planning provisions among officials and community members, along with insufficient commitment from local government officials, significantly contributes to incomplete implementation (REDEF, 2022; Adhikari, 2024). Acharya et al. (2022) adds that despite major efforts and a power struggle to enable citizens to take part in planning and decision-making at the local level, the Pancha, or traditional political elites, have largely shifted influence over key decision-making bodies like planning to neo-elites and the agents of well-established political leaders. Clarifying further, REDEF (2022) adds that the lack of confidence and understanding among Marginalized people about planning and budgeting processes and commitment among officials are a significant contributing factor to these disparities.

Summarizing the causes for the condition, Adhikari (2024) further adds:

"The study identified several key causes for the discrepancy between the participatory planning ideals outlined in the LGOA and the actual practices in ...municipalities. Firstly,

elite dominance skews decision-making processes and resource allocation to favor influential groups, sidelining marginalized communities. Secondly, incrementalism leads to budget allocations based on historical patterns rather than current needs, hindering comprehensive and innovative planning. Thirdly, the lack of mandatory provisions and measures for participatory planning, coupled with insufficient commitment and desire from local government officials and leaders, hampers the effective inclusion of marginalized groups. Finally, the limited capacity and awareness of planning processes among local government leaders and community members further restricts the potential for genuine participatory planning. These factors collectively undermine the effectiveness and inclusivity of local governance" (Adhikari, 2024, p. 214).

Discussion:

Robust Frameworks and Provisions: The Constitution of Nepal, the Local Government Operation Act (LGOA), and associated guidelines provide a strong legal foundation for participatory and inclusive local government planning. These frameworks establish clear processes and guidelines designed to enhance local governance and community engagement. The emphasis on decentralization reflects a commitment to empowering local governments and improving planning processes. The structured Seven-Step Planning Process and other procedural guidelines offer a comprehensive framework that, if effectively implemented, can significantly improve local government planning.

Status of Implementation of Provisions: Despite the robust legal frameworks, the implementation of local government planning provisions remains inconsistent. Gaps in understanding, centralized decision-making, and limited community engagement contribute to challenges in effectively executing these provisions. To address these issues, it is essential to implement comprehensive training, enhance decentralization efforts, and establish robust accountability measures. These steps are crucial for ensuring that the legal frameworks are translated into effective and meaningful local governance practices.

Inconsistent Understanding of Planning Provisions and Knowledge Gaps: Local government officials exhibit varying levels of understanding regarding the planning provisions mandated by the Constitution and LGOA. This inconsistency reveals a significant gap between theoretical knowledge and practical application. Additionally, there are notable knowledge gaps among both officials and community members concerning the Seven-Step Planning Process. This lack of understanding impedes effective implementation and meaningful engagement. Addressing these gaps requires targeted capacity-building initiatives and comprehensive training programs to bridge these issues and emphasize the importance of inclusive and participatory planning.

Limited Community Engagement and Centralized Decision-Making: Centralized decision-making processes often result in infrequent and superficial community

consultations, limiting genuine engagement from diverse stakeholders. This centralization undermines the effectiveness of participatory planning. To address this, it is crucial to strengthen mechanisms for decentralizing decision-making and enhancing community involvement, ensuring that local plans are more relevant and impactful.

Lack of Commitment and Accountability: There is a general lack of commitment among local officials to adhere to participatory planning guidelines, compounded by insufficient accountability mechanisms. To improve adherence and effectiveness, it is essential to implement stronger accountability measures, including regular monitoring, evaluation, and clear consequences for non-compliance.

Conclusion

Despite the robust legal frameworks provided by the Constitution of Nepal, the Local Government Operation Act (LGOA), and associated guidelines, local government planning faces significant challenges. Although these frameworks establish a strong foundation for participatory and inclusive planning, their implementation remains inconsistent. Key findings reveal that local officials often exhibit varying levels of understanding of the planning provisions and face significant knowledge gaps regarding the Seven-Step Planning Process. Additionally, centralized decision-making limits genuine community engagement, and there is a general lack of commitment and inadequate accountability among local officials regarding effective planning.

To improve implementation, it is crucial to enhance capacity-building efforts, decentralize decision-making processes, and strengthen community involvement. Establishing robust accountability measures is also essential to ensure adherence to planning guidelines and to effectively translate legal provisions into meaningful local governance practices. Addressing these areas will help leverage the existing legal frameworks to achieve more impactful and inclusive local government planning. To improve local government planning, policymakers should strengthen federal regulations, enhance participatory mechanisms, invest in capacity-building, implement robust monitoring systems, advocate for inclusive policies, integrate practical case studies into curricula, and provide targeted teacher training.

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