

# COORDINATION IN DEVELOPMENT PLANNING: CONSTITUTIONAL PROVISIONS AND INSTITUTIONAL MECHANISMS

**Centre for Federalism Studies  
Nepal Administrative Staff College**



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# EXECUTIVE SUMMARY

In 2015, when the new Constitution was enacted, Nepal moved from a unitary to a federal governance system. The Constitutionally-recognized three spheres of government—federal, provincial, and local—have been assigned state powers and functional responsibilities, both exclusive and concurrent, as mentioned in Schedules 5 to 9 of the Constitution. All three spheres of government practice both autonomous power and work together to practice state power mentioned in the concurrent list, for which coordination and cooperation among the three spheres is essential.

This paper illustrates the Constitutional provisions and institutional mechanisms for inter-governmental coordination in development and planning in federal Nepal. It highlights the institutional structures, processes, and mechanisms for coordination in development planning, and explains the issues and challenges that arise in the coordination process.

Nepal has prepared a number of legal instruments that are required to implement federalism and coordinate development planning between the three spheres of government. A few of such laws are the Local Government Operation Act, 2074 (2017); the Intergovernmental Fiscal Arrangement Act, 2074 (2017); the National Natural Resource and Fiscal Commission Management Act, 2074 (2017); and the Federation, Province and Local Level (Coordination and Interrelation) Act, 2077 (2020). These acts facilitate both administrative and developmental functions and coordinate in development planning.

Apart from developing guidelines, standard frameworks, and working procedures, the National Planning Commission (NPC)—the apex planning body at the federal level—has envisioned the federal level as the implementers of policy functions and regulatory actions, and executors of large-scale projects; the provincial level as drivers and executors of development functions; and local governments as service providing agencies and executors of small-scale development projects. Accordingly, the planning guidelines and standard frameworks have arranged the institutional mechanisms and planning procedures to coordinate development planning in federal Nepal.

The NPC also prepares the national periodic plan, which defines the country's long-term development vision and goal, and sets targets along with the medium-term expenditure framework (MTEF). Provincial policy and planning commissions take the national

priorities, vision, and targets into account and prepare provincial periodic plans with their own priorities, targets, and MTEF. Local governments also prepare their periodic plans, MTEF, and annual development plans with local priorities, while corresponding them with those of the federal and provincial level. The federal, provincial, and local planning mechanisms have been imagined and arranged to work in coordination with mutual respect to both autonomous functional jurisdiction and shared responsibilities. These institutional mechanisms and developmental processes have been evolving. Nonetheless, there are criticisms about the planning processes not emerging with the spirit of federalism, and of provincial governments adopting planning bodies without reforming the planning process.

Furthermore, the structures of inter-governmental coordination are important for managing relationships and coordination between the three spheres of government. The National Coordination Committee, Inter-Province Council, Province Coordination Council, National Natural Resources and Fiscal Commission, and Intergovernmental Fiscal Council are crucial for intergovernmental relations, development planning, and dispute resolution.

While the legal and policy instruments and structural mechanisms to facilitate development planning might not be perfect yet, there are good indications that provincial and the local governments have started executing development projects with vertical and horizontal coordination during the pandemic, as well as other development functions. Taking into consideration, understanding the evolving process of coordination in development planning in the federal system requires continuous research.

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## ABBREVIATIONS

DCC	District Coordination Committee
DDC	District Development Committee
GDP	Gross Domestic Product
HDI	Human Development Index
LGOA	Local Government Operation Act
MTEF	Medium-Term Expenditure Framework
MuAN	Municipal Association of Nepal
NARMIN	National Association of Rural Municipality in Nepal
NASC	Nepal Administrative Staff College
NDC	National Development Council
NNFRC	National Natural Resources and Fiscal Commission
NPC	National Planning Commission
PCC	Provincial Coordination Council
PCR	Polymerase Chain Reaction
SDG	Sustainable Development Goals
VDC	Village Development Committee
VMF	Valley Municipal Forum

# INTRODUCTION

## Background

Since the 1950s, Nepal has been focusing on development planning to shape and achieve its development goals. Development planning involves initiating well-researched and reasoned plans that prioritize and synchronize activities, while making utmost use of the country's available resources. Therefore, development planning is a deliberate effort of the government to influence major socio-economic variables—such as the gross domestic product, consumption, savings, investment, prices, employment, among others—for a specific period of time to achieve its desired objectives.

Until 2019, Nepal had implemented 14 national periodic plans. The current fifteenth periodic development plan aims to fulfil the slogan of 'Prosperous Nepal, Happy Nepal'. In order to realize its targeted goals, the plan has recognized the roles that provincial and local governments have in making collaborative efforts. Along with the structural reform from a unitary to federal setup, a long-awaited but recent phenomenon, Nepal has adopted cooperative federalism, which recognizes two or more spheres of government, respecting the idea of 'self' and 'shared' rule (Watts, 2006). Nepal's federalism requires an exercise of balance in the combination of shared and self-rule dimensions and reflection of coordinated efforts in development planning among all three spheres of government. This structure of governance is believed to promote decentralization and provide autonomous rights and freedom to the three different spheres. These thoughts have been associated with authorizing local governments to be more innovative and accountable towards citizens and broadening the horizon of participatory democracy (Shah, 2007).

Scholars in federalism studies have illustrated that the federal governance system has been effective in overcoming regional and local disparities (Shah, 2007; Hankla, Martinez-Vazquez, & Rodríguez 2019; Tarko, 2021; Tillin, 2021). Through federalism, Nepal has aspired to reduce regional differentiation, discrimination, and inequality among social and regional groups in development. A major influencing factor for the adoption of a federal structure has been the balanced development of the country (Sharma, 2014; NASC, 2020). Federalism requires strong relationships between the different spheres of government. Constitution of Nepal has made provisions for state power to be distributed to the different spheres of government and for federal-provincial-local relations to be stronger through Constitutionally recognizing the principles of coordination, cooperation, and coexistence—the upholding principles of cooperative federalism.

In cooperative federalism, the responsibilities of the various spheres of government are mostly interlinked (Riker, 1964; Shah, 2007; Adhikari, 2020; Tillin, 2021). The different spheres of government practice certain levels of autonomy and coordinate for development planning, both vertically and horizontally (Shah, 2007; Alam, ed. 2014; Ahmad, 2015; Lledo, & Pereira, 2015; Tarko, 2021). In general, the federal government prepares national policies with clear development perspectives and guidelines; the provincial and local governments, in line with the federal perspectives, act on provincial and local level planning and development functions<sup>1</sup>. The federal governance system in Nepal has opened new avenues in development planning, everyday administration, and service delivery. Coordination between the three spheres is fundamental for effectively executing developmental roles and responsibilities.

In this context, this paper aims to illustrate the provisions made so far for coordination in development and planning in federal Nepal. In particular, it assesses Constitutional and legal provisions; reflects on the institutional mechanisms, structures, and processes for coordination in development planning at the federal, provincial, and local levels; and highlights key issues and challenges in development coordination under the federal governance system.

## Methodology

The research was performed through a qualitative approach and adopted archival studies. It comprised of reviews of existing literature on development planning and coordination in Nepal. Reviews of Constitutional and legal provisions (acts, laws and regulations, budgetary practices) of federal governance and other related documents were carried out. A number of guidelines related to development and planning drafted by the National Planning Commission (NPC) at the federal level, and documents on development planning drafted by provincial and local governments were reviewed. Five key informant interviews (KII) were conducted that included academics, development and planning experts and politicians, and discussions took place with the NPC, the National Natural Resources and Fiscal Commission (NNRFC), elected political officials, and government officers at the federal, provincial, and local levels. Three virtual meetings were organized for discussions with elected representatives. The representatives of local governments consulted were from Lalitpur Metropolitan City, Myagde Rural Municipality, Shuklagandaki Municipality, Tikapur Municipality and Dhulikhel Municipality. In the process, a few cases on local-local coordination were assembled as well. Due to the COVID-19 pandemic, face-to-face interviews could not be organized and interactions took place through virtual platforms.

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<sup>1</sup> *The development functions largely indicate both physical infrastructure (roads, bridges, hydropower, irrigation etc.) projects, and social development programmes all three spheres of government execute depending on the size and scale of the projects as defined in Criteria for Allocation and Distribution of Functional Responsibilities of Development Programmes and Projects to Federal, Province and Local Level, 2076 (2019).*

## COORDINATION IN DEVELOPMENT PLANNING: CONSTITUTIONAL AND LEGAL PROVISIONS

Reshaping Nepal's unitary governance to a federal form requires legal, procedural, and structural reforms. In line with the Constitutional spirit of cooperative federalism, the Government of Nepal has prepared a number of legal and regulatory provisions and reformed institutional arrangements for development planning coordination between the different spheres of government.

### Constitutional provisions and developmental functions

Similar to the global trend of entrusting local governments for managing local development and other public service-related issues (John, 2001; Tillin, 2021), Nepal's Constitution has devolved many state powers, functions, and responsibilities to provincial and local governments. The different functional jurisdictions opting for cooperative federalism reflects the shared responsibilities of the three spheres of government. This is done to carry out developmental functions with mutual cooperation and coordination at these levels.

The division and distribution of state power and responsibilities marked in schedules 5 to 9 of the Constitution has crafted a line of 'self' and 'shared' functional responsibilities of the three spheres of government. These Constitutional provisions of distributing functional responsibilities (through an exclusive and concurrent list of power) mandates the governments with some degree of autonomy and cooperation to carry out their development functions. Articles 232, 234, and 235 of the Constitution have defined the mechanism of relationship between the federal, provincial, and local governments. Article 232 envisions the framework of relationship on the principles of 'cooperation, co-existence and coordination', while Article 232(2) recognizes the federal government's supremacy in the coordination and management of intergovernmental relations. However, this provision might not supersede provincial and local autonomy Constitutional provisions<sup>2</sup>.

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<sup>2</sup> Article 232(2): "The Government of Nepal may issue necessary directives, pursuant to the Constitution and prevalent laws, to all the Provinces on matters of national importance and on matters to be coordinated among the Provinces and it shall be the duty of the respective Province to abide by such directives."

Policy is primarily a federal function. Article 235 of the Constitution assigns the federal parliament the responsibility of drafting necessary laws in order to maintain coordination between the federal, provincial, and local levels. It has also stated that the provincial assembly will coordinate between the provincial and local levels for settling political disputes that may arise during the coordination process. Article 50 (1) expects to promote and manage relations between the federal, provincial, and local level units with cooperation and with respect to autonomy. Furthermore, the Constitution has envisioned the developmental functions as a coordinated effort of all spheres of government. In addition, Article 51(b) (6) has highlighted the need for cooperation and coordination between the three spheres of government. According to it, the policy regarding political and development governance will be “expanding and developing harmonious and cooperative relations between federal units through partnerships in the management of resources and means, administration and responsibilities.”

The directive principles, policies, and responsibilities of the Constitution envision strengthening a federal democratic republican system, maintaining relations between federal units based on cooperation, and adopting the principle of local autonomy and decentralization. The guiding principle of the state has highlighted achieving a national economy that is self-reliant, independent, and socialism-oriented through the maximum utilization of available resources with coordination and cooperation between the three spheres of government. It has further intended to promote economic mobility with vertical (federal-provincial-local) and horizontal (province-province and local-local) cooperation for the development of the country.

While formulating development policies, strategies, and programmes, the directive principles of the Constitution have been setting the direction for the implementation of a balanced and inclusive form of development through close coordination between the three spheres of government. It also promotes the participation of local people in the development process. The federal government will support the provincial and local governments in providing frontline services to citizens.

### **Developmental functions: Shared responsibilities and coordinated efforts**

Both the exclusive and concurrent powers of the three spheres of government have been elaborated in the unbundling report<sup>3</sup>, which has provided the divisions of work responsibilities of the federal, provincial, and local levels. According to this report, many developmental functions require close cooperation between all three spheres of government<sup>4</sup>.

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3 As per the 'Report on Unbundling/Detailing of the List of Exclusive and Concurrent Powers of the Federation', the state (province) and the local level provisioned in schedules 5, 6, 7, 8, and 9 of the Constitution of Nepal have elaborated the functional jurisdictions of both exclusive and concurrent powers of all three spheres of government.

4 The report has listed 1,795 functions (among which 870 are federal functions, 565 provincial functions and 360 local government functions). Many development functions of the all three spheres of government have overlapped in many cases.

Similarly, the NPC—based on the Constitutionally distributed power and functional responsibilities between the federal, provincial, and local governments—has prepared a guideline that defines the responsibilities for planning across the three spheres to avoid duplication and overlapping in development programme and planning. The details are as follows:

**Table 1: Allocation of responsibilities for planning among the federal, provincial, and local governments**

Spheres of Government	Responsibility
Federal	<ul style="list-style-type: none"> <li>– Developing long-term vision and periodic plans</li> <li>– Monitoring and evaluating development plans and collaborating as per the federal structure</li> <li>– Preparing the federal medium-term expenditure framework (MTEF)</li> <li>– Formulating policies related to the Sustainable Development Goals (SDGs), developing policies, setting goals</li> <li>– Developing policies, plans, and coordination for public-private partnerships (PPPs)</li> <li>– Developing criteria related to national development volunteers</li> </ul>
Province	<ul style="list-style-type: none"> <li>– Formulating, monitoring, and evaluating provincial plans</li> <li>– Preparing the provincial MTEF</li> <li>– Implementing the SDGs at the provincial level</li> <li>– Developing and implementing PPPs at the provincial level</li> <li>– Developing plans for collecting and managing provincial data</li> </ul>
Local	<ul style="list-style-type: none"> <li>– Formulating, monitoring, and evaluating local plans</li> <li>– Preparing the local MTEF</li> <li>– Planning PPPs at the local level</li> <li>– Developing plans for managing and collecting local level data</li> <li>– Registering individual incidents, record keeping and reporting</li> </ul>

Source: National Planning Commission, 2019

In addition, the NPC’s General Standard<sup>5</sup> has allocated the functional responsibilities of development programmes and projects to the three spheres of government. The federal level

<sup>5</sup> *Criteria for Allocation and Distribution of Functional Responsibilities of Development Programmes and Projects to Federal, Province and Local Level, 2076 aims to avoid duplication of development functions among the three spheres of government in executing development projects. It has elaborated the bases of division of development works and responsibilities and broadly highlighted the sectoral responsibilities of different governments based on the size and scale of the projects.*

has been assigned the implementation of policy functions, regulatory actions, and execution of large-scale projects. The provincial governments can execute major development functions within their territories, and local levels can implement small-scale development projects within their areas. Furthermore, the division of work and responsibilities of the Government of Nepal, 2076 (2019), has appointed the federal government with focusing on policy functions and regulations. However, there have been issues regarding these division of responsibilities. Some development practitioners and local governments have criticized the federal government and members of the federal parliament of trying to execute small-scale development projects (for example, roads, drinking water, irrigation, community building, among others), thereby undermining the existing provisions on work divisions<sup>6</sup>. Nonetheless, the policy provisions made so far will be instrumental for better cooperation and coordination to execute developmental functions.

As per the Constitutional provisions and federal laws, the federal government will support and provide directives to the local government for executing local functions, including those related to development<sup>7</sup>. Provincial governments also cooperate with federal and local governments to implement development functions across the borders of the provincial territories by exchanging information, building partnerships for developmental activities, and coordinating for mutual support among the provinces. The Inter-Provincial Council, along with settling disputes that may arise between the federal and provincial levels or among the provinces, may coordinate development activities between and among the provinces. The federal parliament-formulated act for coordination between the federal, provincial, and local levels<sup>8</sup> has explained the mechanisms and procedures for intergovernmental cooperation. Furthermore, the provincial assembly also acts together with the district coordination committees to establish collaboration between the provincial and local governments.

## Local Government Operation Act, 2074 (2017)

Section 24 of the Local Government Operation Act (LGOA), 2071 (2017), has defined the process of local level planning and implementation. Sections 54 to 68 have outlined the financial roles of local governments; these are mainly related to tax imposition, revenue distribution, budget estimation, and loans. The LGOA had envisioned the Provincial Coordination Council (PCC) as the coordination mechanism between the provincial and local levels, in line with the Constitutional provisions. Although the provision for the PCC was later dropped from the LGOA, it has been inserted in the Federation, Province and

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6 Based on information from virtual conversations with local representatives and experts on federalism and development.

7 Article 232 (8) states that the Government of Nepal may, in pursuant to the Constitution and Federal law, provide necessary support and directives to the Village Executive and Municipal Executive on its own or through the Provincial Government. It shall be the duty of the Village executive or Municipal executive to abide by such directives.

8 Ministry of Law, Justice and Parliamentary Affairs. (2020). संघ, प्रदेश र स्थानीय तह (समन्वय तथा अन्तरसम्बन्ध) ऐन, २०७७ [Federation, Province and Local Level (Coordination and Interrelation) Act 2020]. Kathmandu: Ministry of Law, Justice and Parliamentary Affairs.

Local Level (Coordination and Interrelation) Act, 2077 (2020). The PCC is responsible for coordination among the provincial and local levels on issues pertaining to functional harmonization, strategic partnership in planning and management, implementation of concurrent rights, and the utilization and allocation of natural resources. The council, formed under the chairpersonship of the provincial chief minister, provides space to coordinate and build partnerships for implementing development projects. Initial meetings of the PCC have been extremely important for establishing initial coordination and cooperation with local levels. However, there are still critical views on the ways these legal provisions and mechanisms will be implemented and reflected in everyday practices, which are yet to be visible in execution.

### **Provincial and local planning guidelines**

The NPC has prepared provincial and local planning guidelines, which provide the framework for the development of periodic plans, MTEFs, annual plans, and budgets. The guideline is the standard framework for planning across all provinces. The planning processes and provisions of the guidelines will broadly help to coordinate development planning between the federal, provincial and local governments.

### **Intergovernmental Fiscal Arrangement Act, 2074 (2017)**

The Intergovernmental Fiscal Arrangement Act, 2074 (2017), Section (33), has provisioned the Intergovernmental Fiscal Council. This council, headed by the Minister of Finance, is mainly responsible for providing advice to the federal, provincial, and local governments, and facilitating coordination on matters related to intergovernmental fiscal arrangements.

### **National Natural Resource and Fiscal Commission Management Act 2074 (2017)**

The National Natural Resource and Fiscal Commission (NNRFC) Management Act 2074 (2017), Section (4), has mandated the commission to coordinate and cooperate with different Constitutional bodies, the federal government, government agencies in local and provincial levels, or public agencies, relating to its functions and duties as needed. Fiscal arrangements and provisions of distribution of state resources among all three spheres of government are important tools for inter-governmental development coordination. The provisions of special and complementary grants, though they are sometimes criticized as tools for institutionalizing federal domination<sup>9</sup>, have been instrumental in coordinating and building partnerships in development projects. The federal Ministry of Finance has issued

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<sup>9</sup> Based on information from virtual conversations with local elected representatives and experts on federalism and development, see Shah et.al (2007), *the practice of fiscal federalism: Comparative perspectives* (Vol. 4). McGill-Queen's Press-MQUP



a working procedure<sup>10</sup> on joint investment in development projects, which would bring all three spheres of government together to execute large-scale development projects.

### Box 1: Fiscal Equalization Grants

Article 60 of the Constitution mentions and defines four different types of grants: fiscal equalization grants, conditional grants, complementary grants, and special grants. These grants have been received by provincial and local governments. The National Natural Resources and Fiscal Commission (NNRFC) provides recommendations for the fiscal transfers. The National Natural Resources and Fiscal Commission Act, 2017, and the Intergovernmental Fiscal Arrangement Act, 2017, have detailed out the provisions for the fiscal transfers.

Fiscal Equalization Grants – Article 60(4) of the Constitution has the provision of fiscal equalization grants, which is transferred from the federal to sub-national governments based on the resources required by these governments, as well as their capacity to raise revenues. The National Natural Resources and Fiscal Commission (NNRFC) develops the formula for resource allocation, considering the macro-economic factors in effect and other requirements as laid down by the federal government, and then provides recommendations to the government.

#### **Criteria for transfer of fiscal equalization grants**

- (a) Human development
- (b) Status of balanced development of other provincial and local levels
- (c) Status of economic, social, or any other kind of discrimination at the provincial and local levels
- (d) Status of infrastructure development and necessity of the provincial and local levels
- (e) The services to be provided to the people by the provincial and local levels
- (f) Condition of revenue and its capacity to be levied at the provincial and local levels
- (h) Expenditure needs of the provincial and local levels

*Source: National Natural Resources and Fiscal Commission Act, 2017 and Intergovernmental Fiscal Arrangement Act, 2017*

Furthermore, working procedures for special grants 2075 (2018), complementary grants 2075 (2018), and conditional grants support the implementation of development projects in partnership with the different spheres of government.

Mainly, provincial and local governments receive large amounts of development resources from the federal government. As per the recommendation of the NNRFC, the federal government provides equalization grants to provincial and local governments; these grants can help in balanced development across the country. Local and provincial governments can practice their autonomy to mobilize these funds for development. In addition, the three grants—conditional, special, and complementary—can support coordination between all spheres of government.

<sup>10</sup> Ministry of Finance 2077 (2020), working procedure for joint-investment 2077 (2020), which has identified the areas of joint-investment and the procedures of joint-investment of federal, provincial and local governments.

### Box 2: Conditional, complementary, and special grants

**Conditional grant:** This grant is earmarked for specific programmes, projects, or activities that were previously performed by the federal government, but are now carried out by the provincial or local governments as per schedules 6 and 8 of the Constitution. The federal government transfers the programmes and resources to the lower spheres, with certain sets of conditions and rules.

**Complementary grants:** The federal government provides complementary grants to the provincial and local levels to implement any project related to infrastructure development (Intergovernmental Fiscal Arrangement Act). According to the working procedure on complementary grants [revised 2076 (2019)], provincial and local governments can apply for complementary grants for projects and programmes like agricultural cold storage, drinking water supply, model settlement projects to implement integrated settlements in rural areas, irrigation and solid waste management projects that use innovative technologies, and the development of education, health and tourism infrastructure; local, rural and agricultural roads; waterways; and electricity and transmission projects in areas deprived of electricity, as well as project related to forest and environmental protection.

**Special grants:** The Intergovernmental Fiscal Arrangement Act also has the provision of issuing special grants from the federal government to the provincial and local levels to execute special activities, as well as to carry out projects to deliver basic services like education, health, and drinking water, and to achieve the balanced development of inter-province or inter-local levels.

*Source: National Natural Resources and Fiscal Commission Act, 2017 and Intergovernmental Fiscal Arrangement Act, 2017*

### Federal, Province and Local Level (Coordination and Interrelation) Act, 2077 (2020)

The Federal, Provincial and Local Level Coordination and Interrelationship Act, 2077(2020), Section (4), has listed 18 areas of interrelationships among the three spheres of government. In addition, Section (13) of this act has defined the nature and scope of projects and programmes undertaken at each level. The provision of a 14-member National Coordination Council, under the leadership of the prime minister, highlights the importance of coordination, cooperation, and interrelationship among the three spheres. It has a mandate for coordination on a wide range of subjects and issues, including the formulation of laws and policies on matters related to the concurrent jurisdictions. Moreover, it has envisioned the sectoral committee under the convenorship of sectoral federal ministers, with provincial ministers and representatives of local governments as members. This committee has been delegated to work jointly and coordinate in different thematic areas between all three spheres of government. In addition, the Provincial Coordination Council facilitates coordination between the provincial and local governments in matters of their joint interests, functions, and rights.

### **Box 3: Function, Duties and Power of the National Coordination Council (Article-21 of the Constitution)**

1. Coordinate between Federation, Province and local level on formulation of laws and policies on matters of concurrent rights,
2. Coordinate on matters concerning national interest and concern to be implemented at the province and local level
3. Coordinate to address the complexities relating to the implementation of national plan, policy and laws at the province and local level
4. Coordinate in the formulation of laws, policy and strategies that affect inter-province and local level
5. Coordinate in relation to the implementation of the large development projects operated at the inter-province level
6. Evaluate and analyze, cause to evaluate and analyze the police, laws and plans formulated at the federation, province and local level in course of implementation of federalism
7. Carry out necessary activities in order to maintain adjustment in the delivery of service at the federation, province and local level
8. Provide suggestions to the Government of Nepal, Provincial government and local government on matters relating to formulation and implementation of laws
9. Hold discussion and coordination as required on matters sent for discussion from the Government of Nepal, Council of Ministers, thematic committee and provincial coordination council

*Source: National Natural Resources and Fiscal Commission Act, 2017 and Intergovernmental Fiscal Arrangement Act, 2017*

### **Box 4: Function, Duties and Powers of the Provincial Coordination Council (Article-24 of the Constitution)**

1. Provincial coordination council shall coordinate and establish interrelations between province and local level or more than one local levels in the area of development projects or matters concerning concurrent rights list
2. Council can form committee on any issue necessary for establishing coordination and interrelation
3. Council can introduce any issue in the council for discussion if deemed necessary
4. If it is recommended as per Sub-Section (3) Council can hold necessary discussion and guide the concerned province or local level
5. The provincial government and the local levels within the province should follow and implement the guidelines of the provincial coordination council.

*Source: Federation, Province and Local Level (Coordination and Interrelation) Act, 2077 (2020), Unofficial translation- Forum of Federation*

# DEVELOPMENT PLANNING UNDER THE FEDERAL SYSTEM: PROCESS AND INSTITUTIONAL ARRANGEMENTS

## Introduction

The mid-1950s saw the initiation of planned development in Nepal. By 2019, the country had completed 14 national periodic plans. The Nepal Planning Council (formerly called the Planning Council) was formed with the view of mobilizing as many resources as possible for the development of the country (Poudel, 2015). Principally, the NPC, through national periodic plans, provides a broader framework and direction for Nepal to execute its development potential, reflects the development priorities of the country (Karna, 2018), and plays a role in the coordination of development planning between the different spheres of government.

Under the unitary form of governance, the Nepali state implemented centralized planning in planned development; however, for the last few decades, it has supported for decentralization and a participatory approach in development planning as well. With the adoption of multi-party parliamentary democracy in the 1990s, the participatory approach gained momentum and was institutionalized through the Local Self-Governance Act, 1999. The 14-step planning process, starting from the settlement level and moving up through the VDC and DDC to the national level, provided a ground for the active involvement of local and marginalized communities and ordinary citizens with government agencies, civil society members, and other stakeholders.

The fifteenth five-year plan, which is currently being implemented, has adopted a centralized and top-down approach, and has not differed much from other periodic plans in terms of planning processes. However, it has tried to represent the needs and voices of people from the grassroots during the drafting process. The periodic plans that the provincial and local governments prepare have to follow the national priorities and directions according to the fifteenth five-year plan. The NPC prepared the thematic draft and organized several consultation meetings at various levels in order to seek feedback on the thematic issues and also to incorporate the needs of people. However, a drawback of these meetings was

that they were mostly held in urban centres (Limbu, 2019). The fifteenth five-year plan is particularly a macro framework<sup>11</sup>, which defines development-planning coordination between the governments in the federal setup, guides the development perspective, and sets the national goals. It provides overall guidance not only to the federal government but also to the provincial and local governments for the nation's overall development under the federal structure.

### Box 5: Fifteenth Five-Year Plan

According to the three principles (cooperation, coexistence and coordination) Nepal has adopted in federal governance setup, this plan aims to achieve the goals of prosperity and happiness through economic and social development, and environmental management good governance between federal, provincial and local governments. Much emphasis has been given to cooperative and coordinated efforts of all levels of government to high and sustainable economic growth, environmental management and good governance to achieve the country's sustainable development goals.

This plan has guided all provincial and local plans to align with the goals of sustainable development while formulating development plans, policies and strategies. This plan, being first five-year plan after implementation of federalism, is a guiding framework for national development and it has set a national target, strategic directions and provides guidance to provincial and local governments in development planning.

*Source: Fifteenth Plan (FY2018/19–2022/23)*

The NPC is guided on long-term perspectives and strategies by the National Development Council (NDC). The Government of Nepal approves plans prepared by the NPC in accordance with the guidance of the NDC. The members of the NDC include representatives from the provincial and local governments. In a way, this forum provides a space for collaboration between the federal, provincial, and local governments in defining the national development perspective and goals. Moreover, it helps provincial and local governments find an appropriate balance between the national perspective and provincial and local needs.

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<sup>11</sup> However, Pitamber Sharma, a noted development expert, professor, and former vice-chairperson of the National Planning Commission, realizes that the 15th plan does not differ greatly from the previous plans. Instead, he critiques that it resembles the continuation of past plans. Its vision, objective, goal, and strategies are comparatively not much different from previous plans; additionally, it is not aligned as per the federal spirit, and is not innovative in its formulation process. Although governance and planning evaluation are given some focus through the lens of the federal structure, the impression it gives is the continuation of the previous plans and the process adopted earlier. See Sharma, P. (2019). संघीय संरचनामा राष्ट्रिय योजना आयोग. *Naya patrika*. Available at <https://nayapatrikadaily.com/news-details/14775/2019-05-22>

### **Box 6: National Planning Commission**

The National Planning Commission has been formed (under the National Planning Commission, Ordinance 2074) with the objective of supporting the formulation of long-term vision, policies, and plans for rapid economic growth, and balanced and sustainable development of the country. It aims to facilitate the execution of development plans and carry out their effective monitoring and evaluation. With the changed federal governance setup, the commission has a role to coordinate and facilitate development planning at all spheres of government (federal, provincial, and local). It has been entrusted with the roles of coordinating between all spheres of government in development planning, supporting provincial and local governments in drafting plans and policies, and facilitating the implementation of development plans.

*Source: Nepal Government Ordinance, 2074 (2018)*

### **Development planning at the federal level**

In Nepal, the process of development planning starts with the country's long-term development vision and goal, which is executed through periodic and annual plans. The federal-level planning commission prepares five-year development plans (the fifteenth five-year plan is ongoing), which provides detailed directions for development strategy at all levels of government. The medium-term expenditure framework (MTEF) is prepared according to the periodic plan. It sets out the medium-term expenditure priorities and budget constraints against which sector plans can be developed and refined. These efforts eventually translate and reflect on annual plans and programmes. Additionally, the periodic plans, MTEFs, and annual development plans of provincial and local governments must correspond with those at the federal level.

### Box 7: Types of plans in federal Nepal

The guidelines prepared by the National Planning Commission have mentioned the preparation of different plans, which differ according to subject matter and trends. As per the working area and spatial respect, there are mainly three types of plans: national periodic development plan, provincial periodic development plan, and local-level periodic development plan.

#### **i. National periodic development plan**

According to the Constitution of Nepal, the federal government has to formulate the national periodic development plan, including the subject and areas within its jurisdiction, with respect to the country's economic and social development. When formulating the plan, the government needs to consider national level socio-economic policies, national pride projects, and inter-governmental projects. Provincial and local governments then have to formulate their periodic plans according to the national periodic development plan.

#### **ii. Provincial periodic development plan**

According to the Constitution of Nepal, provincial governments have to formulate provincial periodic development plans, including the subject and areas within their jurisdiction, with respect to the economic and social development of the province. Like in the formulation of the national periodic development plan, provincial governments need to consider provincial-level socio-economic policies, provincial-level projects, and development projects that incorporate two or more local governments. The provincial periodic development plan needs to be aligned with the national periodic development plan.

#### **iii. Local-level periodic development plan**

According to the Constitution of Nepal, local governments have to formulate local-level periodic development plans, including the subject and areas within their jurisdiction, with respect to the economic and social development of the local government. Local-level socio-economic policies and local-level projects needs to be incorporated while formulating the local-level development plan, which also needs to be aligned with the national and provincial periodic plans.

*Source: NPC, 2018*

According to the principles of federalism, coordination between the different spheres of government is secured through consultations at development planning coordination meetings.

The periodic plan includes 22 ongoing national pride projects, 18 new transformative projects, and 177 high priority projects. Likewise, provincial governments, too, have developed their first periodic plans aligned with the national periodic plan. Similarly, a few local governments have either prepared or are in the process of drafting their periodic plans.

### Box 8: Long-term plan and annual plan

#### **i. Long-term plan**

Long-term plans are formulated in order to achieve the country's long-term objective or vision. Their periods range from 15 to 25 years. The federal government has formulated the 25 Year Long-Term Vision 2100 in order to make Nepal a developed country in 25 years. The plan coincides with the country's 15th periodic plan and also internalizes the goals, targets, and milestones of the 2030 agenda.

#### **ii. Annual plan**

Annual plans are formulated for one fiscal year, and are developed to meet the objectives and vision of the medium-term plan. The annual plan translates the periodic plan into action. Resources are allocated by estimating the outputs that can be obtained in a year. While formulating this plan, the medium-term expenditure framework has to be considered and made as per its provisions. Annual plans are important because the attainment of the long- and the medium-term plan's vision and objectives highly depend upon its success. Therefore, the policies adopted in the annual plan and its implementation are formulated based on the implementation capacity and utilization of the resources.

*Source: NPC, 2018*

### Development planning at the provincial level:

All provinces have formed policy and planning commissions to prepare their development plans. These commissions select the development projects to be jointly funded by the federal, provincial, and local governments. The provincial policy and planning commissions coordinate with the federal and local governments to draft and implement the development plans. The NPC has prepared the Province Level Planning Guideline, 2075 (2018), which explains in detail the planning process of the provincial level. As per the mandate of the Constitution of Nepal and other legal provisions, the provincial government must prepare the provincial periodic plan covering both the social and economic development of the province within its mandated functional jurisdiction. The guideline has explicitly mentioned that the province needs to take into consideration the federal plan and directives while planning its periodic plan.

### Development planning at the local level:

The Constitution of Nepal has devolved many developmental functions to the local level. Local governments have the autonomy to develop and implement development plans using their exclusive power, as mentioned in Schedule 8 of the Constitution. Local governments prepare their development plans according to Section 24 of the Local Government Operation Act, 2074 (2017) . While preparing their plans, local governments should consider the Constitutional provisions, existing rules and regulations (Local Government Operation Act, 2074 (2017) , Intergovernmental Fiscal Act, 2074 (2017) , National Natural



Resource and Fiscal Commission Act, 2074 (2017), existing federal and provincial policies, the long-term vision of the federal and provincial governments, federal and provincial periodic plans, the Sustainable Development Goals (SDGs), guidelines and directives of the federal and provincial governments, and local needs. While preparing periodic plans, local governments have to adhere to a planning process the LGOA has detailed out in Section (24), as given in the box-9.

## Budgeting, annual plan and coordination

The Ministry of Finance has issued a guideline and framework<sup>12</sup> to all federal ministries, provincial governments, and local governments regarding the budget formulation process. Although this might be seen as a centralized process, it is a federal-provincial-local coordination tool for the development programme. The guideline was issued because provincial and local governments heavily depend on fiscal transfers from the federal government<sup>13</sup>. It is a broader framework for setting developmental goals and development planning for provincial and local governments.

The country's vision of the SDGs is an essential criterion for planning the annual programme and budget. All three spheres of government must prepare their programmes along with the MTEFs, SDGs and long-term vision of the fifteenth five-year plan, which broadly provides a coordination framework between the federal, provincial, and local governments in development planning.

All three spheres of government prepare their annual programmes and budgets according to the budget guideline in order to foster good governance, achieve the national development goals, and prioritize on the production and job creation sectors. Besides, the Inter-Provincial Council's Federalism Implementation Work Plan, 2075 (2018), and Criteria for Distribution of Development Projects between Federal, Provincial, and Local Governments, 2076 (2019), are important instruments for facilitating development planning and programme coordination between the three spheres.

The Provincial Fiscal Procedure Act facilitates the budget formulation process at the provincial level. The Ministry of Economic Affairs and Finance in each province provide a budget ceiling to the line ministry departments of the respective provincial governments. This ministry then complies and finalizes the provincial budget.

The Local Level Plan and Budget Formulation Guideline, 2017, directs local governments to prepare a thematic list of ward-level projects prioritized by ward committees, and projects that are deemed necessary at the local level. A five-member working committee identifies possible projects with wider consultation in different thematic areas. Local governments

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<sup>12</sup> The Ministry of Finance has issued the guiding framework (A guideline for budget formulation including three-year mid-term expenditure framework for the fiscal year 2021-2022, 2021) to follow the budget making process.

<sup>13</sup> On the recommendation of the National Natural Resource and Fiscal Commission, the federal government provides equalization grants to the provincial and local governments. Provincial and local governments heavily depend on fiscal transfer from the federal government for provincial and local level development projects.

### **Box 9: LGOA, 2074 Article (24): Developing and implementing local plan**

- The rural municipality and municipality may develop and implement periodic, annual, strategic and thematic mid-term and long-plan development plan for the development of the local level under its jurisdiction.
- While developing plans as per Sub-clause (1), areas inter-related to good governance, environment friendly and child friendly governance, climate change adaptation, disaster management and gender and social inclusion should be considered in pursuance to the policy, target, goal, time limitation and process of the government of Nepal and provincial government.
- While developing the plan, the rural municipality and municipality may do so by giving priority to following matters:
  - That directly contributes to economic development and poverty alleviation,
  - That could bring production-oriented and quick outcomes,
  - That uplifts the living standard, income and employment,
  - That ensure maximum participation of the local people, could mobilize volunteers and cost less,
  - That leads to maximum use of local resources and skills,
  - That directly benefits the backward class, region and community,
  - That enhances gender equality and social inclusion,
  - That supports protection and promotion of sustainable development and environment preservation and promotion,
  - That preserves lingual, cultural aspect, and supports enhancement of social harmony and solidarity.
- Based on the Sub-clause (1), the rural municipality and municipality must prepare an inventory of the projects of mid-term and long-term nature.
- While developing and implementing its plan, the local level must ensure maximum participation of the local intellectuals and subject matter experts, experienced and retired professionals as well as of the local residents including the marginalized and near-extinct community, women, children, dalit, youth, minorities, people with disabilities, elderly citizens living within its area.
- While developing, implementing, monitoring and evaluating its plans, the rural municipality and municipality must do so after also preparing the prior estimation of resources, prioritization of project, selection of projects based on feasibility study, plan implementation time table and monitoring and evaluation plan.
- In case the Government of Nepal and provincial government have set any procedures after providing any grant for a special programme, then the rural municipality and municipality must carry out the project and programme management following the same process.
- The rural municipality and municipality may operate and manage any plan or project in joint investment of the Government of Nepal or provincial government or in public-private partnership.
- The rural municipality and municipality shall coordinate, facilitate and support the implementation of federal and provincial level projects.
- The rural municipality and municipality may carry out the act of necessary study, research and impact assessment of the local level development projects.

*Source: Local Government Operation Act, 2074 (2017)*

prioritize their annual projects based on different criteria of budgeting and annual plans in line with guidelines from the federal and provincial governments and local needs. When planning and selecting projects, local governments consider their feasibility, technical capacity, and budget ceiling while avoiding possible duplications and inter-thematic complementarity. The Budget Plan and Programme Formulation Committee at the local level recommends development projects to be included in the annual budget, and local governments get those plans and programmes approved from the municipal council.

#### **Box 10: Complementary and special grants for development (FY 2077-78)**

In fiscal year 2077-78, the federal government has planned 214 development projects, costing around Rs. 11.8 billion, to be implemented through local governments. The local governments will have to arrange half of the budget while the federal government will provide half of the project costs through complementary grants. Similarly, the federal government will provide Rs. 14.98 billion (approximately half of the project cost) to the provincial governments to implement 59 development projects for which the provincial governments will have to arrange half of the project cost (Rs. 15.2 billion).

Similarly, the federal government has allocated Rs. 17.6 billion and Rs. 16.5 billion to provincial and local governments respectively to execute 43 special programmes around the country.

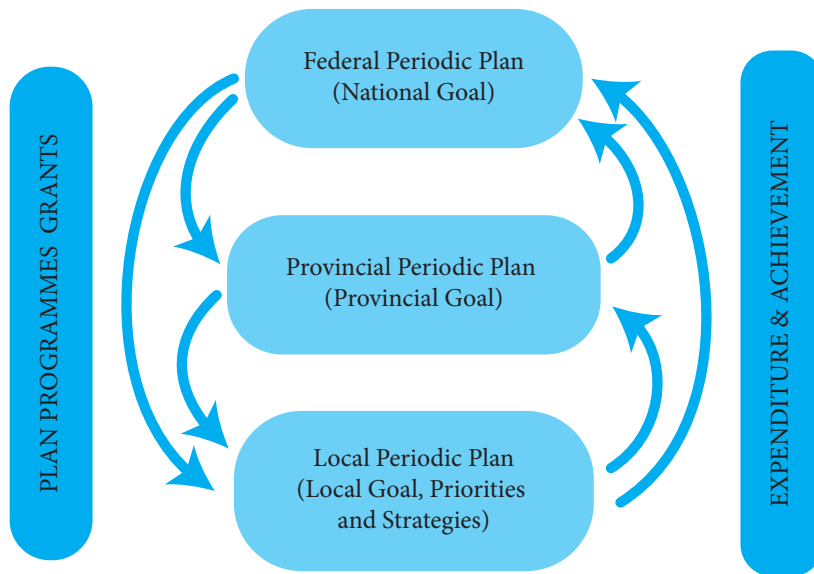
*Source: NPC, 2077 (2021)*

In its previous unitary form, the Government of Nepal tried to address local needs through the 14-step plan. In the federal governance setup, the federal government unveils the federal budget first, followed by the provincial and local budgets, which reflects the planning process has still not changed its top-down approach (Devkota, 2020). While the present practice of federal-provincial-local relations may sound hierarchical, it provides the mechanisms and practices of vertical coordination in development planning and budgeting.

### **Coordination frame between federal, provincial, and local planning**

While preparing the periodic plans, the federal government defines the national vision, goals, and targets. Then, the provincial governments align their vision and goals with those defined by the federal level. Similarly, the local governments consider both national and provincial goals and targets while defining their goals and targets. This interrelationship of federal, provincial, and local planning is shown in the following figure.

Figure 1: Interrelationship of federal, provincial and local planning



Source: NPC, 2074 (2017)

### Institutional arrangements for vertical and horizontal coordination in development planning

The cherished principles of Nepal's federalism—cooperation, coexistence, and coordination—have provided major guidance for development coordination, along with other administrative, legislative, and executive powers among the three spheres of government. The inter-governmental mechanisms and processes for federal-provincial-local relations are closely related to coordination in development planning. The institutional arrangements, besides the planning bodies at both national and provincial level, for inter-governmental relations, such as the Inter-Provincial Council, are important for the effective functioning of development planning among and between governments.

**National Coordination Council:** The Federal, Provincial and Local Level (Coordination and Interrelation) Act, 2077 (2020), has provisioned the National Coordination Council, which is chaired by the prime minister. The council coordinates and address the complexities related to the national plan, policy, and laws at the provincial and local levels, and coordinates in the drafting of laws, policies, and strategies that might affect the inter-province and local level. It may also form different thematic committees as required. These thematic committees, in turn, coordinate to maintain uniformity, continuity, and quality in the thematic plans, policies, and programmes. They also bring effectiveness to the implementation of laws, plans, policies, and strategies through coordination among the concerned line ministries of the federal, provincial, and local levels.

**Inter-Provincial Council:** The Inter-Provincial Council is in accordance with Article (234) of the Constitution. It has been envisioned to settle political disputes between the federal and provincial levels, and among the provinces. This council functions under the leadership of the prime minister, and includes the home minister, finance minister, and chief ministers.

**Provincial Coordination Council:** The Provincial Coordination Council manages coordination or inter-relations between the provincial and local levels, local levels in more than one district within a province, local levels in the area of development projects, and matters concerning their rights. This council is formed under the leadership of the chief minister, with the minister of internal affairs and law, minister of economic affairs and planning, and chief secretary of the provincial government. It also includes one person from each district of the province, chosen from among the chairperson or deputy chair of rural municipalities, mayor or deputy mayor of urban municipalities, and head or deputy head of the district coordination council. The secretary of the office of the chief minister and council of ministers acts as the member secretary of the council.

**National Natural Resources and Fiscal Commission:** Articles 250 and 251 of the Constitution include the provision of the National Natural Resources and Fiscal Commission. The main responsibility of the commission is to deliver on tasks related to the fiscal transfer system. It also has the responsibility to make suggestions in case of disputes over the use of natural resources between the different spheres of government.

**District Coordination Committee:** Article 220 of the Constitution states that the role of the District Coordination Committee<sup>14</sup> is to coordinate between the federal and provincial government offices, and local governments. Though district coordination committees do not have executive powers, they have the role of coordinating, monitoring, and evaluating local governments in the district.

**Intergovernmental Fiscal Council:** The Intergovernmental Fiscal Arrangement Act, 2017, has envisioned the Intergovernmental Fiscal Council for discussions on financial matters between the federal, provincial, and local governments. The council is structured under the leadership of the federal finance minister, and includes provincial finance ministers, provincial ministers of economic affairs and planning, 14 representatives from local governments, and three experts designated by the federal government. The Intergovernmental Fiscal Council is a common forum for discussing fiscal issues between the federal, provincial, and local governments.

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<sup>14</sup> District Development Committees were powerful agencies under the unitary form of the state. However, District Coordination Committees, though Constitutionally recognized under federal Nepal, have no executive power, roles, and responsibilities.

## CASES OF LOCAL-LOCAL COORDINATION IN DEVELOPMENT AND PLANNING

In the federal setup, both vertical and horizontal relations are important for coordinating development activities. In the following pages are a few examples of local-local and provincial-local coordination that provide a lens on the practices of coordination in development planning in Nepal.

### Local-local coordination:

#### *Case 1: Local-local coordination during the COVID-19 pandemic*

In 2020, with COVID-19 cases rising across the country, local governments in Gandaki and Sudurpashchim provinces worked together to fight the pandemic. Ten local governments in Tanahun District in Gandaki Province installed polymerase chain reaction (PCR) machines and adopted a cost-sharing modality to construct a separate COVID-19 care building at G. P. Koirala Respiratory Centre, Belchautara (Rasaili and Singh, 2020). While 30 beds were arranged for the COVID-19 care unit, they are still struggling to install all necessary equipment. These local level governments are once again working jointly during the second wave of the pandemic<sup>15</sup>. Similarly, 10 local governments in Baglung District, Gandaki Province, came together to install PCR machines and build quarantine facilities. Additionally, they asked the provincial government to set up an isolation and a holding centre, and install a PCR machine, along with support for the installation of a laboratory, quarantine management, and other necessary equipment (Shrestha, 2020). Similar practices have been reported in Gorkha District in Gandaki Province (Himalayan News Service Pokhara, 2020), and Darchula District in Sudurpashchim Province, where all nine local governments collaborated to purchase PCR machines and establish a PCR laboratory (Dhami, 2020). In Kailali District, Sudurpashchim Province, local governments decided to run a temporary COVID-19 hospital at Tikapur's City Hall. The hospital has 30 beds and an additional 12-bed isolation room. All local governments share the cost of running the hospital (The National News Agency [RSS], 2020).

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15 रसाइली, सम्भना (२०७८). आईसोलेसनमा उपकरण अभाव, <https://ekantipur.com/pradesh-4/2021/04/30/161975571338288818>

## ***Case: 2: Local-local coordination in development planning***

The Local Self-Governance Act (LSGA), 1999, had entrusted local bodies with developmental functions that were to be implemented through a participatory approach. Though the LSGA has been nullified with the enactment of the Local Government Operation Act, 2074 (2017), it institutionalized a culture of people's participation in development at the community level.

Local governments implement development projects in coordination with non-governmental organizations, community groups, users' committees, and cooperatives. Local users' committees, under the administrative jurisdiction of local governments, have regularly cooperated to implement development functions. An example of this is the construction of Namuna Marga, which connects Shukla Gandaki Municipality in Tanahun District with Harinash Rural Municipality in Syangja District. Residents of the districts, both of which fall in Gandaki Province, planned and raised funds locally. The road was then constructed a decade ago. Later, people pressurized the local governments on both sides to allocate a budget for its upgradation.

Another instance of local-local coordination is that of a motorable road that connects Sakhe in Shakulagandaki Municipality, Tanahaun District, and Magyam Chisapani in Harinash Rural Municipality, Syangja District. While this stretch had been in operation for a decade, community people in Harinash Rural Municipality lobbied their administrative jurisdiction to gravel and blacktop the road. The same took place in Shuklagandaki Municipality. The local levels also asked the provincial government to build a bridge over Kyangdi Khola. This year, Gandaki Province allocated a budget for the bridge construction and road upgradation. The construction work has already begun.

Yet another example of local-local coordination is that of a bridge connecting Shuklagandaki Municipality and Myagde Rural Municipality in Tanahun District. Both local governments agreed to build a bridge on a cost-sharing basis. The bridge was estimated to cost NRs. 7,000,000, with NRs 5,000,000 being contributed by Shuklagandaki Municipality and NRs 2,000,000 by Myagde Rural Municipality.

## ***Case 3: Valley Municipal Forum***

Eighteen local governments of the three districts of Kathmandu Valley have formed a consortium called the Valley Municipality Forum (VMF) with a mission to develop advanced cities and towns in the area (Onlinekhabar, 2018). The VMF intends to develop an integrated plan for waste management in Kathmandu Valley, and coordinate with the federal and the provincial governments to resolve problems related to development and construction, and service delivery (RSS, 2019). All municipalities in the Valley decided to prioritize the concept of a clean city. In addition, these municipalities have decided to organize campaigns against COVID-19 by raising awareness, managing quarantine zones in their respective areas, providing health services, and monitoring markets (RSS, 2020). However, these principles and ideas are yet to be visible in execution.

## Key issues and challenges of development planning in the federal setup

Implementation gaps, particularly those in provisions and practices, are a major problem in Nepal's governance system. Many legal provisions made so far under federal system are yet to translate in action (Sigdel, Adhikari & Kharel, 2021). Due to the gaps on provisioning and practices, the questions have arisen regarding the execution of structural provisions of intergovernmental coordination and cooperation in day-to-day practices. The Inter-Provincial Council, the key Constitutional body for resolving disputes between the federal and provincial governments or between provincial governments, has not functioned as expected. In fact, provincial governments have complained about its reluctance to take action<sup>16</sup>. An expert that was interviewed for this study explained that problems in coordination further arose when the prime minister publicly refused to respect the Constitutionally-mandated autonomy of provincial and local governments. Then, it became not only a problem in coordination but also a manifestation of the deep-rooted idea of centralization<sup>17</sup>. Similarly, the function of the Provincial Coordination Council, headed by chief ministers, has also been questioned. Local governments have complained that the body has not been able to solve the problems of the provincial and local levels<sup>18</sup>.

Another major issue in development coordination planning is the deficit in trust among the different spheres of government. The essence of cooperative federalism is in the principles of cooperation, coordination, and coexistence between the three spheres. However, a clear lack of trust is visible among them. Provincial and local governments accuse the federal government of dictating them on development programme issues. On the other hand, the federal government states that the provincial and local levels have been acting independently.

Another issue is the perceived interference of the federal government in provincial and local jurisdiction. The federal government is not willing to delegate power and authority to provincial and local governments in many cases (Sigdel, Adhikari & Kharel, 2021). The federal government argues that it had to initiate a number of projects within provincial and local government's jurisdictions because of the capacity gaps, in early stage of implementing federalism, in these levels. It believes that the provincial and local governments need federal support on account of these gaps.

The federal government provides planning guidelines, legal instruments, and acts and regulations for the provincial and local level. It is due to this reason that the federal government is criticized by development planning experts, who accuse it of adopting a planning process similar to those that existed that under the unitary system. Experts have brought up the federal government's reluctance to change the planning framework according to the federal setup<sup>19</sup>.

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*16 Interview with elected local representatives and experts in federalism*

*17 Interview with elected local government official*

*18 Interview with elected local government officials and development practitioner*

*19 Interview with an expert on development and planning*



There have been gaps in coordination between the federal and provincial/local levels as well. One such example was the prime minister's announcement of the construction of 165 roads in each electoral constituencies<sup>20</sup>, which was done without proper coordination, according to a development planner<sup>21</sup>, with provincial and local governments.

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<sup>20</sup> For further detail: <https://thehimalayantimes.com/nepal/prime-minister-sets-in-motion-construction-of-165-roads-across-country>.

<sup>21</sup> Interview with an expert on development and planning

## CONCLUSION AND FURTHER RESEARCH

With the Constitutional provisions and mandates, a number of legal instruments and guidelines for planning and development of projects exist to facilitate coordination among the three spheres of government. The developmental function of the state has been distributed to all three spheres. The legal provisions, along with development planning and coordination guidelines, have been drafted respecting the principles of co-existence, cooperation, and coordination through which all three spheres of government execute developmental functions. There have also been a number of criticisms: A major criticism is that the development-planning process in the federal setup has not differed from that under the unitary form of governance, and the National Planning Commission has not significantly changed its planning process under the federal setup and provincial governments have formed similar planning bodies without significant reforms in procedure.

However, a number of legal and policy instruments and structural mechanisms have been established to ease and facilitate development coordination among all spheres of government. While making them functional as per the spirit of federalism has been a challenge, it is an indication that the provincial and local governments are aware of their roles, which they are assuming in effective ways. They have displayed and elaborated vertical and horizontal coordination during the pandemic and in other development functions. In the course of practicing federalism, development planning coordination should be stronger. Understanding how development coordination will evolve in federal Nepal will require continuous research. This will be essential in order to explain and analyse how inter-governmental coordination provisions translate into practice and the manner in which the coordination mechanisms are executed.

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