



Decentralization in Nepal: Two Decades of One mission and its Progress

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Decentralization has remained in the Nepalese national agenda for the last two decades. Between 1980 and 1997, two acts were promulgated and six review and recommendation commissions constituted.

The recent one was a High Level Commission for Decentralization, headed by the Prime Minister. More recently, a bill, based on the recommendation of the commission, was tabled in the parliament for approval. While each successive bill claims to be more liberal than the previous one, the Federation of District Development Committees has already expressed fears that even the current bill could end up with diluted fundamentals. As periodic exercises displace one legislation with another, the nation awaits a decentralization act that can make everyone happy.

Although a pragmatically drafted legislation may create a background for both intended and unforeseen changes, at the receiving end, these two decades have made very little impact. These interventions, however, have managed to exhibit a desire in the

government to decentralize its functions and extend public participation in governance. They have also supported the argument that decentralization is not easy to achieve.

With the emergence of a gap between the intent and the outcome, it is difficult to doubt the sincerity of the efforts made by the state. However, it does indicate that the process has inherent conflicts. The source of conflict may just be in a mismatch of political will and social reality. At a deeper level, the conflict probably lies in the indefinite relationship between decentralization of state and decentralization of society at large.



Context of decentralization

Nepal has its own set of problems that have necessitated a decentralized approach of governance. Though small in size, it is geographically and culturally very diverse. Its human and economic resources are severely underdeveloped. Socio-political exploitation and marginalization are still a potent problem in this country. The central institutions have remained hegemonistic throughout its modern history.

In fact decentralization has never been an essential component of Nepalese political and social tradition. Rural Nepal, which constitutes seventy percent of the habitat, is still under socio-political dominion of feudalistic and elitist leadership. The state had remained in the grips of a centralized and monolithic power structure for over two centuries. This nation was under active monarchy until popular revolt established multiparty democracy in 1990. The hangovers of the centralist tradition is persistent both in the government paraphernalia and society.

Under these circumstances, one need not argue if the existing socio-political fabric needs to be changed. But it can be argued if

decentralization of the state is the correct vehicle for the change. There are many who believe devolution of state power, without strengthening inherent democracy in society, can serve to legitimize and perpetuate existing power structures and exploitation.

In fact, political observers and erstwhile policy-makers today agree that the word decentralization in the Panchayat Era (before 1990) carried a different meaning. Decentralization was used as a tool for creating a monolithic, impenetrable political power structure in this country. The Decentralization Act of 1982 created Village Panchayats (village councils) and District Panchayats (district councils) at village and district levels. On the surface, it was a move towards deconcentration of the state functions. In actuality, these institutions were used to extend the political base of the regime and to propagate its “partyless” character right down to the grass roots. The remnants of this utility can still be found in political mind-sets today. Even the framework of decentralization has remained the same. The state may, however, have become more benevolent.



Politics and decentralization

In a newly established democracy, political parties do not have extensive organizational roots at local levels. Use of subnational bodies for political gains is an expected possibility. This element has become a source of political conflict in Nepal. Though it sounds conceptually completely misplaced, decentralization is often viewed in political light and seen as a tool to engineer electoral gains. The ruling party at the centre finds it imperative to see who is in the majority at the local levels before decisions on devolution or resource allocation are made.

The doubts surrounding the currently proposed bill are of similar nature. Leftist parties have majority hold in the local bodies and a

liberal party is ruling at the centre. A section of the ruling party believes that this is not a good time to empower local bodies. The situation before the Second Local Elections was exactly the opposite, with the leftists at the centre and liberal majority in the districts. This was when the entire recommendations of the Commission on Decentralization were bypassed and an interim act, which was limited to reconstitution of the local bodies, was brought in the Parliament for approval.

These events and their resultant impact have set off a wave of partisanism down to the grass roots. When perceptions are politically coloured, the scope for a social consensus diminishes. Consequently, the loss of social capital invariably affects governance and development delivery. For instance, in 1996 the government increased the block grants going to the Village Development Councils (VDCs) by ten folds, from fifty to five hundred thousand Rupees. The move was discordant with the National Planning Commission recommendations but it was a bold step towards decentralizing public sector investment. It was also expected that this shock treatment would catalyze local development and develop local capabilities.

This shift in policy also shifted the focus of grass-root politics from social to fiscal realms. Resource allocation debates used up most of the local political energy. At the end of the second quarter of the fiscal year, around 60 percent of the VDCs subdivided the grant in equal division in nine wards or electoral constituencies of the council. In other words, need-responsive planned allocation was not possible in more than 2500 village councils. The sum of the amount in question is around three percent of the national budget outlay and over five percent of annual development expenditure.

We may even consider the form and modality of resource flow from the centre to be a policy matter, with definite but limited political implications. However, when within a village council, a ten-

dency to distribute development resources among constituent wards in equal shares emerges, it exerts other implications as well. It inadvertently depicts the lack of politically functioning consensus in society. A condition upon which, decentralization will find it difficult to take roots. Especially because decentralization is meant to develop a system where the economic costs of public decisions are borne by the people.

The policy installed an irrational practice of resource allocation which is difficult to revert without reverting decentralized investment programs. Lessons like these raise the question if decentralization is always a sure winner, especially, where its relationship with politics is concerned.



Decentralization and development

Discussion on decentralization, vis-à-vis its role in development delivery, provides firmer ground for evaluation and assessment of inherent issues. For a country like Nepal, with a seven year old democracy and 153rd rank in the Human Development Index, the challenges and means of development management is of paramount concern. Which is probably why decentralization in this country, even with little gains on the governance front, has remained an integral part of its development strategy.

Decentralized planning and investment has three stated advantages. One, it is more likely to be need-responsive, two, it is cost effective, and three it helps develop local capability and self-reliance. Though the philosophy is as widely contended as it is advocated, need-responsive allocation is considered the best tool to achieve equity in resource distribution. On the surface, decentralization also looks like the best known vehicle to carry that mission. In practice, decentralized resource distribution is most unlikely to support equity at qualitative levels.

Further, one of the fundamental objectives of decentralization is to enable flow of resources from centre to localities and from localities to centre. In Nepal the top-down flow of resources has been the only means of sustaining decentralization. The state is seen as the provider. It almost appears as if decentralization is in fact, a mechanism to send money to the villages. Within this framework the advantages of decentralization can hardly become palpable.

Decentralized investment alone does not guarantee qualitative equity. Qualitative equity is easily lost when investment decisions cannot be based on need and have to be justified in quantitative terms. Decentralization of supply invariably calls for, in the lack of other rationale, some sort of quantitative equity. I cited a case earlier to indicate that need-based response is quite different from making provisions for locally accessible and spatially distributive state resources.

The fact that Nepal, with twenty million people and a size nearly twenty times smaller than India, is divided into almost four thousand village councils and that they are even provided uniform development grants, may present an impressive case of decentralized public investment. However, the equity factor gets disturbed, quantitatively, when the four thousand Village Development Councils are immensely variant in size, population, topography and resources. It gets further disturbed, qualitatively, when even the internal allocations are distributive and not need-responsive.

The other advantages such as cost effectiveness and local capability enhancement are long term benefits which require large and sustained investment. For instance, the government spends around 350 million Rupees to provide basic personnel support to the Village Development Councils. That is more than fifteen per cent of the total development grant going to the villages. It is dif-

difficult to justify a fifteen percent mark-up in rural development costs unless it substantially helps rural capability-building in the long run and renders sustainability to the process. At the moment it is difficult to see that the expenses generated by decentralization in this and other realms could easily pass as a nationally sustainable phenomenon.

Nepal has tied decentralization and local development in a policy paradigm which in many ways has limited the scope of both the processes. It is difficult to exactly point out if decentralization has palpably stimulated a development process in Nepal. It is also incorrect to say that decentralization in Nepal is complete and totally functional such that it may substantially aid its developmental aspirations.



Decentralization and democracy

Local functionaries acquire legitimacy through elections. Their action is physically and politically under closer scrutiny than that of central functionaries. This generates an environment for greater accountability and responsiveness. Public accountability is one of the fundamental traits of democratic society. In a country like Nepal, decentralization can substantially help install a more transparent and accountable governance at the local levels.

Decentralization in Nepal has also been seen as a medium for minimization of regional, social and gender imbalances. However, its validity towards that cause is greatly dependent on local variants. In some cases, it has served to further aggravate imbalances. In order to achieve the same objectives in spatial segregation, decentralization should nationally develop a capability to respond to diversity and to find diverse solutions to territorial and social heterogeneity. In the absence of which, decentralization can further aggravate territorial and social imbalances.

A pluralistic and democratic society has to emerge at the grass roots, if decentralization is to help empower the weaker sections of society.

Actual benefits of decentralization like extension of democracy and incremental social capital do not automatically occur like predictable by-products. Especially at local levels, where the powers held by individuals have traditionally always superseded the limits legitimized by social institutions. The exploitation prevalent in the socio-economic realm can easily transgress into the political realms. Decentralization is a likely vehicle for transformation of power, though it is always considered to be an implement of transfer of power.

People's ability to exercise options in civil society interactions and within social hierarchies often becomes the requisite condition for pluralism to prevail. Since the expected benefits of decentralization are dependent on wholesome and pluralistic participation of civil society, the right way to start decentralization is probably by activating the people and their institutions rather than by creating territorial and functional fragmentation. Capabilities for self-support and local initiative are primary conditions for effective devolution. Without these traits the state and its institutions, whether in centralized or in decentralized form, are forced to assume leadership of the people. As long as leadership of the society rests with the state, decentralization has limited advantages.



Conclusion

While decentralization does seem like a solution to one and all ills of governance, we have seen that there are persistent preconditions to be met before it can function properly. Among those the more emphatic ones are: one, it should essentially be seen as a socially aspired condition of governance and not a state-led pro-

ject; two, adequate economic and human capabilities should be present in society; three, there should be distinct boundaries that delimit the state from functioning like a sum of parts; four, the economic cost of extension should be met by a bottom-up regeneration of resources; and five, a coercive and articulate participation of civil society is needed to utilize the political opportunity generated by the process.

These conditions do not evolve overnight. Nor can these conditions be created by the state alone. Decentralization of state is closely related to decentralization of society, neither can happen without the other. The decentralization process in Nepal has suffered largely because it was conceived without any sensitivity to the national socio-political context. It was a top-down concept to achieve a bottom-up objective. It is only recently that local bodies have begun to spell out what decentralization means to them, and what kind of decentralization they want. Politics has become more sensitive to local needs and views. Two decades of decentralizing efforts, despite shortcomings, have rendered a voice to the people and localities. In a way, this newly developed assertiveness is a signal towards a better functioning decentralization in Nepal.