



# Participatory budgeting at the local level in Nepal

By Thaneshwar Bhusal

On 29 May, the government of Nepal released its [annual budget for the fiscal year 2017/18](#) (that starts on 16 July) worth 1278 billion Nepali Rupees (Rs). Presenting the budget in the national parliament, the then-Finance Minister Krishna Bahadur Mahara said, “Unlike previous years, none of our elected parliamentarians would see any program or project to be implemented in their areas. Instead, they will see the exact amount of money that is, for the first time in Nepal’s budgetary history, devolved to village and municipal councils in their electoral

constituencies.” Of the total budget, Rs 225 billion (17.6%) will be directly devolved to newly established village and municipal councils. Only 33% of this budget is conditional.

This historic arrangement of budget for local governments opens several possibilities, which are exciting for the following two reasons. First, it marks the beginning of implementing [federalism](#) in the country. Local governments are empowered to exercise the greatest level of autonomy; [as some analysts call it](#), ‘exercising the power of Singh Durbar [the domain of central government] at the very bottom of the villages and municipalities’. The days when local governments would have to wait for what the central government would decide for them have gone. Local governments of our time can decide their fate on their own both in terms of policy and politics.

Second, the role of [local governments](#) has been expanded to all the steps of an ideal cycle of policymaking: formulation, implementation and evaluation. The earlier [constitutional](#) and [legal frameworks](#) had envisioned local bodies (not governments) to be the main actor in implementing the policies and programs, hence their role was not regarded as effective in the formulation and evaluation of public policies. In other words, reformers in the past were seemingly concerned about the implementation capacity of local bodies, rather than actually enhancing their policymaking capacity. The newly formed (and [elected](#)) local governments will have to be accountable (not only responsible) for formulating, implementing and evaluating public policies at the local level.

These two aspects of local governance in Nepal have implications for development policies at the local level. Under the [new constitutional](#) as well as [proposed legislative provisions](#) [link opens in Nepali language] about development management, the newly elected local governments can now make long-term development programs on their own. Previous arrangements about long-term local development programs and projects were largely ineffective as the fate of such programs used to rely on the extent to which the central government would

play a role in designing developmental projects, even at the local level.

However, these exciting possibilities are only a part of the story. The other part is rather worrying. Three important aspect of local governance should be acknowledged here, as they encompass the question of how difficult is it going to be to implement the aforementioned tasks.

First of these is the capacity of local governments. Almost all the local governments in Nepal have relatively unskilled bureaucratic staff, and ineffective bureaucratic structures. The existing system of local governance is entirely inscribed in the traditional hierarchical foundation of public administration which is, [in many ways](#), too weak to bear these new responsibilities. To what extent will the local administration be capable of effectively managing such a transformed landscape of local governance?

The second aspect is about coordination among local entities, between local and state governments, and also between local and federal governments. Within the local government jurisdiction, the constitution has provided an obligatory framework that makes the local government responsible for about 21 different functions. These functions are currently dispersed at several locations (districts, municipalities, and villages) and are mainly operationalised by the de-concentrated units of the central government. Coupled with several legislative provisions, such as the [Order of the Government of Nepal to Manage Local Governance and Service Delivery, 2017](#), the 2017 budget has enabled local governments to articulate local public policies, service delivery arrangements and resources (including the human capital) into the single jurisdiction of the local government. Will the local governments be able to coordinate among fundamentally different public sector entities?

The third dimension is about ensuring people's participation. While the existing structure of the local government is instituted based on the principles of representative democracy, there does not seem to be any exclusive mechanism

that would ensure the participation of traditionally marginalised communities and groups into the mainstream local governance. Moreover, the existing budgetary framework shows that village and municipal councils can decide the allocation of the budget, but it does not provide specific ways of ensuring participation of excluded communities and groups in the decision-making. How will these councils ensure the participation of people representing the wider spectrum of their societies? There seems to be the danger that electoral winners are going to decide the fate of local people while neglecting the voices of electoral losers.

This situation opens up the possibility of introducing participatory budgeting as a way of engaging ordinary people in the making of public policies, developmental projects and service delivery arrangements at the local level. There are two possibilities that suggest the notion of participatory budgeting is on its way to Nepal's local government. The first one is the provisions that are articulated in the proposed Local Governments Act which is currently under the consideration of the national parliament. The proposals say that local governments must operationalise their budget based on the principles of citizen participation, and that citizens must be given adequate spaces at the neighbourhood, ward and municipal level when formulating annual budgets and periodic development plans. While the law is going to be an indicative (not necessarily obligatory) legislative framework, local governments will, by themselves, have to make their local regulations and procedures about formulating local public policies, developmental projects and service delivery arrangements.

Second, the continuation of existing participatory planning is another way through which local governments might seed participatory budgeting in the country. Recently, the federal government has introduced [a revitalised form of participatory planning](#) that is suggested to be adopted by all elected local governments when operationalising their annual budget. Although there is very little research on it, the [available empirical and academic assessments](#) of the participatory planning process in Nepal signals that it has been instrumental in (a) maintaining legitimacy of the local decisions, (b) holding local officials

accountable to local people, (c) ensuring wider (not necessarily only deeper) participation of communities in the local decision-making, and (d) enhancing the quality of local governance in terms of transparency, responsibility and implementable of local decisions. Learning from these practices, the new local governments in the country seem to be adopting the practice of participatory budgeting, though there are caveats on the degree to which they will be able to incorporate popular institutional designs and procedures of participatory budgeting that are successful in many developing countries including [India](#) and [Brazil](#).

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*Note: an earlier version of this article [recently appeared](#) in the op-ed section of [My Republica](#), an English language national newspaper in Nepal.*

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