Decentralized Governance: A Perspective for Nepal

Dwarika N Dhungel
Executive Director
Institute For Integrated Development Studies (IIDS)
Kathmandu, Nepal

Presented at
Seminar on Reforming Governance – Perspectives & Experience
Organized by
Center for Public Policy, Indian Institute of Management
Banglore, India
December 16-17, 2004
Decentralized Governance: A Perspective for Nepal

Dwarika N Dhungel

Context

Democracy presupposes an institutional framework through which people participate in the process of governance, articulate their interest, exercise their legal rights and meet their obligations. In a country where there is a parliamentary system of the government, no doubt the election to the parliament provides the opportunity for the people to participate in the political process of the country to reaffirm their confidence to or unseat the incumbent government and vote for a new government. But once elected to the legislatures, they are away from the National/State capital most of the time. For many voters they became out of reach and get the opportunity to meet or see them only at the time of election. Whatever facilities are made available to communicate to the capital in this context, are neither sufficient nor affordable for many.

Thus, in addition to the parliament, we have to think of the organizational structure that facilitates the people to participate in decision making process in those areas in which they have a direct stake and empower such a structure. It is the local body through which the people participate in such process.

A local body, other than the one formed by members of a community in the form of a community/non-government organization, is established by the government thorough legal provision as a part of the national political structure to enable the ‘management of their own affairs by the people of a locality’ (Golding, 1970). In other words, such a body is created ‘to manage the matters concerning the inhabitants of a particular locality or district by the local people directly or through representatives chosen from their midst, out of the funds wholly or largely raised locally and acting in accordance with the duties and powers conferred on them by the competent political authority, or a sort of legislature in general’ (Dutta nd). One may come across differences between these bodies in different countries in terms of the powers and functions exercised by them. In some countries they may be exercising developmental as well as law and order-maintaining powers while in others, like in Nepal, they may be exercising only developmental responsibilities. Similarly, in terms of nomenclature, one may not find any uniformity. The local body is known as local authority, local government unit, local council, etc, and the term is used interchangeably (ibid.)

Decentralization is generally a policy framework adopted by the government in the form of a programme or legislative enactment to enable the people to participate in the political as well as decision-making process at the local level. In other words, a policy framework adopted by the government to empower the people in the management of their own (local) affairs. A host of writers, such as Henry Maddick, Dennis Rondinelli, G Shabbir Cheema and Leon Ostrom have dwelt upon decentralization as a concept, and the international agencies such as the United Nations Programme (UN), through its publication entitled Decentralisation for National and
Local Development, and the World Bank by initiating, through Dennis Rondinelli and others, a study called Decentralisation in Developing Countries: A review of recent experience, have also contributed substantially in this field. The Indian University, Bloomington through their publication Polycentric Governance and Development have also dwelt upon this subject as one of the contemporary issues.

However, as a concept, it evokes different images for different people—policymakers, scholars and administrators (Olowu 1999). Traditionally, Decentralisation was considered as a strategy to transfer authority to lower units within the organization or to field units (i.e. de-concentration) and the transfer of authority to local bodies (Maddick 1963). In addition, the terms such as privatization, deregulation and denationalization are associated with the term Decentralisation. (Agarwal etal 1999) As such, Rondinelli considers Decentralisation as 'the transfer of responsibility for planning, management and resource raising and allocation of them from the central government and its agencies to: (a) field units of central government ministries or agencies, (b) subordinate units or levels of government, (c) semiautonomous public authorities or corporations, (d) areawide regional or functional authorities, or (e) nongovernmental private or voluntary organisations.' (World Bank, 1984)

Although the term Decentralisation in the context of Nepal, for the first time, got a place in the preamble and directive principles of the Panchayat polity in the Constitution of Nepal of 1962, the history of local body is very old in the country. However, the country wide net work of these bodies, with two tier system—Village/Town and District level—was established in the country in the beginning of the nineteen sixties only. Since then (except for a very short period immediately after the restoration of Parliamentary Democracy in 1990 for about three weeks) they have been in existence with and have become a part and parcel of the local life. They have also been accepted as the institutional mechanism for associating the people in the political as well development process. The Local Self-Governance Act, 1999 is the law through which Decentralisation as a policy framework is being implemented in the country. On the basis of this law, the Decentralisation process in Nepal is discussed. While doing so we would not only be discussing its main features but also would be analyzing its implementation process.

Part I

Constitutional Pronouncement and Enactment of the Local Self Governance Act, 1999

The then government, for the first time in the history of modern local body/authority, had issued the Sanads (orders) for the establishment of a municipality at Bhotahity (a downtown) within the Kathmandu valley in BS 1976 (AD1919). In BS1983 (AD1926) another order was issued to establish the Manayjana Kachahari (Court of the Wise people/ Respectable local Elders) in Dang-Deukhuri Valley in the district of Dang in Rapti Zone/Mid-Western Development Region.
and after that a few more laws were enacted to establish local authorities/bodies in other parts of the country.

But for the first time the country-wide network of these bodies, with two-tier system—Village/Town and District level—was established in the country in the beginning of the nineteen sixties. Since then the local bodies/authorities have been the part and parcel of the Nepalese life. However, unlike the Constitution of Nepal, 1962, the framers of the present Constitution, Constitution of the Kingdom of Nepal, 1990 also failed to realize the importance of these bodies and did not make separate provisions for them in the Constitution. But its contains refers the existence of these bodies in reference to the election of the 15 members for the National Assembly, i.e. Upper house of the Parliament.

In addition, one of the directive principles and policies of the state also envisages the concept in the constitution of the authorities/bodies at the local level. Article 25.4 states:

*It shall be the chief responsibility of the State to maintain conditions suitable to the enjoyment of the fruits of democracy through wider participation of the people in the governance of the country and by way of Decentralisation, and to promote general welfare by making provisions for the protection and promotion of human rights, by maintaining tranquillity and order in society.*

To translate these principles and policies into reality, establishment of local authorities/bodies with clearly laid functions, duties and powers so that people could be able to participate in decision-making process of those matters that affect their day-to-day lives, a law—Local Self Governance Act (LSGA.) was enacted in 1999. This was the first integrated and comprehensive law in the country on the local bodies/authorities in their modern history. To operationalise the provisions of the Act, the government has framed Local Self-Governance Regulations 2056 BS (1999) and Local Authorities (Financial Administration) Regulations 2056 BS (1999).

As for the purpose of conducting the planning and management of development programmes and running the administration, the country has been divided into 3,913 Village units, 58 Urban areas/Municipalities, 75 Districts, 14 Zones and Five Development Regions. The LSGA has made the provision of establishing local body/authority—Village Development Committee (VDC), Municipality and District Development Committee (DDC).

**Main Elements of the LSGA**

1. **Conceptual Aspect of Decentralization**

   One of the problems Nepal had in terms of the decentralization was its conceptual clarity. During the old political system of the period of 1961-1990 (and the Constitution of Nepal 1962), various measures related to the decentralization were undertaken in between 1965 and 1982 to associate the

---

*With regard to the use of the term, the official English version of the Constitution of Nepal 1990 uses the term 'Local Authorities'. Whereas Local Governance Self-Act 1999 uses the term 'Local Body'. Therefore both of these terms are used in this paper.*
people in the development process through the local bodies/authorities. Some of the most important ones were, a twelve year ‘Decentralization Programme, 1965’, the ‘Local Administration Act, 1965’ (latter known as the ‘Local Administration Act 1971’), ‘District Administration Plan 1975’, ‘Decentralization Act 1982’ and its Regulations 1984. But the Government was not found working on it according to the letter and words mentioned in these Acts. It's analyzed as follows. First of all the government did not pursue the decentralization programme of 1965. Secondly, its provisions related to the planning and programming responsibilities of the local body/authority were not included in the Local Administration Act. Similarly, the government did not show the interest to implement the provisions of the Decentralization Act 1984 mainly due to its unwillingness to give away the power of the Singh Durbar – the seat of the Central Secretariat. Further, the provisions of the Act were vague in the sense that they did not indicate whether the government wanted to have the devolutionary or deconcentration type of decentralization established in the country. The consequence of all these was that the district administration rather than the then District Panchayat remained an important organization to, for all practical purposes, the people in relation to the development activities. Against this context, if the Act, judged from its preamble, principles and policies of local self-governance is considered, the LSGA seems to be geared towards the establishment of the devolutionary type decentralization. The preamble of the Act, among others, states that it is expedient to:

Make provisions conducive to the enjoyment of the fruits of democracy through the utmost participation of the sovereign people in the process of governance by way of decentralization,

Institutionalize the process of development by enhancing the participation of all the people including the ethnic communities, indigenous people and down trodden as well as socially and economically backward groups in bringing out social equality in mobilizing and allocating means for the development of their own region and in the balanced and equal distribution of the fruits of development,

Constitute local bodies for the development of the local self governance system in a manner that they are able to make decisions on the matters affecting to day to date needs and lives of the people, by developing local leadership…’

In order to achieve these, the government (HMG/N) in relation to decentralization would pursue the following principles and policies for the development of local self-governance:

Devolution of such powers, responsibilities, and means and resources as are required to make the local bodies capable and efficient in local self governance,

Building an development of institutional mechanism and functional structures in local bodies capable of considering for local people and bearing responsibilities,

Devolution of powers to collect and mobilize such means and resources as are required to discharge the functions, duties and responsibility and accountability conferred to the local bodies,

Having the local bodies oriented towards establishing the civil society based on democratic process, transparent practice, public accountability and people’s participation, in carrying out the functions devolved on them,

For the purpose of developing local leadership, arrangement of effective mechanism to make the local body accountable to the people in its own areas,
Encouraging the private sector to participate in the local self-governance in the task of providing basic services for sustainable development.

(Clause 3, Local Self Governance 1999)

2. **Continuation of a Two Tier System**

Nepal has always followed, except for a short period, the two-tier system. The VDC or Municipality as the lowest unit, while the DDC as the next tier. The running of administration, planning and management of the development in the country, districts have become the focal unit in the system. While accepting this fact, the DDC has been accepted as the main planning body and coordinator of plans and programmes of the VDCs and municipalities. The Act, thus studies the provision for the establishment of a council and executive committee in each of the VDCs, municipalities and DDC in its organizational structure.

Village Council (VC) is the deliberative body of the VDC. It comprises of all the elected members – Chairperson, Vice-Chairperson, Ward member of each ward and six other members including one women who are nominated by this body from the group of social workers, socially and economically backward tribes and ethnic communities, down trodden and indigenous people living with the village development area, belonging to the class whose representation in the Village Council does not exist and who are in possession of the required qualifications to become the member of the village council. Its executive committee comprises of the Chairperson, Vice-Chairpersons, the Ward Member (one from among the five elected from each of the nine areas) and two other members including one woman nominated by the committee from amongst the members of the village assembly as indicated above. Members of the VDC are elected by the people living within its territorial jurisdiction on the basis of the universal adult franchise for a period of five years. Their term ends on the 13/14 July of the fifth year of being elected. The Chairperson and Vice Chairperson are elected by all the voters, whereas, the Ward Member are elected by the voters of the respective wards only.

A settlement with of at least twenty thousand population and with electricity, roads, drinking water and communication facilities could be declared as a municipal area and a municipality is formed. The Municipal Council comprises the directly elected members of the municipality including Mayor, Deputy Mayor, 6 to 20 lady members (40 percent of the nominated has to be women) and ward members being elected from amongst those social workers, socially and economically backward tribes and ethnic communities, down trodden and indigenous people living with the area of the municipality, belonging to the class whose representation in the Municipal Council does not exist and who are in possession of the required qualification to become of the Municipal Council. The Executive Committee, municipality comprises of the Mayor, Deputy Mayor and one of the five members – Chairperson elected from the respective wards, and two members including woman elected by the municipality from amongst the members of the Municipal Council, ie from the ethnic group and so on. A municipality may have nine to thirty five wards depending upon the size of its population. Like the members of the
VDC, members of the municipality are elected directly by the voters of the respective municipality on the basis of the universal adult franchise for a period of five years.

District Council is the deliberative body of the DDC. It comprises of the VDC Chairpersons, Vice-Chairpersons, Municipality Mayors and Deputy Mayors, Members of the DDC, members of the House of Representatives and the National Assembly within the district (ex-officio member) and its six nominated members including one woman who are nominated by the District Council from amongst those social workers, socially and economically backward tribes and ethnic communities, down trodden and indigenous people with the district, belonging to the class whose representation in the District Council does not exist and who are in possession of the required qualification to become the member of the District Council. The Executive Committee (DDC) comprises of the President, Vice President and Members who represent the respective area, members of the House of Representatives and the National Assembly within the district (ex-officio member) and two members including one women nominated by the District Development Committee from amongst the members of the District council, ie from those of the social workers etc. A district area may have nine (minimum) to seventeen members (maximum) depending upon the population of the district and its size.

Unlike the VDC and municipality, the voters of the concerned district do not directly elect both the Council and the Executive Committee of the DDC. Rather the members of the lower units elect them and their term comes to an end on 13/14 July of the fifth year.

3. Roles, Responsibilities and Rights of Each Unit

In addition to the principles and policies related to local self-governance, the Act has also delineated a long list of activities as the roles, responsibilities and rights for each unit, VDC, Municipality and DDC.

For VDC activities included in the Act in the different sectors are: agriculture, rural drinking water, work and transport, education and sports, irrigation, soil erosion, river control, physical development, health, forest and environment, language and culture, tourism and cottage industry and some other miscellaneous activities (Chapter 4 of Part II).

Activities identified for the Municipality are in the fields of: finance, physical development, water resources, environment and sanitation, education, sport and culture, works and transport, health services, social welfare, industry and tourism and some other miscellaneous functions (Chapter 4 of Part III).

For DDC, activities included in the list are related with agriculture, rural drinking water, settlement, water and power, works and transport, land reform and land management, women and helpless people, forest and environment, education and sports, wage of labor, irrigation, soil erosion and river control, information and communication, language and culture, cottage industry, health services, tourism and some other activities under the heading miscellaneous (Chapter 3 of Part IV of the Act).
Each of the VDCs, municipality, and DDCs is expected to undertake the identified activities through the preparation of an annual programme by taking into account the available technical and other resources-own financial resources, government grants and people's contributions. But, since the district is the focal point for the development activities in the country, it has been specifically indicated in the Act that "each District Development Committee shall have to formulate prepare periodic and annual development plans (DDP) for the development of its own district" (Clause 195). The DDC has to prepare such a plan taking into consideration other development programmes - both government and non-governmental programmes (Clause 204). In other words, the DDC is expected to bring about coordination among the various development programmes initiated in a district- government and non-government programmes.

The Act has indicated that the concerned ministry has to classify its departmental programmes into village level, town level and district level programmes (Clause 243). Although it is not specified, the classified programmes could be delegated to the respective unit of local body/authority by the government (Clause 242). Also, to facilitate the planning process of VDC, Municipality and DDC, concerned ministry will have to provide the information about the financial ceilings sector wise for next fiscal year within the month of Kartik (October/ November) and ensure that technical assistance is provided through its field offices to these bodies in carrying out their responsibilities (Clause 243).

4. **Representation of the Weaker Sections from the perspective of Equity**

The basic purpose with which the decentralization is implemented is to enable the people to participate directly in governance processes and empower those, especially under privileged, gender and ethnic groups, who have been previously excluded from the process of decision-making. In the attainment of this purpose, the LSGA authorizes Village Council and District Council to nominate altogether six persons: one woman, and others from among the social workers and economically and socially backward castes, ethnic groups, oppressed (Dalit) and indigenous people, as the members of the respective councils. In the case of the municipality, the Municipal Council from these groups could nominate six to twenty members of whom 40 percent have to be women. In addition, the LSGA has, as already indicated above, made the provision for the representation of these groups in each of the executive committees.

5. **Acceptance of the Participatory Planning Process**

The LSGA requires each and every DDC to prepare a periodic plan and district development plan every year. While preparing the annual plan, the DDC is required to follow the participatory process. This means, it has to consult with the field level offices of the sectoral agencies and has to take into account the annual plans of the lower level local bodies/authorities in the formulation of the annual plan (Clause 197).
6. **Provision for the Establishment of a Local Service**

In the history of the local bodies/authorities, the LSGA for the first time recognizes the needs to have a separate service for the personnel associated with the local bodies/authorities. For this purpose, the government would, as per Clause 255 of this act enact a law on Local Service.

7. **Role of Civil Society/ Non-government in the Local Planning**

Participation envisages involvement of all men and women through organisations representing gender, language, culture and religion charities, business, social and community development works, etc. in the decision-making process (UNDP, 1997). At the local level, various civil societies (non-government organisations and CBOs) are involved in the planning and management of programmes/projects of local importance. The LSGA too recognizes the role of these organisations in the planning and management of development programmes. While preparing the respective annual programmes the VDC, Municipality and DDC are required to coordinate their programmes. With those of the organizations and make use of the civil societies in managing their programmes In addition, the local body/authority has to motivate the civil societies (NGOs and CBO’s) to participate in identifying the local needs and in the planning process of the VDC, Municipality and DDC, ie formulation and implementation of plans and programmes as well as the monitoring and supervision process.

In case of emergence of difference of opinions regarding the proposal, plans and programmes to be undertaken, the National Planning Commission (NPC) has to intervene and mediate between the DDC, the government and civil societies and to short out the differences.

8. **Autonomy and Legitimacy**

Prior to the enactment of the Act, each unit of local body/authority is established under separate legal arrangements, the Village Development Act, 1991, Municipality Act 1991 and District Development Committee Act 1991. But, before the eye of the law, each unit is independent to each other and autonomous. Each unit has right to sue and could be sued in the court at certain differences, if any. Each of them has a separate seal and is a legality. The LSGA, too Act has ensured the autonomy of the VDC, Municipality and DDC.

With regard to the creation of positions and right to hire employees and control over financial resources, VDCs, Municipalities and DDCs are empowered to decide the number of positions and hire employees for the identified positions.

They are also empowered to tap the identified financial resources, taxes, service charge and fees (Annex ...). One of the dimensions of the Act is the provision for the loan borrowing authority of the local body/authority. According to the Act, each VDC, Municipality and DDC is authorized to borrow loan from the bank or any organization with or without producing collateral or under the guarantee of the Government (HMG/N).
From the point of view of legitimacy, the voters of the respective areas irrespective of their caste, creed, sex and the religion directly elect members of the VDC and municipality. Except for the age prerequisite of 18 years no body is discriminated by the law to caste the vote and a candidate. But the Electoral College consisting of the members of VDCs and Municipalities within the district elects members of the DDC.

9. Accountability

As already indicated earlier, all the three units of the local bodies have been authorized to levy and collect taxes and service charges. They are also made accountable for their expenditure. VDC's incomes and expenditure are to be audited by the Auditor appointed by the DDC on the recommendation of the Audit Committee of the Village Council (Clause 69). Whereas, the Municipality has to get its income and expenditure audited by the Auditor selected by the Municipal Council on the recommendation of its Audit Committee (Clause 135). However, the District Development Committee has to get its income and expenditure audited by the Auditor General of the country (Clause 323).

In addition, the local bodies/authorities have been entrusted with the responsibility of acting upon the audited reports. With regard to the audit reports of VDCs and Municipality, the same procedure has been prescribed for actions to be taken by the respective local body. Upon the receipt of the audited reports, the respective Chairperson in case of VDC and the Mayor in case of Municipality is expected to prepare the reply on the comments made by the Auditor, and then submits the reports and comments to the Audit Committee. The Committee, in return, scrutinizes the report and comments/responses of the Chairperson or Mayor and submits it with its recommendations to the Council (Village Council /Municipal Council) for final decision. However, in the case of the district level report, the audited report, first of all, is to be scrutinized by the Audit Committee and then only it is to be discussed by the District Council and which in return will provide its recommendations to the DDC for necessary action.

The Act has also made it obligatory for members of the local bodies/authorities to declare their assets publicly within thirty days of taking oath in their office. However, the Chairperson and Vice Chairperson of the VDC, Mayor and Deputy Mayor of the Municipality and President and Vice President of the DDC are also required to make such a declaration within thirty days of relinquishing the office.

10. Monitoring Committee

One of the features of the LSGA is the provision for establishment of a Decentralisation Monitoring Committee (DMC) to monitor the implementation of its various provisions. The Committee is to be headed by an official no less than the Prime Minister of the country. It will comprise the concerned minister, Leader of Opposition Party in the House of Representatives, Chairperson of the concerned Committees of the House of Representatives, Vice-Chairperson and Member of the National Planning Commission and representatives of the civil service, political parties and presidents of
respective associations of local bodies/authorities and Secretary of the Ministry of Local Development as the Member Secretary.

In addition, there is a provision for a Working Committee as a sub-committee of the Committee. This committee is to be headed by the Minister of Local Development and will consist of the Secretary of the Local Development Ministry, six nominees of the Government from among the experts in the fields of Decentralisation, revenue, accounts, rural development, administration and law with at least ten years of experience and an Officer of the Joint Secretary rank as Member Secretary.

11. Recognition of the Associations of the Local Bodies/authorities

One of the positive developments in the post 1990 is the establishment of an umbrella organization to each of the local authorities/bodies that are involved in taking up the interests of the respective organization with the government and performing the advocacy activities on behalf of the organizations they represent. The associations of these bodies are called the National Association of Village Development Committee, Nepal (NAVIN), Municipality Association of Nepal (MUAN) and Association of District Development Committees of Nepal (ADDCN). The LSGA has recognized the existence of all these bodies and they are represented in the DMC.

12. Relationship between His Majesty’s Government (HMG/N) and Local Bodies/authorities

Nepal has a unitary system of government. As such, local bodies/authorities do not have the same status as that of the HMG. It does not mean that they are just extended arms of Singhdurbar. They have been constituted as autonomous bodies with a certain legal status. Therefore, from the perspective of the institutional relationship between the two, the Act has made the following provisions:

- Formation of the Local Finance Commission (LFC) consisting of among others, the representative of the concerned association of the local body, to provide policy suggestions on taxes to be levied by local bodies on the basis of providing grants to the local bodies/authorities and the allocation of revenue between the Government and these bodies/authorities (Clause 237).

- The most important institutional relationship envisaged between the two is that the government, from among its regular civil servants, would provide the service of its employee as the Chief Executive to each of the three bodies. In addition, the government could also assign its civil servants to local bodies/authorities on deputation, on their request. Such civil servants are
expected to be responsible to the concerned body in discharging their responsibilities (Clauses 253 and 256).

- Suspension and Dismissal are the other areas of relationship between the two agencies. In case, a local body/authority is found to be involved in any act that jeopardises the sovereignty, unity and nationality and communal harmony of the Kingdom of Nepal in violation of the Constitution of Nepal 1990 or in misappropriation of its own property or functions of the local body/authority are hampered by not convening the meeting of the concerned body for one year, such body could be suspended by the government after giving sufficient time to give clarification against suspension (Clause 238). Once a local body is suspended, its responsibility will be assumed by the agency designated by the government and the government gives notice of such a suspension to both Houses of the Parliament. A matter pertaining to the suspension has to be decided within three months and in case the government decides to dissolve the local bodies / authorities, information about it with sufficient reasons has to be submitted to both the Houses of Parliament. However as per the Act fresh election has to be arranged within one year of such dismissal (Clause 238).

- With regard to the annual planning and programme preparation, the NPC and His Majesty's Government must make available the pre-estimation of resources to be made available to districts along with the national development policy, priorities and other guidelines thereof for the coming fiscal year before the initiation of the planning process. Furthermore, HMGN, through regular monitoring has to: ensure whether local bodies/authorities have performed as specified by the prevailing laws; whether backward communities, women and children have been given due priority; and whether encouragement has been given to matters such as ecological balance and based on such monitoring, may provide necessary instructions to local bodies/authorities that are obliged to abide by such instructions. HMGN may formulate special programmes for strengthening and enhancing their capacities and may execute the same.

**Part II**

**Implementation of the LSGA in Practice**

From the point of view of implementation, the LSGA is already six years old. When considered from the actual implementation of its provisions, the government has so far taken the following measures as a way of implementing the LSGA:

1. The delegation of responsibility of planning and management of the infrastructure activities to the local authorities/bodies, VDC and municipality. Also the delegation of supervising the primary schools and primary health centers, agriculture and livestock extension activities to the VDCs.
2. Initiation of a system of providing NRs. NRs.500,000 ** as block grant to each of the VDCs every year and development of formula to decide the block grant to be provided to the DDCs.

In accordance to the concerned official of the Ministry of Local Development, the formula contains four elements--HDI of the concerned district (50 percent weightage), population of the district (20 percent weightage), cost of transportation (0-to 20 percentage depending upon the transportation facilities) and size (area) of the district (10 percent weightage).

3. Initiation of a number of capacity development programs for the local bodies/authorities, such as the Decentralization of Local Self Government Support Pogrom (DLGSP).


5. Drafting a bill on the constitution of a separate Local Service.


** 1 US$ = NRs. 74.00

Part III
Implementation Process: Gaps and Constraints

1. Devolution in Reality

No doubt, by taking into fact that the new Constitution recognizes the people as the source of sovereignty and as per the directive principles of the state policy, a consolidated law, as discussed earlier, has been approved with a focus on the devolution. Further, the political context is also different from the decentralization schemes of the past. Again the functions identified for all three units seem nothing but like a shopping list. Furthermore, concerned ministries have been given the discretionary power (Clause 243 of the Act), to classify activities being undertaken by the village, municipality and district respectively though those activities were not identified as to be delegated to the local bodies/authorities. Nevertheless, as per this requirement, the government has, so far, decided what the Ministry of Local Development (MoLD) has to call the devolution of government responsibilities, delegated the responsibility of operating and managing primary schools and health centers (sub-health post, health centers) other than district hospital, the agriculture and livestock extension activities and rural infrastructure work to local bodies/authorities. However, they feel that if the program of framing the local service had gone hand in hand with the devolution of responsibility, the local bodies/authorities would have become the real planner and manager for the devolved functions in the real sense.
But, the government is yet to act for the establishment of such services managing the personnel management of the employees associated with the local bodies/authorities. As a result, even if agriculture and livestock extension activities were devolved to the DDC, it is the district-level agriculture and livestock office of the Ministry of Agriculture (MoA) that plans and manages the respective programmes. What has happened is that the budget from the government goes to the District Development Fund (DDF)—from where it is released to the respective district-level offices. Similarly, since the local community has been made responsible for the management of primary schools, at present, 1,100 primary schools throughout the country have been transferred to local communities, the budget related to these schools is directly released to the Management Committee. Because of such arrangement, the officials of the MoLD feel that the local bodies have been bypassed in the name of devolution. With regard to health centers, the program budget is directly released to the health centers and only the administrative expense is released through the local authority/body. Hence in reality, the body/authority is responsible only for the planning and management of the rural infrastructures. Also if the sectoral ministries have to delegate their programmes (local level) to local bodies/authorities, how this process could be called as the devolution of powers to local bodies/authorities. If the devolution type of decentralization was to be turned into reality, the local authorities/bodies should have been made responsible for the total planning and management of whatever activities have been identified as their powers, functions and duties instead of having a provision that required the government to delegate some of its departmental programmes.

2. Planning by and for People in Reality

The LSGA is already six years old. But it is yet to be enforced in letter and spirit. Similarly, despite of the fact that some departmental activities have been delegated (HMG/N Officials like to call of devolution of authority) to local bodies/authorities, the state has still centralized its authority. The local bodies/authorities are treated simply as an extended arm of the Government. They are expected to carry out what was ordered from the Singh Durbar, the Central Secretariat located in Kathmandu – the capital of the country. During the study on decentralization in May/June 2000, I, in an interaction with the member-in-charge of decentralization in the National Planning Commission (NPC), wanted to find out the intention of the government with regard to the implementation of the devolutionary type of decentralization. The answer was 'the local authorities/bodies do not have the capacity to take up all the development activities within their areas of jurisdiction. And they would be entrusted with the responsibility of only those activities that required simple know how to plan and manage.'

Mere elaboration of the planning process for district-level projects in the law without intention to follow them by the Singha Durbar has helped neither to initiate the planning from below nor institutionalized the process of having peoples’ participation in the governance and development process. Under the present system, it is uncertain, except for the VDC, how much grant a DDC would receive until it has the actual release of fund after the approval of budget by the National Planning. By the time the grant is received, the DDC might find that the budget...
allocated for their program was less than what had been requested for. According to some knowledgeable professionals, the gap existing between the amount indicated at the time of indicting ceiling and the actual allocation and (some times one would find even between what is) the budget and actually released cannot be predicted. In such a situation, readjustment of some projects/program would naturally be needed. Some of the originally submitted programmes/projects may have to be dropped. But in the case of the VDCs, as indicate before, they are assured with the fixed amount of Nrs. 500,000 every years.

Nepalese society is a power-oriented society. Therefore people go around those who hold the authentic chair. Whether or not devolution Singhdurbar and personality cult type of leadership will be the star of attraction and sources to be tapped to get the services from the government. Furthermore, leaders in their speeches profess and advocate the principle of Decentralization. But in reality unless the headquarters of the different political parties, such as Balkhu in case of the United Marxist Leninist Party (UML) Naxal in case of Rastriya Prajatantra Party, Purano Bhansar in case of the Nepali Congress, Bansbari in case of Nepali Congress (Democratic), Thapathali in case of Nepal Sadhvana Party (all within the different quarters in the district of Kathmandu) and Bhaktapur in case Majdoor Kisan Party (MKP) are the power and decision making centers of the respective parties. Their decisions are passed on to the respective DDC for endorsement and to Singhdurbar for inclusion in the national plan/program and budget becomes highly effective.

In accordance with the LSGA, projects undertaken by the government or corporate sectors could be transferred to the local government units, which are to manage as per the transfer agreement. It would be quite interesting to observe how much the local bodies would be interested to take over the completed development projects other than the assets like the buildings etc. Because unless they are involved at the planning phase of the project, the local body/authority may find projects to be transferred merely as a liability than an asset.

3. Sense of Accountability

For the involvement of stakeholders, in the over all planning process provision seems to have made for a bigger body, Council for each unit. In the past, regularity in the meetings of these councils was an important issue. They were used as mere rubber stamps to get the approval to whatever is being proposed by the executive committees, which in return as already indicated, also receive the information about what they are expected to do, in the form of planning guidelines. Furthermore, the system of distribution of grant- in-aid projects on the basis of political consideration and the system of equally distributing funds are received under this heading rather than taking into account needs of the concerned villages. One might think that this system would continue to remain as it is. But this system does not confirm the principles of accountability.
4. Attraction towards Local Self Service

Local bodies/authorities may have been entrusted with the power of creating and approving required number of positions and hiring the staff. Till these bodies arrange their own staff, the government staff will be working on deputation. Naturally the loyalty and accountability of such staff will be go to their parent ministries and departments rather than to the agencies where they are working for. If past is any guide, because of the financial resources constraints and dependence upon the government grant, one can think that there will be no drastic change in the days to come in terms of the financial capacity of the local bodies/authorities. As such they will not be able to arrange and meet most of their staff requirements. Furthermore, it will take some time for the people to get attracted towards the service of the local body/authority. In this context, even if the government employees are sent to some local bodies on deputation, their loyalty will always be with their parent departments. Also the present system of sending or posting *afno manchhe (our man)* in critical or important positions, at the change of every political guards in Singhdurbar, it is preposterous to assume that this is going to change into a better the near future, whatever the incumbent political leader say about it. So this practice definitely is not going to promote accountability among the government official's towards the local bodies/authorities.

5. Limitation of the Autonomy

The financial allocations and planning guidelines or directives provided by the government and NPC limits the freedom of the local bodies/authorities with regard to their planning responsibilities and authorities. They are bound by the guidelines provided by the government. The government has also retained the authority to fix the total amount for the local bodies/authorities which they were supposed to spent for the administrative purposes. They have to keep their administrative expenses within the limit. Due to these reasons, despite the change in the political system and the policy and principles, the LSGA emphasizes the notion of devolution, in fact the local bodies/authorities are only empowered to exercise those functions decided and delineated by the Government. Yet major chunk of their financial resources would still come from the government in terms of grants and tied allocation.

6. Financial Independence and Audit

No doubt the local bodies/authorities have been empowered to levy and collect taxes, service charges and fees. But the local authorities/bodies, especially the VDCs and DDCs are still dependent upon the government for their programmes. The local leaders, because of fear of becoming unpopular among the voters prefer to have more grants coming from the government than on relying on their own resources. According to the findings of the Local Authority Fiscal Commission 2000 (2057 BS) (LFC), 74 to 74.3 percent of the total income of 75 VDCs of 30 districts for the fiscal years 1997/98 (2054/2055 BS) and 1998/99 (2055/056 BS), came from the
government grant. The 34 DDCs during the same fiscal year, had raised 17.8 to 21.1 percent of their income from sources other than the government grants. In another study conducted in the two DDCs, one that of the Kavre district, a hill district from the central development region and another of Morang districts, a terai district from the eastern development regions, it was found that the incomes sources from not other than the government grant for the two fiscal years (1999/2000 and 2000/2001) were in the tune of 39.21 percent and 78.93 percent respectively for Morang DDC and 37.23 percent and 50.14 percent respectively for Kavre DDC. (Dhungel 2002).

But the situation of municipalities in this context was better while compared to their rural counterparts and district level unit. The contribution of the government grant in the total income of all the 58 municipalities for a period of four fiscal years (fiscal years 1995/96 (2052/053 BS) to 1998/99 (2055/056 BS) was between 7 to 16 percent (LFC 2000).

The income pattern has the direct bearing on the service delivery capacity of the local bodies. From the available information it becomes clearly evident that the VDCs and DDCs are dependent on the government for carrying out the development activities. And they have been spending their own resources for meeting their administrative expenses. For example, the Morang DDC had spent 48.66 per cent for development works from their internal source in the fiscal year 1999/2000. Whereas, Kavre DDC had spent 4.44 per cent in the similar purpose in the fiscal year 1999/2000 (Dhungel 2002). According to the findings of the LFC, between 51 to 64 percent of the development expenditure were met in 31 DDCs through the government grants during the two fiscal years, 1997/98 (2054/055 BS) and 1998/99(2055/056 BS). From their own resources 32 DDCs had spent between 33 to 40 percent (LFC, 2000). In the case of the VDCs, 75 VDCs of 30 districts, 74 to 74.3 percent of development expenditures from the government grant (Ibid.). All these indicate that the local bodies are heavily dependent upon the government for financing development activities or in delivering services.

The World Bank report says that during the fiscal year 2003-04 the share of local bodies in public spending was around 5 percent, largely financed by transfers from the central government’ (World Bank 2004). The attitude of local leaders to tap the government resources has not changed yet. In such a case, despite the pronounced policy of the government has aimed to involve the local authorities/bodies in the development activities of the country and delivery of resources from them, the idea has remained a mere pious wish.

So far the disbursement of government grants to local bodies/authorities are concerned the allocation of the budget for the year 1999 to the local bodies for development activities was Nrs. 4,126.3 million, ie 14.5 percent of the total allocated amount for development purpose, while it was Nrs. 4,987.2 million in the year 2003 or 17.2 percent of the total allocation made for development expense. But, the government when actually released was only Nrs. 3,672.3 million in the year 1999 and Nrs. 3,837.1 million in year 2003 (HMG/N Details of Expenditure [Redbooks]). These figures indicate how much difference exists between what is promised and what is achieved so far.

We should not forget that the country is in deep crisis due to the insurgency. This definitely has implications for the government's capacity for disbursing fund to local bodies/authorities and
even to its expanding capacity. In the given context it can be assumed that the local bodies may have not been able to spend, whatever was released, most of the VDCs are running their offices through district headquarters, 1,683 VDCs (Karki and Bhattarai, nd.). They do not have even their offices since they were burnt down by the CPN/Maoist.

Timely auditing of accounts of local body/authority and actions by the respective councils against the irregularities shown in the audit reports, have been emphasized by the Act. But in practice, regular auditing of the accounts of the local government authorities has always been a major issue. In one of the survey made in early 1980, it was found that "within a period of three fiscal years - 1984/85- 1986/87, District Panchayat (75x3), only 170 DPs out of the 225 the then district level body had submitted their audits to the Auditor General for auditing, and 125 of them were audited (Dhungel and Gautam, 1991). If this could be considered as an example, there may be every possibility that there would be no serious act on the part of the local government to get their audits audited regularly. Non observation of or compliance with the provisions of the legal provisions are used to be the normal comments of the Auditor General. (Report of the Auditor General, 2055(1998). The Auditor General, in its report of 1998 had objected the system of getting VDCs financial transactions audited by the employees of the DDC. It had also observed that legal provision of the DDC Act dealing with the audit reports and follow up actions are not followed. (Ibid.). Also, given the fact that the Auditor General of the country has been complaining that the government is not serious to the issues cited in the Annual Report of the Auditor General. It would be quite interesting to observe how much local body/authority would be serious in addressing the issues raised in the auditors’ report.

7. **Inter-relationship Between the DDC and Municipality**

Technically and legally all the three units of local bodies are independent of each other and enjoy autonomous status. But hierarchically they are inter-related. Members of the VDC and Municipality elect members of DDC. Urban problems are different from that of rural areas thereby requiring special attention. Municipalities in most cases, are richer than a DDC. In such a context just because members of the municipality do participate in the election of the DDC members, municipalities do not feel hierarchically linked to each other functionally. Because of these facts, ARC 1991 had recommended treating the municipality as an independent entity. Furthermore, municipalities had been historically working as the independent entities. These facts should have been taken into account while drafting the Act and try to address different set of problem through a separate Act. The opportunity of breaking the old legacy was lost. Recently, the government has started the process of having a separate law for the Kathmandu Municipal Corporation. This process should be completed. Along this line, a new comprehensive law on municipality should be enacted. The ARC of 1991 had recommended for the establishment of a coordination with the representatives of the municipalities and district development committees to bring about the coordination between the programmes of the DDC and municipality. Thus in addition of enacting a comprehensive law on municipality, it may be
desirable for the government to establish/constitute the committee as per the recommendation of the ARC.

8. Participation of Different Sections of the Society for Equity Perspective

The LSGA has ensured the participation of the women, weaker and ethnic groups in the local bodies/authorities. Yet the number to be nominated is very small. On what basis they have to be nominated is not clear. Definitely parties controlling these bodies would like to see that only their followers be nominated in the local bodies. In most of the districts where government has not been effective or local bodies/authorities are yet to reach, traditional organisations representing the interest of various groups including the gender or ethnic or occupational groups have been effective. Such organisations could have been used as the mechanisms to use in the nomination of the different groups in the respective council of the local body/authority. But they are also so polarized along the lines of the political parties. As a result of which only those who tow the party line or the brotherly organisations will get the chance to be consulted and others would be neglected. Thus there is no guarantee that all the weaker sections of the society would have the access to the resources. But if the present system of nominating the experts in the working committee of the DMIC from among ‘our persons’ by the minister from which political party s/he has been appointed can be cited as the example, the real interest of the weaker sections of the society would not be represented in the local body/authority no matter whatever the law requires as the qualification for the nomination.

Participation means the involvement of stakeholders in the planning, management, monitoring and supervision and sharing of benefits. This also pre-supposes the participation of ethnic groups including gender in these processes. Therefore, in a country, which is multi-ethnic and multi-cultural in nature, there has to be participation of the people from the different ethnic groups concerned should have the representation in the composition of the local bodies/authorities. Except for those who are nominated from the women and ethnic and dis advantaged groups, from the available figures it become evident that the local bodies/authorities were dominated by the members of the sections of the society. In other words, the representation of different groups including the gender, indicate that the people of the upper castes or traditional leaders dominated the local body/authority. In 1997 only five women out of 823 were elected to DDC. And they represented neither any ethnic nor lower caste group. The high caste members constitute 59 percent of the DDC members. The caste and ethnic distribution of DDC Chairpersons and Vice –Chairpersons reveals a similar picture. Elections for the VDCs and municipalities, however, do embrace a wider distribution of ethnicity and caste, if not gender. Of the 116 mayors and deputy-mayors elected in 1997, none is women. Here too, Brahmins, Chhetris and Newars occupy 59 percent of the positions. However, 11 persons from the "untouchables" group are now mayors or deputy mayors (Nepal: Human Development Report, 1998). The question of integrating the interest of ethnic groups and gender in the overall planning process including the planning and development activities at the local level, is still a major challenge to be tackled.
9. Coordination between Civil society and Local Bodies/Authorities

As per the Social Welfare Council – the national council that is responsible for bringing about co-ordination among civil society organisations, especially NGOs and INGOs, to monitor the implementation of their programmes and to provide policy feedback on social welfare-related matters to the government through the Ministry of Women, Children and Social Welfare (MoWCSW) 16,425 NGO’s were registered with them in the year 2004. There has to be coordination between, the local bodies/authorities and the civil society organisations to run their programmes. But in practice, as per discussions with some civil societies organizations/NGOs, it has been found that they provide the information about their programmes to the concerned local bodies/authorities just to keep them on loop so that whenever there is a need they could rely on their help and assistance. Thus based on this, it can be said that co-ordination between the programmes of these bodies is still a pious wish in most of the cases.

10. Effectiveness of DMIC and Its Working Committee

There is a tendency in Nepal to have high-level committees that, too, headed by politicians, for overseeing the implementation of programmes or policy measures. The Act also has prescribed for the formation of a monitoring committee headed by the Prime Minister of the country without realizing whether the Prime Minister would be able to devote time or what implications such a committee would have on the responsibility of the departmental Minister. And this is not reasonable because, first of all, the Prime Minister would have hardly a few time to devote to a program that falls under the purview of a Minister. Secondly, though the Prime Minister may find time for chairing the meeting of the committee, she or he would not be in a position to find out what happened to the decisions made.

It happened actually the same the LSGA met only three times during five years of implementation. Since last two years, it has not met at all. Similarly, the working committee, according to MoLD officials, has met only seven times and has not met since last two years. It has also failed to be effective, because first of all it did not get the drive from the ministry. Secondly, those who are appointed as experts, was always decided on the basis of ‘who knows whom on political ideological ground rather on merit’. Because of such system one of the senior officials at the ministry feels that a system of having a panel of advisors rather than appointing experts on a full time basis should be initiated. I do not know whether he would be able to put his views before the political level for consideration and approval.

Conclusion

Since July 2002, no elected representatives at the local bodies exist because the then Sher Bahadur government did not extend their term upon the completion. Nor it could hold fresh election to these bodies. As a result, for the first time since the establishment of a countrywide network of local authorities/bodies and election to these bodies in 1962, the country is having no
local authorities/bodies with elected representatives. At present the VDC, municipality and DDC are run and managed by the village development secretary, chief executive officer and local development officer (secretary DDC) who are the members of civil service. Therefore, whatever services are provided at present by these bodies are through the government employees not by the people's representatives. No body when the next election to the local bodies/authorities would be held due to the on going insurgency caused by the Communist Party of Nepal (Maoist). Similarly, the DMIC and its Working Committee have remained inactive for some. So in conclusion, the local self-governance in terms of the actual implementation is at present is in a state of limbo.

The end

Endnotes

i Fifteen members, three from each of the Development regions, of the house are elected in accordance with the law on the basis of the system of single transferable vote by an electoral college consisting of the Chief and Deputy Chief of the village and town level local authorities and the chief, deputy chief and the members of the district level authorities: (Article 46(c) of the Constitution of the Kingdom of Nepal 1990).

ii Morang is one of the developed districts from the terai area. Hence, one should not be surprised to find the Morang DDC earning more from its internal sources. Once other DDCs would also have the income like that of the Morang DDC, more resources would be available for the government to release to other districts that are poor and under developed.

iii According to the SWC the highest number (10,216) of NGOs are in the central development region that too in the district of Kathmandu [5,445 ie. 52.3 percent]. Similarly the largest number were involved in community development (9,147) followed by youth service (2,929). More than one hundred (129) international non-government organisations were also affiliated with the council, out of which 100 (77.5 percent) were involved in community development (40 in number), health (38 in number) and child service (22 in number) respectively. In addition, there are 129 international non-government organisations (INGOs) are registered with the Social Welfare Council 2004.
References


2. Constitution of Nepal 1962

3. Constitution of the Kingdom of Nepal 1990


9. Local Self Governance Act (Nepal) 1999

10. Local Self Governance Regulations (Nepal) 1999


13. Rondenelli, Dennis, AJR Nellis and G. Sahabbir Cheema. Decentralization in Developing Countries: A Review of Recent Experience, World Bank, Staff Paper 581, 1984


Annex 1
Functions, Duties and Powers of Village Development Committees

In addition to executing or causing to be executed the decisions and directions of the Village Council, the functions, duties and powers of the Village Development Committee shall be as follows

(a) Relating Agriculture

(1) To carry out or cause to be carried out agricultural development programmes within the village development area
(2) To arrange for agricultural Hat (weekly temporary bazaar), markets and fairs or to assist in organizing such fairs within the village development area

To operate or cause to be operated veterinary hospitals, as per necessity, for the prevention and control of animal diseases within the village development area, and to arrange or cause to be arranged for pasture areas, as required, for cattle grazing.

(b) Relating to Rural Drinking Water

(1) To prepare drinking water projects for the supply of drinking water required within the village development area and to implement and operate the same, and to arrange or cause to be arranged for their maintenance.
(2) To construct, maintain and repair or cause to be constructed, maintained and repaired wells, deep water, ponds, taps etc. within the village development area.
(3) To preserve or cause to be preserved the sources of water within the village development area.

(c) Relating to Works and Transport

(1) To prepare projects on tracks and trails, and rural roads required within the village development area and to implement the same and make arrangement for their maintenance and repair.
(2) To maintain and repair bridges, twines, ghettos (embankments) and culverts handed over by various agencies.

(d) Relating to Education and Sports

(1) To establish pre-primary schools with own source, to give permission to establish them and to operate and manage the same.
(2) To supervise and manage the schools being operated within the village development area.
(3) To assist in providing primary level education in mother tongue within the village development area.
(4) To supervise and manage the schools being operated within the village development area.
(5) To assist in providing primary level education in mother tongue within the village development area.
(6) To formulate plans on the development of sports and to implement the same, and to extend support to the development of sports by constituting village level sports development committee.
(7) To make arrangements for providing scholarships to the students of oppressed ethnic communities whom are extremely backward on economic point of view.

(e) Relating to Irrigation and Soil-erosion and River Control

(1) To prepare projects of irrigation, dams, canals, water channel, and water bank (Panighat) etc. required within the village development area and to implement or cause to be implemented the same.
(2) To prepare programmes on soil-erosion and river control that affects the village development area and to implement or cause to be implemented the same.
(3) To generate and distribute electricity and to cause to be generated and distributed the same.

(f) Relating to Physical Development

(1) To build community buildings, rest houses and public toilets.
(2) To prepare criteria for houses, buildings, roads and other physical infrastructures etc. to be constructed within the village development area, and to grant approval as prescribed for the construction of them.
(3) To formulate land-utilization plans of the village and to implement or cause to be implemented the same.
(4) To make or cause to be made arrangements for necessary sewerage and drainage in settlement areas.

(g) Relating to Health Service

(1) To operate and manage village level health center, health post and sub-health posts.
(2) To prepare programmes on primary health education and sanitation and disposal of wastes and garbage in the village development area and to implement the same.
(3) To provide assistance in the development and expansion of herbs
(4) To launch programmes on family planning and maternity and childcare.

(h) Relating to Forests and Environment

(1) To afforest or have afforestation in barren land, hills, steppe and steep land and in public land.
(2) To prepare programmes in respect of forests, vegetation, biological diversity and soil conservation and to carry out or cause to be carried out the same.
(3) To make various programmes on environment protection and to carry out or cause to be carried out the same.

(i) Relating to Language and Culture

(1) To keep records of religious places and rest houses, inns, shelters etc. within the village development area and to look after and preserve them or cause to be done the same.
(2) To preserve or cause to be preserved various languages, religions and cultures and assist in their development.

(j) Relating to Tourism and Cottage Industries

(1) To preserve, develop and expand tourist areas and to make or cause to be made arrangements for preventing pollution in such places.
(2) To act as a motivator for carrying out cottage industries in the village development area

(k) Miscellaneous

(1) To develop human resources, to make arrangements for making available employment and self-employment opportunities
(2) To provide assistance for cooperatives
(3) To keep records of population, houses, land and livestock within the village development area
(4) To carry out or cause to be carried out necessary works in respect of controlling natural calamities.
(5) To register birth, death and other personal events in accordance with the prevailing law.
(6) To maintain the inventory of the helpless, orphan and disabled children within the village development area and to make arrangements for keeping them in appropriate place
(7) To prepare necessary plans for the upliftment of women within the village development area and to implement the same
(8) To carry out activities regarding the protection of orphan children, helpless women, aged and old, disabled and incapacitated persons in line with the national policy and to carry out or cause to be carried out acts regarding the wiping out of social ill-practices and the protection of girls and women.
(9) To protect movable and immovable properties which are under ownership and control of the Village Development Committee.
(10) To frame byelaws of the Village Development Committee and submit them to the Village Council.
(11) To control immoral activities like sale and distribution of intoxicating substances and gambling and playing cards within the village development area
(12) To encourage or cause to be encouraged to carry on cooperative, industrial and commercial activities generating income to the Village Development with the investment of private sector as well.
(13) To formulate various programmes based on cooperatives and to carry out or to cause to be carried out the same
(14) To evaluate the performance of the secretary and forward it with recommendations to the authority.
(15) To carry out the prevailing law prescribes such other functions as.
Annex 1.1
Functions, Duties and Power of Municipality

In addition to executing or causing to be executed the decisions and directions of the Municipal Council, the functions and duties to be performed by the Municipality mandatory in the municipal area shall be as follows

(a) Relating to Finance

(1) To prepare annual budgets, plans and programmes of the Municipality and submit them to the Municipal Council.
(2) To keep the accounts of incomes and expenditures, and other documents pertaining thereto in an updated manner.
(3) To expend the money to execute the decisions of the Municipality, subject to the limits of the approved budget.
(4) To raise taxes, charges and fees etc. approved by the Municipal Council.

(b) Relating to Physical Development

(1) To frame land-use map of the Municipality area and specify and implement or cause to be implemented, the industrial, residential, agricultural, recreational areas etc.
(2) To prepare housing plan in the area of Municipality and implement or cause to be implemented the same.
(3) To carry out plans on drinking water and drainage in the areas of Municipality and operate, maintain and repair or cause to be operated, maintained and repaired the same.
(4) To develop, or cause to be developed, green zones, parks and recreational areas in various places in the Municipality area.
(5) To arrange for, or cause to be arranged for, public toilets in various places in the Municipality area.
(6) To approve or cause to be approved designs of houses, buildings etc. to be constructed in the areas of the Municipality.
(7) To build community building and rest houses.

(c) Relating to Water resources, Environment and Sanitation

(1) To preserve rivers, streams, ponds, deep water, wells, lakes, stone water-taps etc. and utilize, or cause to be utilized them properly.
(2) In the event of necessity to carry out irrigation plans in the Municipality area, to make plans thereof and implement and cause to be implemented the same.
(3) To control and prevent, or cause to be controlled and prevented the possible river-cuttings, floods and soil erosion in the Municipality area.
(4) To assist, or cause to be assisted, in environment protection acts by controlling water, air and noise pollution to be generated in the Municipality area.
(5) To protect or cause to be protected the forests, vegetation and other natural resources within the Municipality area.
(6) To carry out or cause to be carried out sanitation programmes in the Municipality area.
(7) To carry out and manage or cause to be carried out and managed the acts of collection, transportation and disposal of garbage and solid wastes.
(8) To generate and distribute or cause to be generated and distributed electricity in the Municipality area.

(d) Relating to Education and Sports Development

(1) To establish, operate and manage pre-primary schools with own source in the Municipality area and give permission to establish the same.
(2) To extend supports in the operation and management of schools being operated within the Municipality area and to make recommendations for the establishment and dissolution of such schools.
(3) To assist in providing primary level education in mother tongue within the Municipality area.
(4) To make arrangements for providing scholarships to the students of oppressed ethnic communities who are extremely backward on economic point of view.
(5) To prepare and implement or cause to be implemented programmes on Municipality level adult education and informal education.
(6) To open, operate and manage or cause to be opened, operated and managed, libraries and reading halls in the Municipality area.
(7) To prepare and implement or cause to be implemented, sports development programmes
(8) To develop or cause to be developed sports by constituting Municipality level sports development committee.

(e) Relating to Culture

(a) To prepare an inventory of the culturally and religiously important places within the Municipality area and maintain, repair, protect and promote, or cause to be maintained, repaired, protected and promoted, them.
(b) To protect, promote and use or cause to be protected, promoted and used, archaeological objects, languages, religion and culture within the Municipality area.

(f) Relating to Works and Transport

(1) To prepare plans of un pitched and pitched roads, bridges and culverts as needed within the Municipality area, except those roads which are under the responsibility and control of His Majesty's Government, and construct, maintain and repair or cause to be constructed, maintained and repaired, the same.
(2) To arrange or cause to be arranged for bus parks and parking places of rickshaws (three wheelers), horse-carts, trucks etc. within the Municipality area.
(3) To prescribe the upper limit of push-carts rickshaws, horse-carts etc. in consideration of transport requirement of the Municipality and register and provide number to them.

(g) Relating to Health Service

(1) To operate and manage, or cause to be operated and managed, municipal level hospitals, Ayurvedic dispensaries and health centers.
(2) To open, operate and manage, or cause to be operated and managed, health posts and sub-health posts within the Municipality area.
(3) To formulate programmes relating to family planning, mother and child welfare, extensive vaccination nutrition, population education and public health, and to implement or cause to be implemented the same.
(4) To arrange, or cause to be arranged, for prevention of epidemics and infectious diseases.
(5) To ban the public uses of such things and objects in the Municipality area as are harmful to the public health or remove the same.
(6) To ban the sale, distribution and consumption of such type of consumer goods which may cause adverse effects on public health.

(h) Relating to Social Welfare

(1) To arrange, or cause to be arranged, for cremation of person having no body to care of the dead body and to make arrangements for orphanages for helpless people, orphans and children bereaved of parents.
(2) To carryout, or cause to be carried out, programmes relating to the interests and welfare of the women and children and acts relating to the control of immoral profession and trade.

(i) Relating Industry and Tourism

(1) To actor cause to act as a motivator to the promotion of cottage, small and medium industries in the Municipality area.
(2) To protect, promote, expand and utilize or cause to be protected, promoted, expanded and utilized, natural, cultural and tourists heritage within the Municipality area.

(j) Miscellaneous

(1) To do plantation on either side of the roads and other necessary places in the Municipality area.
(2) To determine and manage places for keeping stray animals and animal slaughterhouse.
(3) To protect barren and, govern mental unregistered (Ailani) land in the Municipality area.
(4) To determine and manage crematoriums.
(5) To act for the development of trade and commerce.
(6) To frame byelaws of the Municipality and submit it to the Municipal Council.
(7) To carry out necessary functions on the controlling of natural calamities.
(8) To maintain inventory of population and houses and land within the Municipality area.
(9) To register birth, deaths and other personal events pursuant to the prevailing law.
(10) To maintain inventory of the helpless, orphan and disabled children within the Municipality area and arrange to keep them in appropriate place.
(11) To secure public interest by killing rabid and strayed dogs and specify the places to bury dead animals and birds into.
(12) To have such trees cut and houses, walls etc. creating hazardous results demolished.
(13) To up-date the block numbers of the houses in the Municipality area.
(14) To arrange for animal slaughter houses.
(15) To impound and auction stray animals.
(16) To arrange for lighting on the roads and alleys.
(17) To grant approval to open cinema halls in the Municipality area.
(18) To arrange or cause to be arranged for Haat bazaar, markets, fairs and exhibitions etc.
(19) To operate and manage or cause to be operated and managed fire brigades.
(20) To confer the honour of distinguished person of the town on any distinguished person.
(21) To carry out or cause to be carried out other acts relating to the development of the Municipality area.
(22) To render assistance for the development of cooperative.
(23) To evaluate the performance of the Secretary and forward it with recommendation to the authority.
(24) To encourage or cause to be encouraged to carry out cooperative, industrial and commercial activities generating income to the Municipality with the investment of private sector as well.
(25) To formulate various programmes based on cooperatives and to carry out or cause to be carried out the same.
(26) To carry out such other functions as are prescribed under the prevailing law.

In addition to the functions, and duties referred to in sub-section (1), the Municipality may also perform the following optional functions in the Municipality area:

(a) To make necessary arrangement for providing standard school education in the Municipality area.
(b) To launch literacy programmes to eradicate illiteracy from the Municipality area.
(c) To open and operate libraries and reading halls in various places within the Municipality area.
(d) To control unplanned settlement within the Municipality area.
(e) To make the structure and development of the town well planned through the functions such as guided land development and land use.
(f) To arrange for the aged rest houses and orphanages.
(g) To arrange for the supply of electricity and communications facilities.
(h) To arrange for recreational parks, playing grounds, museums, zoos, parks etc. in the Municipality area.
(i) In order to reduce unemployment, to collect the data of unemployed persons and launch employment-generating programmes.
(j) To launch program, programmes to control river pollution.
(k) To provide ambulance service in the Municipality area.
(l) To arrange for dead body carriers in the Municipality area.
(m) To carry out preventive and relief works to lessen the loss of life and property causes from natural calamity.
Annex 1.3
Functions, Duties and Powers of the District Development Committee

In addition to implement and cause to be implemented, the decisions and directions of the District Council, the functions and duties of the District Development Committee shall be as follows

(a) Relating to Agriculture

(1) To make District level policy on agriculture and livestock development, and formulate and operate programmes in consonance therewith, and inspect and monitor, and cause to be inspected and monitored, the programmes operated.
(2) To arrange for, and cause to be arranged for, the seeds, fertilizers and other agricultural inputs required in the District.
(3) To provide, and cause to be provided, the services relating to agriculture extension in the district development area
(4) To promote, and cause to be promoted the agricultural Hat markets and fairs.
(5) To manages and cause to be managed, the markets for agricultural products.

(b) Relating to Rural Drinking Water and Habitation Development

(1) To formulate and implement, and cause to be implemented, such drinking water plans as are to benefit the people in more than one village development area in rural areas of the district development area.
(2) To formulate plans on habitation and market development in rural areas of the District development area, and implement and cause to be implemented them.

(c) Relating to Hydropower

To formulate, implement, operate, distribute and maintain and repair projects on mini and micro hydropower and other energy, and cause to be done the same.

(d) Relating to Works and Transport

(1) To prepare a master plan of district-level roads in the district development area and get it approved by the District Council.
(2) To build, operate, monitor, evaluate and maintain and repair the approved District level roads, and cause to be done the same.
(3) To formulate, build and maintain and repair the plans of suspension bridges required in the district development area, and cause to be done the same.
(4) To make necessary-arrangements on the means of transport to be operated within the district development area
(5) To give license to "D" class contractors and cancel and renew it pursuant to the prevailing law.
(6) To develop and promote the waterways and rope ways.

(e) Relating to Land Reforms and Land Management

To protect and promote the Ailani (unregistered) land and governmental barren land situated within the district development area.

(f) Relating to Development of Women and Helpless People

(1) To prepare and implement a plan required for the upliftment of the women in the district development area.
(2) To carry out acts on the protection of the orphans, helpless women, the aged, disabled and incapacitated persons as per the national policy, and to carry out or cause to be carried out acts on the wiping out of social ill-practices and the protection of the girls and women.
(g) **Relating to Forest and Environment**

1. To prepare plans on forests, vegetation, biological diversity and soil conservation, and implement and cause to be implemented the same.
2. To protect and promote, and cause to be protected and promoted, the environment.

(h) **Relating to Education and Sports**

1. To set priority for establishing schools in the district development area and make recommendations there for.
2. To make recommendations, setting out rationale and reasons, for the approval and dissolution of the schools in the district development area.
3. To supervise and monitor the schools in the district development area and assist in their operation and management.
4. To formulate policies and programmes on the District level adult education as well as informal education.
5. To set programmes relating to sports and physical development, and implement and cause to be implemented them.
6. To form a District level sports development committee

(i) **Relating to Wage and Labour**

1. To determine the rate of wages for labour and rate of workmanship at the district labour
2. To set and operate programmes on the abolition of child labour and rescue of the Children

(j) **Relating to Irrigation and Soil erosion and River Control**

1. To formulate, implement, operate and maintain and repair programmes on irrigation, ditch, embankment, and small ditch providing facility to more than one village development area in the district development area, and cause to be done the same.
2. To formulate plans on prevention of soil erosion, river cutting etc. in the areas affected from such acts, and implement and cause to be implemented the same.

(k) **Relating to Information and Communications**

1. To give approval to set up cinema halls in the district development area except the Municipality area.
2. To open district level libraries, reading rooms and information centers in other rural areas except the Municipality area in the district development area.

(l) **Relating to Language and Culture**

1. To keep records of culturally and religiously important places located within the district development area and to preserve and promote them by having them repaired and maintained.
2. To promote, and cause to be promoted, various languages, religions and culture
3. To preserve, promote and use, and cause to be preserved, promoted and used, the archaeological objects, languages, religion, art and culture within the district development area

(m) **Relating to Cottage Industry**

1. To maintain records of the cottage industries to be establish within the district development area.
2. To identify and develop an industrial zone in the district.

(n) **Relating to Health Service**

1. To operate and manage, and cause to be operated and managed, the district level health posts, hospitals, Ayurvedic dispensaries, health centres, health offices etc.
2. To formulate and implement the programmes such as family planning, mother child welfare, extensive vaccination, nutrition and population education and public health.
(3) To give approval to open sub-health posts in the village development areas under the district development area and inspect and monitor them.

(4) To make arrangements for supply of such medicines and materials and equipment relating to treatment as required for the district development area, and inspects and monitors the quality standards thereof.

(5) To prohibit or remove the public use of the things injurious to the public health in the district development area.

(6) To prohibit the sale, distribution and consumption of such consumable goods as may cause adverse impacts on the public health.

(o) Relating to Tourism

(1) To protect, promote, expand and utilize the natural, cultural, historical and tourist heritages in the district development area, and cause to be done so.

(p) Miscellaneous

(1) To maintain data of the district development area.

(2) To carry out necessary acts in respect of controlling natural calamities.

(3) To protect the movable and immovable properties remained under the ownership and control of the District Development Committee.

(4) To draft the byelaws of the District Development Committee and submit it to the District Council.

(5) To carry out such other functions as prescribed under the prevailing law.

(6) The District Development Committee may give grants for the approved programme to any organization, association or body, being subject to the approved budget.

(7) The District Development Committee may, subject to this Act, carry out the development and construction works by entering into agreement as prescribed with any individual, governmental or non governmental organization or person. Information on the agreement so entered into shall have to be given to His Majesty s Government.

Provided that without prior approval of His Majesty s Government no such agreement shall be entered with any international non-governmental organization or foreigner.

(8) If it is received information that any project or programme of national level operated in the district development area has not been operated effectively or any kind of irregularity has been done there, the District Development Committee may give necessary suggestions in that regard or make recommendation to the concerned body for action.

(9) In addition to those as mentioned in this Act, other functions, duties and powers of the District Development Committee shall be as prescribed by law.

Source: Local Self Governance ACT, 1999
Annex 2
Financial Provisions of Village Development Committee

Taxes the Village Development Committee is entitled to Levy:

The Village Development Committee may levy the taxes as follows in its area at the rate approved by the Village Council, not exceeding the prescribed rate:

(a) House and Land Tax: Annual house and land tax on each house and land on the basis also of size, type, design and structure of the houses within the Village Development Committee.
(b) Land Revenue or Land Tax: Land revenue or land tax on the land within the village development area.

Provided that the twenty-five per cent amount of revenue raised from land revenue or land tax shall have to be handed over to the District Development Committee.

(c) Haat (temporary weekly bazaar) Market Shop Tax: Haat market for shops kept in livestock Haat and regular Hat market, fair, fete etc. organized within the village development area.
(d) Vehicle Tax: Vehicle registration and annual vehicle tax on the prescribed vehicles within the village development area and occasional vehicle tax on all kinds of vehicles entering into its area.

Provided that, on the prescribed vehicles entered into the Kingdom of Nepal, the Village Development Committee of such village development area, through which area such vehicle enters into at first from any foreign country, may levy tax as prescribed and, after payment of tax within one village development area, such tax shall not be levied again in other places.

(e) Entertainment Tax: Entertainment tax may be levied as prescribed on the places of entertainment such as permitted cinema-hall, video-hall, cultural-show hall located within the village development area.
(f) Rent and Tenancy (Bitauri) Tax : Rent and tenancy tax on the temporary shops given on rent at the Haat market places constructed, supervised or operated by itself or at unregistered (Ailani) land or road sides, within the village development area.
(g) Advertisement Tax: Advertisement tax on sign hoards placed within the village development area
(h) Business Tax: Business tax on the prescribed industry, trade, profession or occupation within the village development area.
(i) Commercial Video Tax : Commercial video tax within the village development area
(j) Natural Resources Utilization Tax :Tax to be levied for commercial exploitation of natural resources and heritage within the village development area.
(k) To levy other taxes as prescribed.

Service Charges

(1) The Village Development Committee may impose the service charges as follows at the rate approved by the Village Council, for the services made available by it within its area

- Service charge on sanitation, drainage and sewerage.
- Tourist places entrance charge.
- Entrance charge on parks, garden, picnic places and view towers etc.
- Charge for performing entertainment activities like magic and circus.

(2) The Village Development Committee may impose and collect service charge on the amount realized by it for somebody else, if it realizes and recovers any other s amount and goods.

Fees

The Village Development Committee may charge fees as follows within its area at the rate approved by the Village Council, not exceeding the prescribed rate:

(a) Licensing and renewal fee for television, video and other equipment.
(b) Approval (Baksauli) fee.
(c) Recommendation fee.
**Income May Be Generated Through Selling**

The Village Development Committee may sell the following objects situated within its area
(a) Soil of governmental barren land.
(b) Products of public ponds or gardens
(c) Assets of the Village Development Committee
(d) Among the forest products situated within the village development area, dried timber, fire woods, branches, splints, twigs, roots etc.
(e) Straw, grass etc.

**Loan May Be Raised**

The Village Development Committee may raise loan or borrow money as approved by the Village Council, with or without pledging any movable and immovable property under the ownership and possession of Village Development Committee or under the guarantee of His Majesty's Government, from a bank or any other organization or institution.

**Funds of the Village Development Committee**

The Village Development Committee shall have a fund and shall consist of the amounts as follows:

(a) Amount received from His Majesty’s Government or District Development Committee.
(b) Amount received from fees, charges, levies, and rents
(c) Amount obtained from the sale of movable and immovable properties and other objects of the Village Development Committee.
(d) Amount received from the use, other than public use, of water of public rivers and streams.
(e) Amount received from donations, grants, assistance or gifts.
(f) Amount to be obtained for extending cooperation in the acts of preventing smuggling and theft of forests products located within the village development area.
(g) Amount received from the income generating programmes.
(h) Amount of loan and borrowing obtained from bank or any organization or agency.
(i) Amount received from fines and penalties.
(j) Amount obtained from authorization sanctioned by His Majesty's Government or available under other prevailing law.
Annex 2.2
Municipality
Taxes, Fees, Service Charges and Fares

Land Revenue and House and Land Tax

The Municipality may levy house and land tax, as prescribed, on each house and land within its jurisdiction on the basis of the size, type, design, construction and structure of the house and compound and area covered by the house, as approved by the Municipal Council.

(1) The Municipality may impose land revenue and land tax as prescribed on the land within the municipal area.

Rent Tax

(1) The Municipality may collect rent tax, as prescribed, on the amount of rent in cases where any house, shop, garage, godown, stall, shed, factory, land or pond within its jurisdiction is rented wholly or partly.
(2) The Municipality may impose rent or tenancy charges, as prescribed, on temporary shops permitted to be kept at the market places, public places, unregistered land or road-sides constructed, supervised or operated by it within its jurisdiction.

Provided that no permanent shop shall be allowed to be constructed in a manner to obstruct the public movement and sanitation.

Enterprise Tax

The Municipality may levy and collect enterprise tax, as prescribed, on trade, profession or occupation within its jurisdiction on the basis of capital investment and financial transactions.

Vehicle Tax

The Municipality may levy vehicle registration and annual vehicle tax on the prescribed vehicles within its jurisdiction and occasional vehicle tax, as prescribed, on all kinds of vehicles entering into its area.

Property Tax

The Municipality may levy an integrated property tax, within its jurisdiction at the prescribed rate.

Entertainment Tax

The Municipality may levy entertainment tax, as prescribed, on the means of entertainment such as cinema halls, video-halls, cultural-show halls permitted within the municipal area.

Commercial Video Tax

The Municipality may levy tax as prescribed on the video, projector, cable etc. used by any person or organization for commercial purpose.

Advertisement Tax

(1) The Municipality may levy tax on signboards, Bill boards, stalls etc. permitted to be placed on roads, junctions, public places in its area for advertisement, publicity etc.

Parking Charge

(2) The Municipality may impose parking charge, as prescribed, at vehicles parking places managed by it.
Service Charge

Any Municipality may impose service charge for making available the facilities such as drinking water, electricity, water-tap, public telephone and similar other facilities.

(1) The Municipality may impose service charges for solid waste management, sanitation, sewerage/drainage etc. facilities provided by it in the municipal area.
(2) The Municipality may collect service charges from the persons using facilities such as public toilets, parks, bathrooms, swimming pools, and gymnasiaums. guest houses, tourist places, hostels, market places, slaughter houses, crematorium, laundry ghat (bank of a river) and similar other facilities, for making available such facilities.
(3) The Municipality may, with the prior approval of H is Majesty's Government, carry out the act of providing the facilities referred to in sub-sections (1), (2) or (3) and collecting the service charges therefor through the private sector or by making the private sector as well participate therein.
(4) The Municipality may determine the expenditures required to repair and maintain the roads, sewerage, bridges, pavements, courtyards, alleys, drainage, electricity etc. constructed by it and collect the same from the concerned consumers annually.
(5) The Municipality may collect service charge as prescribed in evaluating the immovable property of any person.
(6) The Municipality may impose fees for approval (Baksauni) and recommendation fees in its area, at the rate approved by the Municipal Council, not exceeding the prescribed rate.

Exemption from Taxes, Fees, Charges, Duties etc

Charges chargeable for the service provided by the Municipality to His Majesty's Government, foreign diplomatic missions or agencies, and non-profit making organizations.

(1) Provided that no such exemption shall be granted to the commercial transactions of any corporation or organization wholly or partly owned by His Majesty's Government.
(2) The Municipality shall not be entitled to impose any taxes, charges, fees, duties on the goods imported by His Majesty's Government or any development board for the projects operated through foreign loans or aids.

Prohibition to Levy Taxes, fees Charges or Duties/Tariff Contrary to Act. Rules

The Municipality shall not be entitled to collect any kinds of taxes, fees, charges or duties/tariffs contrary to this Act or the Rules made hereunder; and if so collected, His Majesty’s Government may order to stop that act and to refund the amount of taxes, fees, charges or duties so collected to the concerned person.

Right to Raise Loan

The municipality may raise loans, with or without pledging any property under its ownership and possession or under guarantee given by His Majesty's Government from a bank or any other organization, according to the policy approved by the Municipal Council.

Fund of the Municipality

(1) The Municipality shall have a separate fund of its own and shall consist of the following amounts
   (a) Grants received from His Majesty’s Government.
   (b) Grants received from the District Development Committee.
   (c) Amounts received from revenue allocation.
   (d) Donations, gifts, contributions, assistance and other amounts received from any person, organization and institution.
   (e) Amount obtained from the sale of movable and immovable properties.
   (f) Amount received from taxes, fees, service, charges, duties, tariffs, fares etc.
   (g) Amount received from loan investments.
   (h) Amount received from mobilization of the resources.
   (i) Amount received from fines and penalties.
   (j) Amount received from auction sale of goods.
   (k) Amount received from contracts.
Assets of Municipality

Majesty's Government or District Development Committee, such as public drainage, sewerage, bridges, ponds, temples, public realization in respect of those irregular amounts which can not be regularized by it. Upon receipt of such writing, the Municipality shall have to realize and recover as government dues,
Annex 2.3
Financial Provisions of District Development Committee

Taxes the District Development Committee is entitled to impose:

(1) The District Development Committee may impose tax on roads, paths, bridges, irrigation, ditches, ponds etc. built by or transferred to it, at the rate approved by the District Council not exceeding the rate as prescribed in the district development area.

(2) The District Development Committee may impose tax on wool, turpentine, herbs, worn and torn goods, stones, slates, sand and bone, horn, wing, leather etc. of the animals except those prohibited, pursuant to the prevailing law and on other goods as prescribed at the rate approved by the District Council not exceeding the rate specified in the district development area.

(3) Up to 35-50% of the amount obtained from the tax referred to in sub-section (2) shall have to be provided to the concerned Village Development Committee and the Municipality.

Service Charge

The District Development Committee may impose the following service charge at the rate approved by the District Council not exceeding the rate as prescribed in its area

(a) The service charge of the guesthouse, library clinic, hermitage, city hall etc. built by it or under its custody.

(b) The service charge of the ditch, small ditch, embankment etc. built by it.

Fee

The District Development Committee may impose the following fees at the rate approved by the District Council not exceeding the rate as prescribed in its area

(a) Fees for license and renewal thereof, for carrying out watercourse conducting boats and tunings and fishing.

(b) Fees for registration of Panighat and renewal thereof.

(c) Fees for recommendation.

(d) Other fees as prescribed.

Sale

The District Development Committee may sell, as prescribed the sand in the rivers and canals, roda (pebbles), stones, soil, wood swept by river, etc. lying in its area. Out of the proceeds of such sale of goods, up to 35-50% amount shall have to be provided to the concerned Village Development Committee and the Municipality.

Power to Raise Loan

The District Development Committee may raise loans, or receive borrowings with or without pledging any of its movable and immovable property owned and possessed by it or under guarantee given by His Majesty's Government, from a bank or any other organization, according to the policy adopted by the District Council.

Provision relating to Revenue Allocation

The concerned District Development Committee shall be entitled to the amount as prescribed out of the following amounts

(a) Registration fees to be obtained by His Majesty's Government for the purchase and sale of house and land.

(b) Amount to be obtained by His Majesty's Government for royalty of mines, petroleum products, forests, water resources, and other natural resources.

(c) Entrance fee to be obtained by His Majesty's Government for entry of tourists into the district development area.

Fund of the District Development Committee

(1) The District Development Committee shall have a fund of its own and shall consist of the following amounts

(a) Amounts received from His Majesty's Government,

(b) Amounts received from taxes, fees, duties and tariffs,
(c) Twenty-five per cent of the land revenue collected by the Village Development Committee and the Municipality,
(d) Amounts obtained from the sale, rent, fare, interest of movable and immovable properties, or other goods of the District Development Committee,
(e) Donations, gifts, grants or assistance obtained from any person or organization,
(f) Amounts obtained from any foreign government or international organization,
(g) Amounts received from revenue allocation and fines and penalties,
(h) Amounts obtained from income-generating programme operated by the District Development Committee,
(i) Amounts of loans and borrowings taken by the District Development Committee from any bank or any other organization,
(j) Amounts obtained from other sources.

2. Prior to obtaining the amount referred to in clause (f), the District Development Committee shall have to obtain the approval of His Majesty's Government

Transfer in Budget Heads

The District Development Committee may transfer the amount from one budget head to another not exceeding twenty percent in the annual budget approved by the District Council
(1) Provided that no transfer in budget head shall be made on the heads of contingency and financial assistance.
(2) The expenditures of the contingent amount shall be as prescribed by law.

Provision of Auction Sale

The process of auctioning or selling the goods and properties not required for the District Development Committee, shall be as prescribed, as per the policy approved by the District Council.

Remaining Amount of Budget

Any unspent amount of the budget in one fiscal year shall have to be transferred to the budget of the next fiscal year for the purpose of using it to complete the incomplete projects and programmes in the current fiscal year.

Provisions relating to Approval of Construction, Purchase and other Contraction

The process relating to construction, purchase, contraction or other financial transaction shall be as prescribed:
(1) The District Development Committee to provide Grants
(2) The District Development Committee shall have to provide some amounts, out of the amounts to be made available to it, to the Village Development Committee as a grant to be expended in the village level programmes as prescribed.
(3) In providing the grant pursuant to sub-section (1), demand for the programme, population, geographical remoteness, and limitation of internal resources etc. shall have to be taken into account.

Property of the District Development Committee

(1) The District Development Committee shall have the title over the property constructed or purchased from the fund or conveyed to it by His Majesty's Government or any person or organization, and the District Development Committee shall have to look after and manage such property.
(2) The District Development Committee shall not be entitled to sell and dispose of, or otherwise relinquish its title to, the immovable property as referred to in sub-section (1) without the approval of His Majesty's Government. Any such sale or disposal or relinquishments of the title to any person without the approval shall be null and void in any circumstance whatsoever.

Provision relating to Revenue Allocation

The concerned District Development Committee shall be entitled to the amount as prescribed out of the following amounts:
(a) Registration fees to be obtained by His Majesty's Government for the purchase and sale of house and land
(b) Amount to be obtained by His Majesty's Government for royalty of mines, petroleum products, forests, water resources and other natural resources
(c) Entrance fee obtained by His Majesty’s Government for entry of tourists in to the district development area

Provision relating to Revenue Allocation

The concerned District Development Committee shall be entitled to the amount as prescribed out of the following amounts:
(a) Registration fees to be obtained by His Majesty's Government for the purchase and sale of house and land
(b) Amount to be obtained by His Majesty's Government for royalty of mines, petroleum products, forests, water resources and other natural resources
(c) Entrance fee obtained by His Majesty's Government for entry of tourists in to the district development area

Source: Local Self Governance Act, 1999