



Local Government Plan Formulation Process in Federalism

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Abstract

It has been more than 7 decades since planned development started in Nepal. Meanwhile, 10 five-year plans and 5 three-year plans have been implemented. Despite the implementation of so many plans, the people's expectations could not be fully realized. Although some economic and social foundations have been built during this period, the people have not been able to feel the development as expected. In the 21st century, the plan has gained great importance such as achieving sustainable economic development, reducing unemployment, alleviating poverty, and maintaining regional balance. At first it was considered as an economic program of a communist country, due to the economic recession, all developed and developing capitalist countries felt the need for economic planning. After the said recession, the construction and implementation of plans started in different ways in almost all countries. In a busy sense, the population consist of the knowledge, skill, creativity, attitude and talent of the people in a nation. Based on this concept of population the plan is formulated, and the foundation stone of local level capacity development is also built.

Keywords: Federal System, Formulation, Governance, Local Government, Plan

Background

The local level is the rural area. The basic pillar of every region is the rural environment. Development of the whole country is not possible without the development of villages. The world community has resorted to planning to make and result-oriented development. Rural areas and agricultural areas complement each other in Nepal. If the agricultural sector is traditional and subsistence oriented, the high growth of the population will make it difficult to supply food or depend on foreign emergencies. If this sector is led towards commercialization and modernization through the same plan, the result will be meaningful. Most of the local areas have no infrastructure, are remote, human life is suffering due to lack of social/economic infrastructure. Planning can be the best way to solve such problems. Therefore, the importance of local planning in development cannot be underestimated. This is such a weapon, through which one can walk confidently in the long-term journey by drawing a blueprint for systematic development.

Each local level should prepare a long-term plan in according with how they want to see their respective villages and municipalities. Such a plan is usually made for 15 to 25 years. The local level should formulate a periodical plan to achieve the long-term plan goals. Such plans are prepared for

5 years. The Inter-Governmental Finance Management Act, 2074 stipulates that local levels should prepare a medium-term expenditure structure. The medium-term expenditure structure is a tool to reconcile the periodical plan and the annual plan, which has an important role in local level budgeting. The annual plan is formulated and implemented for a period of one year. The local level should formulate a periodical plan by valuing the local objects through the guidance of the national development and the localization of the global goals of sustainable development.

Objectives

The objective of the study is to explain the major steps of plan formulation process in local level at municipal governance of Nepal.

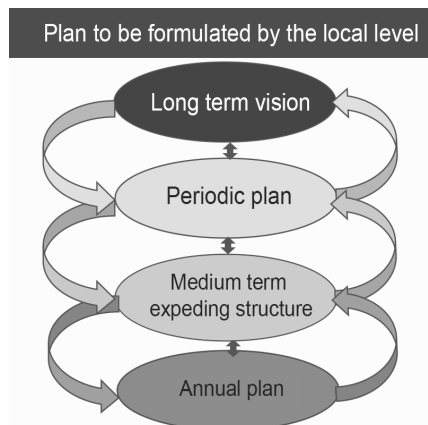
Methodology

Methodologically, the character of this analysis is qualitative. The secondary data are collected from and they have been analyzed in several sources the study. It based on an literature analysis of different academic papers and journals, publications from various institutions, studies of reports from different government organization such as Municipality, MoFALD and NPC/PPC. Likewise, different Acts and Regulation of related to local government, various policy documents and reports are also taken as the sources.

Discussions

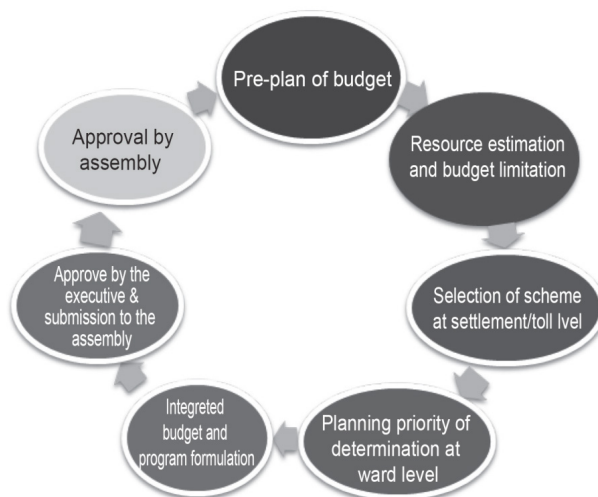
Each year, the local level must formulate their annual development plan and implement the plan after approval by the relevant assembly. While preparing the annual plan, the policies and directives of the Government of Nepal and the Provincial Government should also be assimilated, and it should be drawn up in accordance with its periodical plan, sectoral and medium-term expenditure structure plan.

Plans to be formulated by the local level in the federalism



Stages of local level annual planning and budget formulation

The local levels should complete the following steps every year while formulating their annual plan and budget. The annual plan should be drafted starting from November of each year and passed by the relevant assembly by the end of June so that it can be implemented from July 1. When the local level formulate the annual plan, it is necessary to address the participatory and inclusive as well as the sustainable development goals.



In order to implement the annual policies, budgets and programs approved by the local assembly at the specified quality and time, after the chief administrative officer has been given the authority to spend the budget in writing from the chairman and chief, the chief administrative officer should prepare an integrated implementation action plan and submit it to the executive. Based on the integrated implementation action plan prepared and approved in this way, the annual monitoring action plan should be prepared and implemented. In a federation, different levels of government within the same country exercise sovereign rights, but sometimes the government can only exercise limited sovereignty. Local level budget formulation directive 2076 has provided that the local levels should pay attention to the following issues while formulating the annual plan.

- Ensuring that the subject is compatible with the policies, goals, and objectives of the Union, State and local governments,
- Priority subjects according to Periodic Development Plan and Medium Term Expenditure Structure
- Subjects to ensure maximum participation of all sections, regions and communities
- Subjects of environment protection, climate change adaptation, disaster management,
- Various issues related to governance, gender and social inclusion
- Interrelated issues of development such as empowerment of target groups,
- Subjects that will help in the implementation of inter-local level plans,
- Subject areas and aspects of geographical balance

In order for the federal democratic governance system to be strong and institutionalized, the local level, which is the real center of service delivery, must be responsible, transparent and accountable for the assurance the participatory budgeting and planning system. Since the local level is the government unit closest to the people, the people's expectations towards it are naturally higher than those of the federal and state governments, and the means of fulfilling such expectations are the budgets and programs formulated by the local level. Since the annual budget and program is not only a projection of the income and expenditure of the next financial year, but also a tool to earn public trust by meeting local expectations and needs, it is necessary for the local level to participate in its formulation process. If the local level fully follows the seven steps mentioned above while formulating the budget, then it can be assured that the budget will be objective and the implementation will be easy and profitable. The stages of local government planning are as follows.

Step 1: Pre-planning and preparation of budget

In accordance with the provisions of the Local Government Operation Act, 2074, each local level must submit the estimated resources and expected expenditure data for the coming fiscal year by the end of December as the first step in the process of making plans at the local level in accordance with the provisions of the Local Government Operation Act, 2074 to obtain the limits and guidance of financial transfer from the federal and provincial governments. After that, the federal and state governments prepare financial transfer ceiling for the local governments based on the local government data about potential resources and expected expenditure and some other development indicators, which are transferred from the federal government to the end of Falgun and from the state to the local government until the end of Chaitra.

In accordance with section 65 of the Local Government Operation Act 2074, there is a resource estimation and budget limit determination committee under the coordination of the deputy mayor or vice president, in which two members including one female among the executive members appointed by the chief administrative officer, the executive board, the local FNCCI representative, the president representative of the local small and domestic industries, and the head of the local level revenue department, altogether representatives . The committee prepares detailed information on the local government's income and expenditure for the coming financial year.

Each local government has to organize the planning process and form 5 thematic committees to cover all thematic areas. The results of the study show that all local governments have formed 'Resource Estimates and Budget Limitation Committees' and thematic committees. Regarding the thematic committees, all the local levels have formed a thematic committee of 3 people including one member representing the deprived group in the executive board under the coordination of the member of the executive board ward chairman. That separates the plans coming from the ward level thematically. Generally, the mayor, deputy mayor and the executive make decisions on resource allocation and operational processes. In addition, the role of the deputy mayor and the committee itself may not be effective except for the participation of marginalized members in the local revenue advisory committee of some municipalities.

Stage 2: Local level resource estimation and total budget limit determination

The second phase of the local government planning process will be completed from Paus 15 to Baisakh 15. At this stage, the local government reviews the budget ceilings received from the federal and state governments. Based on revenue distribution, amount received from revenue distribution, internal income, income source from Nepal government and provincial government financial transfers, internal debt and other income, its balanced outline and budget limits are determined. Estimates possible resources, "Considering the priorities and local needs of the federal and provincial governments, prepares a framework for balanced development." (Sources: Directing the planning of local level,2075,Sample)

At this stage, the local governments provide the ceiling of the budget for the ward level and subject areas by the end of May every year. The Resource Estimate and Budget Determining Committee is chaired by the Mayor or the Chairman, with the Deputy Mayor or Vice Chairman, four members including representatives of women, Dalits or minority members appointed by the Chairman or the Mayor, and 7 members including the Chief Administrative Officer. They formulate plans and budgets at the local level in order to provide citizens with access to the services flowing from the local level in an orderly manner and to achieve sustainable development and prosperity at the local level.

Step 3: Plan selection from settlement and toll level

At this stage, local governments complete community-level discussions and consultative meetings and identify the problems there and select projects based on priority. Settlement level discussions and consultation meetings and selection and prioritization of plans will start from May 15 and end by the end of May.

At this stage, projects are selected at the settlement and toll level in consultation with local households and individuals from local governments. At this stage, after the total budget of the local governments is determined, the chief administrative officer sends the budget ceiling to the ward committees and thematic units. After obtaining the budget ceiling, the ward committees call a meeting of different stakeholders at the settlement and toll levels. The ward committee divides the wards into different groups and discusses with the citizens of the toll level. In this meeting, ward committees encourage all households to participate in the plan selection meeting and collect their needs and demands.

Step 4: Selection and prioritization of plans at the ward level

Ward level plan selection and prioritization is at this stage. Which starts from the end of Baisakh and is completed by 15th of Jeshtha. At this stage, ward level meetings are held to discuss the needs of the ward level and address their demands and plans in the annual plans of the local government.

Collecting the needs and demands from the toll and settlement level, five thematic areas (economic development, social development, physical infrastructure development, forest environment and disaster management, and institutional development) have been formed to separate the plans and prioritize them. Various stakeholders such as village development organizations, mother groups, community forest youth clubs, non-governmental organizations, locally formed CBOs, and representatives of various groups formed by government offices participated in the ward-level planning process.

First, ward level representatives ensure the active participation of especially the poor, women, disadvantaged and their organizations in identifying and prioritizing the development and service needs of the settlement and ward level. Secondly, it was found that they acted as the main means of local governance to reach the poor, Dalit and marginalized sections of the lower levels of the community in every township of the ward and to reach the public administration and service delivery. Thirdly, it was found that they have played an unproductive role in implementing anti-social evil policies to eliminate all kinds of discrimination.

The Ward Committees should also take the lead in creating and implementing programs in accordance with the development goals and visions of the Union, State and local governments. All municipalities need to prioritize the backward, women, tribal and tribal, Madhesi, Dalit, disabled, and marginalized groups in the ward level planning process. This process ensures balanced and sustainable development based on equality and social justice and encourages citizen participation in governance. , and in addition to the development of local democracy, it develops local ownership by assisting the local government in making decisions and implementing them. There is a high level of trust and relationship between local people and representatives for citizens to raise problems and complaints, discuss local needs and demands, and build projects and resources. It is clear that local development partners including elected representatives, local CBOR non-governmental organizations, youth groups, children's clubs, women's development networks, entrepreneurial organizations and the private sector have been brought to the common platform of the local governance system.

After the completion of the ward level planning, all the wards of the municipality have to submit the ward level project proposal to the municipality and municipal office, then the 5th stage of the planning process from local level to local level begins. This phase starts from Jeshtha 15th and ends by Ashadha 5th. At this stage, the budget and program planning committee led by the deputy mayor collects project proposals from all wards and then classifies the project proposals according to five thematic areas.

The subject committee determines the priority of the plans and the budget required for that. Indicators and estimates prepared by the National Natural Resources Financial Commission for plan prioritization:- Based on population (70 percent), geography (15 percent), human development index (5 percent), and development index (10 percent) by preparing the final proposal of the budget and program. The subject committee sends the plan details of all subjects to the integrated plan formulation committee. In addition, the integrated planning committee analyzes the project and budget.

Prepares annual policies and strategies, sources of revenue and tax rates and scope, calculation of actual income and expenditure of the previous financial year, revised income and expenditure of the current financial year, budget projection for the next financial year, appropriation bill and financial bill.

Step 5: Discussion in the thematic committee and formulation of integrated plan

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Step 6: Accept the budget and program from the meeting of the executive assembly

The sixth phase of the planning process will start from 6th of Ashadh and will be completed before 10th of Ashadh. At this stage, the local government submits the annual policies and programs of the local government, the financial bill (proposed revenue and tax rates for the coming year) along with the draft program and budget proposal submitted by the budget and program formulation committee to the executive board meeting for discussion, updating and preparation. In the executive board meeting, the members discuss in detail about the appropriation bill, the budget statement (including the actual last year, the revised estimate for the current year and the estimated budget statement for the next year), and the annual program (the list of detailed programs and the proposed amount). In addition, the executive board of the local level prepares the next year's annual development plan, periodical plan, strategy and vision and mid-term expenditure structure outline, federal and provincial tax policy and strategy, cost-benefit analysis, and the draft budget and program by evaluating the expected public participation. Prepares, then approves the draft with necessary amendments and submits it to the Assembly for final approval.

Due to the lack of coordination between municipalities, poor planning and budget analysis, lack of broad public participation and inclusion in the planning process, lack of appropriate response to grassroots demands, and poor expertise, periodical plans are not able to achieve the expected benefits. Lack of spending capacity with villages and municipalities, the lack of a mechanism to maintain the quality of plans and projects, and the tendency to keep a large amount of the budget in the bond fund for various reasons at the local level seems to increase the financial risk at the local level.

Step 7: Approval of the budget and program at the assembly meeting

At the final stage of the seventh stage planning process, the plan and budget program must be approved by the village and town councils. Assembly meetings at the local level are usually held twice a year, and the annual session is held on the 10th of Ashad every year, which approves the annual budget and programs of the village and municipality. Similarly, the winter session is also held to approve the laws prepared by the municipalities.

Apart from this, villages and municipalities can hold assembly meetings within 15 days if one-third of the members make a written request for special purposes. However, in relation to the 7-phase plan, the executive board of the local government submits the annual plan and budget, policy and program, draft of revenue income and expenditure, and draft of the financial bill to the village and town assembly on the 10th of Ashadh. In addition to this, the actual progress statement of revenue and expenditure of the previous financial year, the revised estimate of income and expenditure up to the end of the current financial year, and the plans and programs of the next financial year and the estimated statement of income and expenditure are also included.

List of priority programs and plans, projection of economic growth rate, poverty alleviation, measures to increase employment opportunities, policies to improve people's living standards, patterns of utilization of local resources and skills, gender equality and social inclusion programs should also be included in the discussion list. In this way, the annual policy and program, revenue and expenditure estimates for the next financial year presented in the assembly (the annual budget should be presented in the assembly within 15 days of the discussion work must be completed within 15 days). The received budget should be re-considered by the executive with necessary amendments or if no amendments are found to be necessary, it should be re-submitted to the assembly within 5 days with reasons. It should be published inside for the information of the general public and should also be published on the websites of the respective municipalities.

During ward-level discussions and consultations, citizens of all households are encouraged to participate in problem identification, project selection, project prioritization and decision-making. In this consultation meeting, all citizens of the settlement level such as children, women, tribals and tribes, Madhesi, Dalits, disabled, marginalized and backward classes are included in this consultation meeting. There should be meaningful presence of other communities. Active participation of the poor, women, underprivileged and their organizations is ensured to identify and prioritize the development and service-related needs of the ward level by the ward level representatives. (Sources :*Acharya and Baidya*)

Major Findings

Since the program and budget formulated by the municipality are not based on in-depth analysis and the programs of the relevant ministries are not prioritized, there are some problems in such coordination and relationship development. Since there is no prioritization and projection of available resources without the collection of annual plans from the township and ward levels, it seems that the demand will remain stagnant and the annual plan and budget of the local government at the citizen level is a continuation of the traditional practice rather than the actual need. There is a problem in bringing the citizens of backward classes, regions and communities into the mainstream of the country, including the implementation of the policy of positive discrimination, to end all kinds of economic, social, gender and caste discrimination in the society. After the implementation of the Local Governance Act, 2074, ensuring the participation of the community and citizens in the inclusive development and governance process of the local level, they are developing a mechanism for planning and allocating the budget to them and involving the local people in the implementation. On the other hand, it is ensuring the basic

aspects of governance. In the local level the economic prosperity is essential it is related with livelihood of the local people so that following formula has been adopted to the rural development perspective.

$LED = C^4 \times R^4 =$ Local Development.

LED = Local Economic Development

$C^4 =$ Economic Capacity+Social Capacity+Political Capacity+Technical Capacity

$R^4 =$ Technical Resource+Physical Resource+Human Resource+Financial Resource

Conclusion

In order for the federal democratic governance system to be strong and institutionalized, the local level, which is the real center of service delivery, must be responsible, transparent and accountable, and it can only be ensured by the participatory budgeting and planning system. Since the local level is the government unit closest to the people, the people's expectations towards it are naturally higher than those of the federal and state governments, and the means of fulfilling such expectations are the budgets and programs formulated by the local level. Since the annual budget and program are not only a projection of income and expenditure for the coming fiscal year, but also a tool to meet local expectations and needs and gain public trust, it is necessary for the local level to participate in planning and programs in its formulation process. If the local level fully follows the seven steps mentioned above while formulating the budget and planning, then it can be assured that the budget will be objective and the implementation will be easy and profitable and necessary to use different wards.

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