

RESEARCH REPORT ON

# CHALLENGES IN SUB-NATIONAL GOVERNANCE

A STUDY OF KARNALI PROVINCE,  
NEPAL



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**HRITI FOUNDATION**  
TOWARDS PROSPEROUS KARNALI

2024

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Hriti Foundation

## **List of Abbreviations**

<b>OCMCM</b>	Office of Chief Minister and Council of Minister
<b>FEDO</b>	Feminist Dalit Organization
<b>GIZ</b>	German us Aid
<b>PLGSP</b>	Provincial and Local Governance Support Programme
<b>NGO</b>	Non- Governmental Organization
<b>MOPID</b>	Ministry of Social Development
<b>FNJ</b>	Federation of Nepali Journalists
<b>CCI</b>	Chamber of Commerce and Industry
<b>IT</b>	Information Technology
<b>IMO</b>	International Maritime Organization
<b>SMS</b>	Short Message Service
<b>FGD</b>	Focus Group Discussion
<b>OAG</b>	Office of the Auditor General
<b>CIAA</b>	Commission for the Investigation of Abuse of Authority
<b>KII</b>	Key Informant Interview
<b>IE</b>	that is
<b>KU</b>	Karnali Utsav
<b>PHD</b>	Doctor of philosophy
<b>ICT</b>	Information and Communication Technology
<b>RSS</b>	Rastriya Swayamsevak Sangh

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## Executive Summary

This research studies significant challenges encountered by sub-national governments in Karnali province, Nepal, with a particular emphasis on three areas – capacity building, resource allocation, and service delivery. With a focus on addressing existing literature gaps, this study examines the different challenges and offers actionable recommendations to improve the efficiency and effectiveness of governance in the province.

The findings of this research indicate that the province lacks adequate training programs essential for improving the skills and knowledge of government officials, which exacerbates the limited institutional capacity challenge in providing effective governance. High turnover rates amongst government employees also contribute to the loss of institutional knowledge, further weakening government ability in operating efficiently. Resources required for improved training and development initiatives often fall short and hinder proper training content delivery.

In terms of resource allocation, Karnali Province faces significant issues due to its heavy reliance on federal transfers, restricting its ability to pursue independent development goals. The scarcity of internal revenue sources aggravates these financial constraints. The sub-national government faces administrative challenges in effectively utilizing allocated resources. Among all this, the inefficiencies in budget execution caused by bureaucratic obstacles and poor financial management, along with delays in implementation of development projects hamper socio-economic progress.

The study also finds severe limitations in service delivery in the province. Challenging geographic conditions and inadequate infrastructures make it extremely difficult for residents, particularly those residing in remote areas, to access essential services. Weak civic engagement, driven by low literacy rates and limited access to technology has compounded challenges for delivering effective governance. On top of this, accountability issues including misappropriation of funds, and nepotism has reduced public trust, impacting the delivery of vital services.

The study also addresses that hurdles extend beyond these institutional limitations, reaching the political and bureaucratic domains. Frequent leadership changes disrupt development plans and projects, further weakening the province's capacity-building efforts and impacting resource allocation and ultimately service delivery.

This research emphasizes the need for a comprehensive approach to overcome these complex challenges. This includes enhancing capacity building through targeted training programs and better incentives for retention of employees, improving resource allocation mechanism and increasing fiscal autonomy, and prioritizing infrastructure development to improve accessibility and strengthen service delivery. Addressing these issues requires coordinated efforts to achieve better governance infrastructure, ultimately promoting equitable development that improves the quality of life of people living in Karnali Province. The findings and recommendations from this research provide valuable insights for policymakers and practitioners, as well as scholars, in facilitating evidence-based policy formulation to tackle the identified challenges.

## CHAPTER ONE

### INTRODUCTION

#### 1.1. Context of the Study

Karnali Province, nestled in the mesmerizing western region of Nepal, holds immense promise with its diverse landscapes, cultural heritage, and abundant natural resources. However, beneath its picturesque facade lies a complex web of policy challenges that critically impede the progress and prosperity of the region. As the backbone of local governance, sub-national governments in Karnali Province face daunting obstacles that hinder their ability to effectively address the pressing needs of the people they serve.

This policy research was set out on a mission to uncover and dissect the very core of these challenges faced by sub-national governments in Karnali Province. With an unyielding focus on identifying key policy challenges, the study aimed to shine a spotlight on the critical barriers that hinder equitable development, efficient resource allocation, and effective service delivery at the local level.

The province's sub-national governance structure plays a pivotal role in shaping the future trajectory of Karnali's development. However, navigating the intricate landscape of capacity building, resource allocation, and service delivery poses formidable challenges. Understanding and addressing these challenges are paramount to breaking down the barriers that have hampered progress for too long.

Through meticulous research and rigorous analysis, this study has attempted to draw attention to the shortcomings in current capacity-building initiatives. By assessing their impact on enhancing governance capabilities, the research has identified opportunities for transformative improvements that empower sub-national governments to navigate the complex policy terrain more effectively.

Equitable resource allocation stands as another formidable challenge that requires unwavering attention. In Karnali Province, disparities in resource distribution have perpetuated inequality, hindering the potential for inclusive development. By delving into the mechanisms of resource allocation, this study has unearthed the root causes of imbalances and advocated for evidence-based policy adjustments that pave the way for more equitable and sustainable progress.

The study has shied away from scrutinizing the effectiveness of existing service delivery mechanisms. Critical sectors such as transportation, healthcare, education, infrastructure development, and social welfare demand meticulous evaluation to determine their efficiency in catering to the diverse needs of local communities. This analysis has proved to be crucial in formulating targeted and pragmatic policy recommendations to elevate the quality and reach of public services.

In this pursuit of unraveling the key policy challenges faced by sub-national governments in Karnali Province, Nepal, this study is believed to leave no stone unturned. Armed with empirical evidence and an unwavering dedication to unmasking the root causes of hindrances, the research has endeavored to carve a

path towards sustainable and inclusive development that will help empower local communities and propel Karnali Province towards a brighter future.

## **1.2 Research Problem**

Karnali Province, situated in the picturesque western region of Nepal, possesses cultural diversity and abundant natural resources. Nevertheless, the province grapples with significant socio-economic and governance challenges, particularly at the sub-national level. These challenges impede capacity building, equitable resource allocation, and efficient service delivery, impacting the overall development and well-being of local communities. The main research problem was to identify and analyze the primary challenges faced by sub-national governments in Karnali Province, with a specific focus on capacity building, resource allocation, and service delivery. This study tried to develop well-informed recommendations and policy suggestions to enhance governance and foster sustainable development within the province.

## **1.3 Objectives of the research**

The major objective of this research was:

- Identify and analyze the main challenges faced by sub-national governments in Karnali Province in terms of capacity building, resource allocation, and service delivery.
- Develop and recommend effective strategies and approaches that address the identified challenges and enhance the capacity, resource allocation, and service delivery of sub-national governments in Karnali Province.

## **1.4 Research Questions**

The following were the research questions in this study:

- What challenges do sub-national governments in Karnali Province face regarding capacity building, resource allocation, and service delivery?
- Which strategies or approaches can be suggested to address the identified challenges and improve the capacity, resource allocation, and service delivery of sub-national governments in Karnali Province?

### **1.5 Limitations of the Study**

The limitations of this Study were as follows:

- The study was focused on Karnali Province in Nepal, limiting the direct applicability of findings to other regions or countries.
- The availability and quality of data were restricted, potentially leading to gaps in the research or reliance on limited datasets.
- The research timeline was limited for an exhaustive analysis, potentially leaving some aspects of the study underexplored.
- During the study it was felt that the influence of political or bureaucratic stakeholders introduced bias into the research, affecting the objectivity of the findings.
- Evolving policies and their impact on sub-national governance were not fully captured due to the dynamic nature of the policy landscape.

## CHAPTER TWO

### UNDERSTANDING FEDERALISM AND CHALLENGES OF SUB-NATIONAL GOVERNMENT IN NEPAL

#### 2.1 Introduction

This chapter aims to provide an overview of key concepts, theories, and empirical studies on federalism, exploring its historical development, theoretical underpinnings, advantages, challenges, and implications for governance. It also aims to define federalism and explore the challenges of sub-national government in the context of federalism in Nepal. The review examines scholarly works and research studies that shed light on the key challenges faced by sub-national governments in federal systems. It also focuses on the unique challenges encountered in implementing federalism in Nepal, providing a comprehensive understanding of the topic.

#### 2.2 Federalism

Federalism is a system of government that involves the division of power and authority between a federal governing body and various sub-national units such as states, provinces, or local governments. It has gained significance in many countries to address regional diversity, promote local governance, and ensure the equitable distribution of resources and decision-making powers. Nepal adopted a federal system of governance in 2015. Since then, researchers have explored various aspects of federalism in Nepal, including its implications, challenges, and opportunities. Federalism is a system of governance in which power is divided and shared between federal authority and subnational units, such as states, provinces, or regions. In a federal system, both the federal government and the subnational units have their distinct areas of jurisdiction and exercise authority over specific policy areas.

Federalism is a complex system of governance that has been widely studied and analyzed in academic literature. It offers advantages such as accommodating diversity, promoting stability, and facilitating policy experimentation. However, federalism also poses challenges related to intergovernmental coordination, resource allocation, and regional disparities. Empirical studies provide valuable insights into the impacts of federalism on various aspects of governance and socioeconomic outcomes.

Elazar (1987) defines federalism as a system of governance characterized by the division and sharing of power between federal authority and sub-national units, such as provinces, in which each level of government has its distinct areas of jurisdiction and authority. The division of powers between the federal, sub-national, and local governments is typically outlined in a written constitution or a legal framework. These powers can be exclusive to one level of government or concurrently between the federal, sub-

national, and local governments. The specific allocation of powers can vary depending on the country and its constitutional structure (Elazar, 1987).

The primary objective of federalism is to balance and distribute political power, allowing for both centralization and decentralization. It seeks to address the needs and interests of diverse regions, ethnic, and cultural groups, and promote local autonomy and self-governance. Federal systems are often adopted in countries with significant regional or ethnic diversity to accommodate various identities and provide a framework for peaceful coexistence (Watts, 2010). Similarly, federalism offers several advantages. It allows for local governments to have decision-making authority and autonomy in matters that directly affect their jurisdiction. It fosters political stability and democratic governance by dispersing power and preventing the concentration of authority in one federal entity. In the meantime, federalism promotes the efficient allocation of resources and allows for policy experimentation, as different subnational units can implement and adapt policies to their specific needs and circumstances (Steinmo et al., 2008).

However, Kincaid (1999) argues that federalism also presents challenges. According to him coordinating and managing the relationships between the federal, sub-national, and local units can be complex. Interjurisdictional conflicts, policy inconsistencies, and resource disparities can arise, necessitating effective mechanisms for intergovernmental cooperation, coordination, and conflict resolution. Maintaining a balance between national unity and regional autonomy requires ongoing negotiation and compromise. Examples of federal systems include the United States, Canada, Germany, Australia, India, and Switzerland, each with its own unique constitutional arrangements and division of powers. In these countries, the federal government handles national defense, foreign affairs, and overarching policy areas, while subnational units have authority over local governance, education, healthcare, and other regional concerns (Watts, 2010).

The origins of federalism can be traced back to ancient civilizations, but its modern form emerged in the context of the United States constitutional design. Over time, federalism has been adopted in various countries worldwide, each with its own unique historical and political context (Elazar, 1987).

Many Scholars have proposed several conceptual frameworks and theoretical perspectives to understand federalism. Dual federalism emphasizes a clear separation of powers between the federal and subnational governments, while cooperative federalism emphasizes intergovernmental cooperation and shared responsibilities (Watts, 2010). The fiscal federalism perspective focuses on the division of financial resources and responsibilities between levels of government (Oates, 1972). These theoretical frameworks provide lenses through which to analyze federal systems. Federalism offers several potential advantages. It can accommodate diverse regional, linguistic, ethnic, and cultural identities within a country, allowing for local autonomy and self-governance (Wibbels, 2005). It can promote political stability and reduce the risk

of authoritarianism by distributing power (Watts, 2010). Federalism also allows for policy experimentation, as sub-national governments can implement and learn from different approaches to governance (Rodden, 2004).

Federalism is not without challenges and criticisms. Critics argue that it can lead to duplication of efforts, coordination problems, and conflicts between different levels of government (Steinmo et al., 2008). Managing intergovernmental relations and resolving conflicts can be complex, requiring effective mechanisms for cooperation and dispute resolution (Kincaid, 1999). Moreover, federal systems may perpetuate regional disparities and inequalities if not carefully managed (Eaton, 2006).

Similarly, Rodden et al. (2003) analyzed the effects of federalism on public spending and found that decentralized systems tend to have higher public expenditure. Huther and Shah (1998) explored the relationship between fiscal decentralization and economic growth, suggesting that well-designed fiscal federalism can contribute to economic development.

Elaza (1987) book provides an in-depth exploration of federalism as a concept and its historical development. It examines the principles, theories, and variations of federalism across different countries and contexts. Watts (2008) offers a comparative analysis of federal systems globally. He examines the institutional structures, power distribution, and intergovernmental relations in federal countries, providing insights into the strengths and challenges of different federal models. Similarly, Stepan and Skach (1993) explore the relationship between federalism and democratic consolidation. The contributors analyze how federalism affects political stability, power-sharing, minority rights, and the overall process of democratic development. Kincaid (2011) focuses on educational reforms and changing governance in federal systems, with a particular emphasis on the experiences of China and other East Asian countries. He explores the impact of centralization and decentralization on education policies and outcomes. Tarr (2013) provides an extensive overview of state and local government finance in federal systems. It covers topics such as fiscal federalism, revenue generation, intergovernmental grants, and financial management, offering insights into the financial dimensions of federalism. Young (2004) explores the concept of multilevel governance within the context of Canadian federalism and explains the distribution of powers, policy-making processes, and intergovernmental relations in Canada, shedding light on the complexities of federal governance.

Riker's (1964) seminal work provides a comprehensive overview of federalism from a macro perspective. It examines the origins, operation, and significance of federal systems in various countries, highlighting on the inherent challenges associated with the division of power between federal and sub-national governments. Rodden (2004) discusses the conceptualization and measurement of federalism and decentralization. It addresses the challenges of designing federal systems that effectively balance the autonomy of sub-national governments with the need for national coordination and policy coherence.

Likewise, Lijphart (1999) explores different forms of democracy, including federalism. It analyzes the challenges and benefits associated with federal systems, highlighting the complexities of managing diversity, achieving intergovernmental coordination, and ensuring equitable distribution of resources and power.

Pandey (2019) examines the opportunities and challenges of federalism in Nepal. It discusses the decentralization of power, fiscal arrangements, intergovernmental relations, and issues of identity and inclusion, offering insights into the specific challenges faced by sub-national governments in Nepal's federal structure. Bhattarai and Sapkota (2018) analyze the challenges and prospects of fiscal federalism in Nepal. They focus on revenue sharing, fiscal transfers, and the capacity-building of sub-national governments, emphasizing the financial challenges faced by sub-national governments in Nepal's federal system. Bhattarai (2017) provides a comparative analysis of federalism in Nepal, drawing lessons from other federal countries. He examines the historical context, challenges, and opportunities of implementing federalism in Nepal. Shrestha and Rokka (2020) examine the political, administrative, and fiscal challenges of federalism in Nepal. The study delves into issues such as power-sharing, coordination between different tiers of government, service delivery, and the equitable distribution of resources, providing a comprehensive understanding of the challenges faced by sub-national governments in Nepal.

In conclusion, federalism in Nepal has brought significant changes to the governance structure by dividing power and authority between the federal government and sub-national units. This system has been adopted to address regional diversity, promote local governance, and ensure the equitable distribution of resources and decision-making powers. Furthermore, federalism has also been considered as a tool to resolve a decade-long armed conflict in Nepal that led to state restructuring and power devolution. While federalism offers advantages such as accommodating diversity, promoting stability, and allowing policy experimentation, it also poses challenges related to intergovernmental coordination, resource allocation, capacity building, service delivery, and regional disparities. The successful implementation of federalism requires effective mechanisms for intergovernmental cooperation, conflict resolution, and coordination. Furthermore, managing the relationships between different levels of government requires continuous negotiation and compromise. The literature on federalism provides valuable insights into its theoretical underpinnings, historical development, and empirical impacts on governance and socioeconomic outcomes. However, there is a research gap in identifying the specific challenges faced by sub-national governments in Nepal, particularly in the areas of capacity building, resource allocation, and service delivery.

### **2.3 Laws and Policies Related to Federalism in Nepal**

The legal provisions play a crucial role in defining the roles, responsibilities, and operational aspects of sub-national governments, ensuring effective governance and service delivery at the provincial and local

levels. The Constitution of Nepal, adopted in 2015, provides a comprehensive framework for federalism, intergovernmental relations, and the functioning of sub-national governments. The constitutional provisions related to these areas are crucial for defining the structure, powers, and responsibilities of the federal, provincial, and local governments.

The Constitution of Nepal establishes a federal structure comprising three tiers of government, the federal government, provincial government, and local government. It divides the country into seven provinces, each with its own provincial government, and further delineates local government: including municipalities and rural municipalities. Similarly, the constitution outlines the distribution of powers between the federal, provincial, and local governments. It specifies exclusive powers that are solely within the jurisdiction of the federal, provincial, or local governments, concurrent powers that can be exercised by all three levels, and residual powers that are not explicitly assigned and thus remain with the federal government.

The Constitution guarantees fundamental rights and principles that apply at all levels of government. These rights include the right to equality, freedom of expression, and the right to participate in public affairs. The principles enshrined in the constitution include inclusivity, social justice, and non-discrimination, ensuring that all citizens are protected and treated equitably.

Furthermore, to facilitate cooperation and coordination among different levels of government, the constitution provides for intergovernmental relations. It establishes mechanisms for collaboration, consultation, and dispute resolution between the federal, provincial, and local governments. The Inter-Governmental Relations Act (2020) further elaborates on these provisions, providing guidelines for intergovernmental coordination and cooperation. The constitution also defines the structure, powers, and functions of provincial and local governments. It outlines the composition of provincial assemblies, the appointment of provincial governors, and the election of chief ministers. For local governments, the constitution sets forth the establishment, structure, and roles of municipalities and rural municipalities, as well as provisions for their election and functioning.

In the meantime, the constitution also includes financial provisions related to federalism and sub-national governments. It outlines the mechanisms for fiscal transfers, revenue sharing, and financial cooperation between the federal, provincial, and local governments. The Intergovernmental Fiscal Arrangement Act (2017) further elaborates on these provisions, establishing principles and mechanisms for resource allocation and financial sustainability. Similarly, the constitution provides for a multi-level judicial system that includes federal, provincial, and local courts. It ensures the independence and autonomy of the judiciary at each level, thereby safeguarding the rule of law and providing access to justice for citizens across the country.

These constitutional provisions lay the foundation for federalism, intergovernmental relations, and sub-national governance in Nepal. They define the powers, responsibilities, and relationships between different levels of government, ensuring effective governance and service delivery. Additionally, specific laws and policies have been enacted to complement these constitutional provisions and further guide the functioning of federalism and sub-national government in Nepal.

There are many acts and regulations related to inter-governmental relations in Nepal. The Inter-Governmental Relations Act provides guidelines for coordination, cooperation, and dispute resolution among different levels of government. It promotes effective inter-governmental relations, ensuring collaboration and coordination in policymaking and implementation. This act enhances governance and cooperation between the federal, provincial, and local governments.

Intergovernmental Fiscal Arrangement Act establishes the principles and mechanisms for fiscal transfers, revenue sharing, and financial cooperation between the federal, provincial, and local governments. It aims to ensure equitable resource allocation and financial sustainability of sub-national governments. This act provides the framework for fiscal decentralization and resource management.

The Local Government Operation Act (2017) defines the establishment, structure, and functions of local governments in Nepal. It outlines the election process, composition, and roles of local government bodies, including municipalities and rural municipalities. This act provides the legal basis for the functioning of local governments. In the meantime, the Intergovernmental Fiscal Arrangement Act (2017) regulates the fiscal aspects of local governments. It addresses matters related to revenue collection, taxation powers, budgeting, and financial management at the local level. This act aims to ensure fiscal autonomy and accountability of sub-national governments. Furthermore, the Procurement Act (2018) governs the procurement processes and procedures for local governments. It sets standards for transparency, fairness, and efficiency in procurement and contract management. This act ensures the effective and responsible use of public resources.

There are many policies on supporting sub-national governance in Nepal. National Policy on Intergovernmental Fiscal Relations (2017) provides a framework for intergovernmental fiscal relations. It guides the allocation, utilization, and management of financial resources between different levels of government. This policy aims to ensure fiscal equity, efficiency, and transparency in resource mobilization and distribution.

By adhering to these legal provisions, Nepal can address key challenges, promote inclusive governance, and ensure effective service delivery at the sub-national level. These laws and policies form the foundation for a robust and efficient federal system in Nepal.

## 2.4 Challenges Faced by Sub-National Governments

Sub-national governments in Nepal face a range of challenges in their governance and service delivery responsibilities. One of the primary challenges is limited fiscal autonomy, as sub-national governments heavily rely on fiscal transfers from the federal government for their financial resources. This dependence hampers their ability to effectively address the needs of their constituents and implement development projects. Interjurisdictional conflicts also arise, stemming from disputes over jurisdiction and policy inconsistencies between the federal and sub-national governments. These conflicts hinder effective governance and coordination, resulting in delays in decision-making and policy implementation. Resource disparities between provinces and regions further compound the challenges, with certain areas facing economic limitations and limited resources, making it difficult to provide adequate public services and infrastructure. Capacity constraints among sub-national governments, including limited administrative capacity and technical expertise, pose additional challenges to effective governance. Similarly, political interference from the federal government or external actors can impact the autonomy and decision-making authority of sub-national governments.

Dahal and Thapa (2020) explore the emerging trends and challenges in decentralization and federalism in Nepal. They analyze the impact of federalism on capacity building and resource allocation, governance, and local empowerment in Nepal. Sapkota (2018) investigates the dynamics of sub-national governance in Nepal, focusing on the roles and responsibilities of sub-national governments. The study examines the distribution of power and resources, intergovernmental relations, and the challenges faced by sub-national entities. Aryal (2019) assesses the achievements, challenges, and opportunities associated with federalism and local governance in Nepal. He discusses the implications of federalism on decentralization, fiscal autonomy, and participatory decision-making at the local level. Koirala (2016) examines the challenges and prospects of federalism in Nepal, considering the political, economic, and social factors. He evaluates the implications of federalism on national unity, power-sharing, and the management of ethnic diversity.

Sub-national governments, also known as regional often face various challenges in their role within a federal system. These challenges can arise due to the complex interplay between the federal government and sub-national units, as well as internal factors within the sub-national government itself (Kincaid, 1999). One of the common challenges faced by sub-national governments is limited fiscal autonomy. Sub-national governments heavily rely on fiscal transfers from the federal government for their financial resources, which can limit their fiscal autonomy and hinder their ability to meet the needs of their constituents effectively. Insufficient revenue sources and the inability to generate revenue locally can lead to budgetary constraints and hinder the delivery of essential services (Steinmo et al., 2008).

Interjurisdictional conflicts are another significant challenge in the federal system. Conflicts can arise between subnational governments themselves or between subnational governments and the federal government. Disputes over jurisdiction, policy inconsistencies, and conflicting interests can fuel inter-jurisdictional conflicts. Resolving these conflicts requires effective mechanisms for intergovernmental cooperation, coordination, and conflict resolution (Elazar, 1987). Resource disparities pose a persistent challenge for subnational governments. Regions with a lower economic base or smaller populations may face significant disparities in resources both human and financial. Addressing these disparities and ensuring equitable distribution of resources can be a complex task for sub-national governments, as they strive to provide adequate public services and infrastructure (Benz, 2007).

Capacity constraints also pose challenges for subnational governments. Limited administrative capacity, technical skills, and professional expertise can hamper their ability to effectively manage their jurisdiction. Building institutional capacity and providing training and support to subnational officials are crucial for overcoming these constraints and enhancing effective governance (Hendriks, 2013). Political interference from the federal government or other external actors is a challenge faced by sub-national governments. Such interference can undermine the autonomy and decision-making authority of sub-national governments, compromising their ability to address local needs and interests. Striking a balance between federal oversight and subnational autonomy is vital for effective sub-national governance (Keating, 1998).

Coordinating policies and programs between the federal government and sub-national units is a complex task. Ensuring policy alignment, avoiding duplication, and promoting cooperation and coordination require effective mechanisms for intergovernmental relations. Lack of coordination can lead to inefficiencies, policy inconsistencies, and gaps in service delivery (Wollmann, 2005). Fostering citizen participation and ensuring accountability are crucial challenges for subnational governments. Engaging citizens in decision-making processes, especially in regions with diverse populations or marginalized communities, can be challenging. Strengthening mechanisms for citizen engagement, promoting transparency, and enhancing accountability mechanisms are essential for effective sub-national governance (Abers & Keck, 2013).

Elazar (1987) provides a comprehensive overview of federalism as a concept. It explores the origins, principles, and variations of federalism, highlighting the challenges associated with the distribution of power between the federal government and sub-national entities. Watts (2008) offers a comparative analysis of federal systems worldwide, providing insights into the challenges faced by sub-national governments. The book examines the institutional structures, intergovernmental relations, and policy-making processes, shedding light on the complexities of federal governance. Pandey (2019) examines the opportunities and challenges of federalism in Nepal. It discusses the challenges faced by sub-national governments, including issues of power-sharing, intergovernmental coordination, fiscal arrangements, and identity politics. Dahal

and Thapa (2020) explore the emerging trends and challenges of decentralization and federalism in Nepal. They analyze the impact of federalism on governance, service delivery, and local empowerment, shedding light on the specific challenges faced by sub-national governments.

Sapkota (2018) investigates the dynamics of sub-national governance in Nepal, focusing on the challenges encountered by sub-national governments. The study examines the distribution of power and resources, intergovernmental relations, and the institutional capacity of sub-national entities are the key challenges of federalism in Nepal. Aryal (2019) assesses the challenges faced by sub-national governments in Nepal's federalism. The article discusses the implications of federalism on decentralization, fiscal autonomy, and participatory decision-making at the local level.

In Nepal, the implementation of federalism has brought about significant changes in the governance structure of the country. The country is divided into seven provinces, each with its own sub-national government responsible for local governance and service delivery. However, the transition to federalism has presented several challenges for sub-national governments, particularly in Madhesh Province, as highlighted in the case study by Rai (2021).

One of the key challenges faced by sub-national governments in Nepal's federalism is limited fiscal autonomy. Sub-national governments heavily rely on fiscal transfers from the federal government for their financial resources (Subedi, 2019). This dependence on federal grants and transfers can restrict their ability to address the needs of their constituents effectively and implement development projects. Insufficient revenue sources and the inability to generate revenue locally can lead to budgetary constraints and hinder the delivery of essential services (Shrestha, 2020).

Another significant challenge is inter-jurisdictional conflicts. With the division of powers and responsibilities between the federal and sub-national governments, disputes may arise over jurisdiction and policy inconsistencies. These conflicts can hamper effective governance and coordination, leading to delays in decision-making and implementation of policies and programs (Rai, 2021). Resolving these conflicts requires effective mechanisms for intergovernmental cooperation, coordination, and conflict resolution (Bista, 2017).

Resource disparities between different provinces and regions within Madhesh province can pose challenges for sub-national governments. Some regions may have a lower economic base and limited resources, making it challenging to provide adequate public services and infrastructure. Addressing these disparities and ensuring equitable distribution of resources is crucial to promoting inclusive development and reducing regional inequalities (Ghimire, 2019). Capacity constraints are another challenge faced by sub-national governments. Building the necessary administrative capacity, technical skills, and professional expertise

among sub-national officials is essential for effective governance (Khadka, 2018). Inadequate capacity can hinder the planning, implementation, and evaluation of policies and programs, affecting service delivery and development outcomes (Sapkota, 2020). Political interference from the federal government or external actors can also impact the autonomy and decision-making authority of sub-national governments. Balancing the need for federal oversight with sub-national autonomy is crucial to ensure effective governance and address local needs and interests (Maharjan & Chitrakar, 2021).

Institutional coordination and policy alignment between the federal government and sub-national units are vital for effective governance. Ensuring coherence in policies, avoiding duplication, and promoting cooperation and coordination require strong mechanisms for intergovernmental relations. Lack of coordination can lead to inefficiencies, policy inconsistencies, and gaps in service delivery (Subedi, 2019). Hence, the provinces in Nepal on the one hand are facing resource scarcity to execute the constitutional powers and on the other, they also lack the laws and administrative staff to implement the existing plan and policies resulting in less financial progress.

#### **2.4.1 Capacity Building Challenges**

Capacity building is a critical aspect of successful federalism in Nepal, as it plays a crucial role in enhancing the effectiveness and efficiency of subnational governments. However, federalism in Nepal faces several capacity-building challenges that need to be addressed for effective governance and service delivery. Capacity building plays a crucial role in enhancing the effectiveness and efficiency of sub-national governments.

One of the capacity-building challenges is the limited administrative capacity at the sub-national level. Sub-national governments often lack the necessary human resources, skills, and expertise to effectively manage their jurisdictions and deliver quality services (Karki & Shakya, 2020). Insufficient administrative capacity can hinder policy implementation, decision-making processes, and coordination with the federal government.

Another challenge is the lack of technical skills and knowledge among sub-national officials. Effective governance requires specialized technical expertise in areas such as finance, planning, infrastructure development, and public service delivery. However, sub-national governments often struggle to attract and retain professionals with the necessary skills and experience (Khadka, 2018). This gap in technical capacity can hinder the implementation of development projects and hinder effective policy formulation.

Financial management capacity is also a significant challenge in Nepal's federalism. Subnational governments need to have robust financial management systems to ensure transparent and accountable use of public resources. However, many subnational governments face challenges in budget preparation,

financial reporting, and monitoring of expenditures (Shrestha, 2021). Strengthening financial management capacity is crucial to ensure effective utilization of resources and prevent corruption and mismanagement.

Furthermore, coordination and cooperation between the federal and sub-national governments pose capacity-building challenges. Effective intergovernmental coordination mechanisms need to be established to facilitate policy alignment, information sharing, and collaboration. However, the lack of coordination mechanisms and limited experience in intergovernmental relations can impede effective cooperation and hinder the implementation of joint policies and programs (Gurung & Malla, 2019).

Addressing these capacity-building challenges requires concerted efforts and targeted interventions. Enhancing administrative capacity can be achieved through recruitment and training programs to develop the skills and knowledge of sub-national officials (Shakya & Sapkota, 2019). Capacity development programs can focus on building technical expertise in areas relevant to sub-national governance, such as financial management, project management, and public service delivery (Poudel, 2020).

Furthermore, promoting knowledge-sharing and learning platforms can facilitate the exchange of experiences, best practices, and lessons learned among subnational governments. Peer learning and mentorship programs can also be effective in enhancing capacity and promoting innovation (Ghimire et al., 2017). Strengthening coordination and cooperation mechanisms through regular dialogues, joint planning, and information-sharing platforms can improve intergovernmental relations and enhance capacity-building efforts (Shrestha, 2021).

A study by Subedi and Shakya (2019) highlighted the challenges faced by Karnali Province in developing the necessary skills and knowledge among its government officials. The authors emphasized the lack of trained personnel, limited access to relevant training programs, and insufficient financial resources as key obstacles to capacity-building efforts. Similarly, Basnet and Gautam (2020) pointed out that the absence of a clear capacity development strategy, inadequate coordination among different levels of government, and a lack of motivation among officials hindered the capacity-building initiatives in the province.

Furthermore, the study by Adhikari and Paudel (2021) explored the role of political leadership in capacity building. They found that political instability and frequent changes in leadership at the sub-national level affected the continuity and effectiveness of capacity-building programs. Moreover, the study identified the need for a strong commitment from political leaders to prioritize and invest in capacity building as a long-term strategy for sustainable development.

So, capacity building is crucial for the effective functioning of federalism in Nepal. Addressing capacity-building challenges such as limited administrative capacity, lack of technical skills, financial management capacity, and coordination issues are essential for enhancing the effectiveness of subnational governments

and ensuring efficient service delivery. Through targeted capacity development initiatives and intergovernmental cooperation, Nepal can strengthen its federal governance structures and promote sustainable development at the subnational level.

#### **2.4.2 Resource Allocation Challenges**

Resource allocation is another significant challenge in the context of federalism in Nepal. The division of resources between the federal government and subnational units is crucial for equitable development and effective service delivery. However, federalism in Nepal faces several resource allocation challenges that need to be addressed for balanced and inclusive growth.

One of the challenges is the unequal distribution of financial resources among different provinces and local governments. Historically, certain regions have received more resources and development investments than others, leading to regional disparities (Dahal et al., 2018). This disparity can hinder the ability of subnational governments in less-developed regions to provide basic public services and infrastructure to their constituents.

Moreover, revenue generation capacity varies across provinces and local governments, leading to disparities in financial resources. Some subnational governments may have limited capacity to generate revenue locally, relying heavily on fiscal transfers from the federal government. This dependency can restrict their fiscal autonomy and hinder their ability to address local development priorities effectively (Nepal, 2019).

Furthermore, the fiscal transfer mechanism between the federal government and sub-national governments poses challenges. The distribution formula for fiscal transfers may not adequately consider the diverse needs and resource requirements of different provinces and local governments. The formula may not fully capture factors such as population size, poverty levels, and infrastructure needs, leading to imbalances in resource allocation (Dahal et al., 2018).

Additionally, resource allocation challenges arise from the lack of clarity and transparency in the criteria and processes for allocating resources. The absence of a well-defined framework for resource distribution can lead to discretionary decision-making, favoritism, and potential misuse of resources (Dahal et al., 2018).

Effective resource allocation is essential for sub-national governments to fulfill their responsibilities and meet the needs of the local population. In the context of Karnali Province, studies have identified several challenges in resource allocation practices. Acharya (2018) found that the province struggled with an inequitable distribution of resources, inadequate revenue generation, and limited access to financial resources. The study highlighted the need for improved revenue collection mechanisms, transparent budgetary processes, and increased fiscal transfers from the federal government to address these challenges.

Furthermore, Dahal and Sharma (2021) emphasized the political influences and bureaucratic hurdles that often impede fair and transparent resource allocation processes. They argued that patronage networks, political favoritism, and corruption undermine the principles of equity and efficiency in resource allocation. The study called for greater accountability, transparency, and public participation in the decision-making processes related to resource allocation.

### 2.4.3 Service Delivery Challenges

Service delivery is a critical aspect of governance in federalism, and Nepal faces several challenges in ensuring effective service delivery across different levels of government. The division of responsibilities and coordination between the federal government and subnational units can give rise to service delivery challenges that need to be addressed for efficient and equitable public service provision.

One of the key challenges is the unequal capacity of subnational governments to deliver essential services. Variations in administrative capacity, human resources, and infrastructure among different provinces and local governments can result in disparities in service delivery (Sapkota et al., 2019). Less-developed regions may face difficulties in providing basic services such as education, healthcare, and infrastructure to their constituents. Coordination and harmonization of policies and programs between the federal government and sub-national units is another challenge. Divergent policies, conflicting regulations, and inconsistent implementation can create confusion and hinder effective service delivery (Gurung et al., 2020). Lack of coordination can lead to duplication of efforts, inefficiencies, and gaps in service provision.

The resource constraints can impact service delivery in federalism. Sub-national governments often heavily rely on fiscal transfers from the federal government for their financial resources, which may not be adequate to meet the demands of service delivery (Dahal et al., 2018). Insufficient financial resources can limit the capacity of sub-national governments to provide quality services and maintain necessary infrastructure.

Similarly, citizen participation and accountability in service delivery can be challenging. Engaging citizens in decision-making processes, ensuring transparency, and promoting accountability at the local level are crucial for effective service delivery. However, marginalized communities and regions with limited civic engagement can face barriers to meaningful participation (Gurung et al., 2020). Strengthening mechanisms for citizen engagement and promoting inclusive governance are essential to address this challenge.

Service delivery is a critical aspect of sub-national governance, directly impacting the lives of citizens. The literature revealed various challenges faced by Karnali Province in delivering public services effectively. Dhakal and Ghimire (2019) highlighted the lack of infrastructure, skilled human resources, and information and communication technology (ICT) as significant obstacles to service delivery. They emphasized the

need for investments in infrastructure development, capacity building of service providers, and the integration of ICT solutions to improve service delivery outcomes.

Moreover, Poudel and Bhandari (2020) identified the low accountability of service providers, corruption, and the absence of citizen engagement as key challenges affecting the quality and accessibility of services. The study emphasized the importance of promoting transparency, citizen participation, and social accountability mechanisms to address these challenges and improve service delivery in Karnali Province.

## **2.5 Research Gaps**

Despite the growing body of literature on federalism and sub-national governance in Nepal, there is still a research gap in understanding the specific challenges faced by sub-national governments at the provincial level, particularly in the context of capacity building, resource allocation, and service delivery. This study aims to fill this research gap by examining the key challenges faced by sub-national governments in Karnali Province, Nepal, focusing on capacity building, resource allocation, and service delivery aspects.

Capacity building is a crucial factor for the effective functioning of sub-national governments. It involves enhancing the knowledge, skills, and capabilities of government officials to efficiently manage their jurisdiction. However, there is a lack of comprehensive studies that specifically analyze the capacity-building challenges faced by sub-national governments in Karnali Province. This research will explore the capacity constraints, training needs, and institutional development requirements to shed light on the specific capacity-building challenges in the province.

Resource allocation is another critical aspect that affects the ability of sub-national governments to deliver services and implement development projects. In the context of Karnali Province, which is known for its remoteness and socio-economic disparities, the research will focus on understanding the resource allocation challenges faced by the sub-national governments. It will examine the adequacy of fiscal transfers from the federal government, the availability of local revenue sources, and the effectiveness of resource allocation mechanisms in addressing the development needs of the province.

Service delivery is a fundamental function of sub-national governments, and understanding the challenges in this area is essential for effective governance. This research will analyze the specific service delivery challenges faced by sub-national governments in Karnali Province. It will explore issues related to access to basic services, infrastructure development, and the quality and equity of service provision. Additionally, the study will examine the role of citizen participation, transparency, and accountability in service delivery processes.

By addressing these research gaps, this study aims to contribute to the existing literature on federalism and sub-national governance in Nepal. The findings will provide valuable insights into the challenges faced by

sub-national governments in Karnali Province, particularly in the areas of capacity building, resource allocation, and service delivery. The research outcomes will inform policymakers, practitioners, and scholars about the specific needs and priorities of sub-national governments in the province, facilitating evidence-based policy formulation and targeted interventions to address the identified challenges.

## CHAPTER THREE

### RESEARCH METHODOLOGY

#### 3.1 Introduction

This chapter delves into the research methodology employed to identify the key challenges faced by sub-national governments in Karnali Province, Nepal, with a focus on capacity building, resource allocation, and service delivery. This chapter outlines the data collection techniques, tools, and procedures utilized in this study, as well as the subsequent data analysis methods.

#### 3.2 Data Generation

Five specific data collection tools were applied to conduct the research:

##### 3.2.1 Content Analysis

Under content analysis, constitution, acts, rules, regulations, existing literature, reports, and policies related to sub-national governance in Karnali Province were reviewed. Similarly, directives, action plans, strategies, government plans, and other related policies were reviewed and analyzed. Likewise, published, and unpublished books, journals, research works, articles, study reports, notes, newspapers, magazines, online information, country reports, newsletters, and newspaper reports were reviewed and analyzed.

##### 3.2.2 Key Informants Interview (KII)

Under the KII, checklist-based interviews were conducted. The interview checklist was prepared for this. A total of five interviews were conducted under the KII. (For a detailed list of Key Informants please see Annex 1).

##### 3.2.3 Conduction of Workshop

A total of two workshops were conducted during the study period. The first workshop was conducted for problem and challenge finding which was conducted in Surkhet, Karnali Province. A separate checklist was prepared to collect data through the workshop (for a detailed list of the workshop participants please see Annex 2). Similarly, the second workshop was problem validation workshop which was also conducted in Surkhet (for details list of the problem validation workshop participants please see Annex 3). While selecting the participants the inclusive theory was used ensuring that priorities were given to women, *Dalit*, *Janajati*, and people from marginalized regions.

##### 3.2.4 Questionnaire Survey

A questionnaire survey on identifying the key challenges faced by sub-national governments, Karnali province, Nepal was conducted. The general people and other related stakeholders were involved in the survey using a set of pre-written questions to gather information about the experiences of key challenges

of sub-national governments specially focused on capacity building, resource allocation and service delivery (for details questionnaire survey form please see Annex 4). The survey included questions about different aspects of challenges faced by sub-national governments such as capacity building, resource allocation and service delivery. The purpose of the survey was to collect data from the general people to identify areas where action is needed. A separate questionnaire was made before collecting the information from the sources.

The general perspective on the challenges faced by the Karnali Province were collected during the study. General people were asked to fill out the form through Google survey to put their perspectives on challenges to the province government for implementation of federal system. During this, 175 people provided consent to fill up the form. There was participation from all 10 districts<sup>1</sup> of Karnali Province in the survey. Most of the participants in the survey i.e., 91 participants were from Surkhet while only 1 participant was from Dolpa.

Among the respondents of the survey, 50 were female, 124 were male and 1 participant did not want to disclose gender identity. Similarly, looking at the age-group of the respondents, there were 82 participants of age group 16 to 25, 62 of age group 26 to 40, 30 of age group 41 to 60 and only 1 of the age above 61. Similarly, looking at the educational qualification of the respondents of the survey, there was 1 participant who had basic level education (up to 8 class), 32 participants with secondary level education (9 to 12 pass), 82 participants with bachelor's degree and 58 participants with master's degree. Similarly, there was 1 participant with a PhD Degree and 1 with professional training. Looking at the details of the respondents based on religion, the largest number were Hindus i.e., 166, 5 were Buddhists, 2 were Christians, 1 was Islam and 1 Kirat religion.

The researcher collected the information through different channels, online, mail, in-person, and telephone. The data collected through the survey was analyzed using statistical methods. The survey was conducted in an ethical and responsible manner, with due consideration for informed consent, confidentiality, and privacy of the participants.

### 3.2.5 Advisory Level Discussion

Advisory Level discussions played a crucial role in gathering valuable insights and expert opinions from individuals who possessed in-depth knowledge and experience in the field of governance. The advisory-level discussions involve engaging with KU Policy Lab team, Hriti Foundation team, and subject matter experts. Through these discussions, the research aims to gain a comprehensive understanding of the challenges faced by sub-national governments in terms of capacity building, resource allocation, and service delivery. The insights and recommendations obtained from the advisory-level discussions will contribute

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<sup>1</sup> Kalikot, Jajarkot, Jumla, Dolpa, Dailekh, Mugu, Rukum Pachhimm, Salyan, Surkhet, and Humla.

to the formulation of effective strategies and policy recommendations to address the identified challenges and enhance the functioning of sub-national governments in Karnali Province.

Advisory-level discussions played a pivotal role in gathering valuable insights and expert opinions from individuals possessing in-depth knowledge and experience in the field of governance. These discussions involved engagement with the KU Policy Lab team, Hriti Foundation team, and subject matter experts. These advisory-level discussions aimed to enhance the quality of the research and contribute to the formulation of effective strategies and policy recommendations to address the identified challenges in sub-national governance within Karnali Province. The insights gained from these discussions were integrated into the data analysis and findings of the study.

### 3.3 Data Analysis

Data analysis was a critical phase in this research, aiming to extract meaningful insights from the collected data. Different methods were employed based on the type of data collected:

#### 3.3.1 Qualitative Data Analysis

Qualitative data from semi-structured interviews and content analysis were analyzed using thematic analysis. The process involved the following steps:

- **Data Transcription:** Interviews were transcribed verbatim, ensuring accuracy in capturing respondents' views and insights.
- **Data Coding:** Segments of text were systematically coded, identifying recurring themes and patterns related to capacity building, resource allocation, and service delivery challenges.
- **Theme Development:** Codes were grouped into broader themes and sub-themes, allowing for a comprehensive understanding of the issues.
- **Interpretation:** Researchers interpreted the themes, drawing connections between various aspects of sub-national governance challenges.
- **Data Validation:** Findings were validated through member checking, where key informants had the opportunity to review and confirm the accuracy of their contributions.

#### 3.3.2 Quantitative Data Analysis

Quantitative data from the questionnaire survey were analyzed using statistical methods. The following steps were undertaken:

- **Data Cleaning:** Raw survey data were cleaned to identify and rectify any errors or inconsistencies.
- **Presentation of Findings:** The results of the quantitative analysis were presented using tables, charts, and graphs for clarity and interpretation.

## CHAPTER FOUR

### KEY CHALLENGES FACED BY KARNALI SUB-NATIONAL GOVERNMENTS

#### 4.1 Introduction

This chapter delves into the primary challenges confronted by sub-national governments within the country, with a specific focus on Karnali Province. It also explores the policy challenges related to capacity building, resource allocation, and service delivery faced by the Karnali sub-national government in Nepal. These aspects are indispensable for a holistic understanding of how sub-national governments perform and effectively address the needs of their local populations.

#### 4.2 Capacity Building Challenges

Capacity building plays a crucial role in strengthening sub-national government institutions and improving service delivery at the local level. In the case of Karnali Province, a region characterized by its remoteness and disadvantaged nature, identifying, and addressing capacity building policy challenges is of utmost importance. It identifies and assesses the key policy challenges related to capacity building in Karnali's sub-national government.

##### 4.2.1 Analyzing Institutional, Expertise, and Capacity Challenges in Karnali Sub-national Government, Nepal

One of the foremost challenges faced by sub-national governments in Karnali Province is the limited institutional capacity. This province, characterized by its unique geography and socioeconomic conditions, demands well-functioning institutions capable of efficiently managing local affairs. Interviews with government officials and stakeholders have unearthed issues related to staff competence, knowledge, and skills. The inadequacy of training and development programs to address these gaps has become apparent. Institutional capacity is a critical determinant of the success and effectiveness of sub-national governments. In the context of Karnali Province, Nepal, the challenges related to institutional capacity have come to the forefront as a pressing issue that requires attention and resolution.

Interviews conducted with government officials and stakeholders revealed a significant deficit in staff competence within sub-national government institutions. Competence relates to the ability of individuals to perform their duties effectively and efficiently, and it is a fundamental requirement for any institution. The challenges associated with staff competence in the province are multifaceted. Several key issues were identified during the interviews. First is the staff competence, knowledge, and skills. Government officials and participants of FGD highlighted that there is a lack of comprehensive training programs to enhance the competence of employees. Inadequate training curricula and the absence of regular skill development

opportunities have hindered the professional growth of staff. A government employee participated in the FGD says:

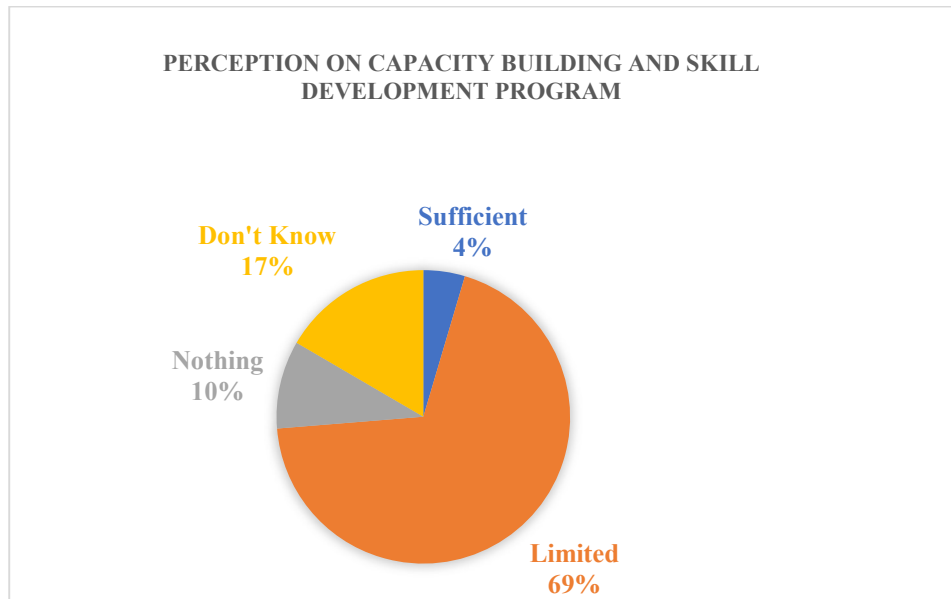
It has been 7 years since the formal implementation of the integrated governance system in Nepal. During this period, the necessary training and orientation programs have not been conducted for enhancing the capacity of the employees working in Karnali province. It has not been possible to increase the capacity of the employees who are used to the unitary government system by making them accustomed to the federal government system. Necessary policy and institutional arrangements for the development of the capacity and skills of the employees have not been made.

It seems that Karnali Province is not able to work in an institutional manner regarding the provision of training required for enhancing the capacity of people's representatives and employees. Most of the participants who participated in the interviews and group discussions in this study said that the province could not make the necessary policy arrangements in time to enhance the capacity of the elected public representatives and employees. He said that due to this, in order to implement federalism in a suitable manner, a challenge has been created in the implementation of the single and common rights of the provinces and local levels in the constitution. A key informant says:

Not only the employees but also the peoples' representatives do not have information about the federal governance system. Many are not able to understand the basic difference between the unitary system existing in the past and the present federal governance system. Policy makers seem to be unaware that citizens cannot advocate for change without training employees and peoples' representatives about the changing governance system. In relation to capacity building, the provincial government and the provincial assembly could not make policy arrangements even after the implementation of federalism for a long time, which has raised questions in the entire province's operations.

The point of view of common citizens is not different from this. During the survey, the participants were asked whether the Karnali state government regularly conducts programs for capacity building and skill development of its employees. Among those who participated in the survey, the highest percentage of the participants i.e. 69% answered that Karnali Province has conducted very few programs. Similarly, 10 percent of the participants answered that the province has not conducted any program. The 10 percent of the participants answered that they did not know about this and only 4 percent of the participants answered that the province has been conducting such programs.

**Figure 1: The status of conducting employee capacity building and skill development program**

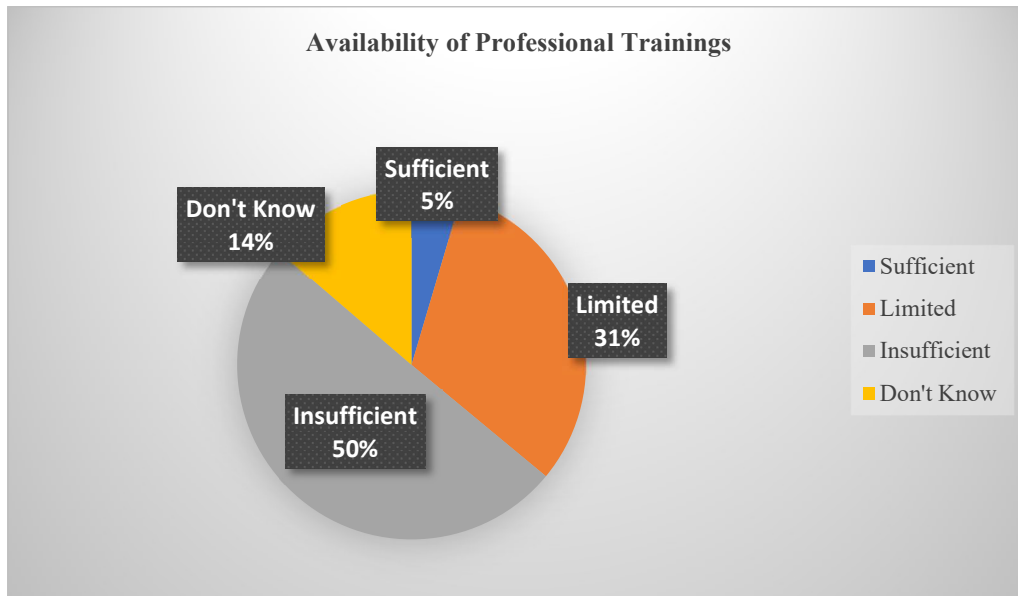


Source: Field Survey, 2023

Because of lack of the policy level and institutional provisions of capacity building and skill development trainings this has created direct knowledge gaps. The rapidly changing socio-economic landscape of the province necessitates up-to-date knowledge and expertise among government employees. Many individuals within the institutions have significant knowledge gaps, particularly in areas such as development planning, public service delivery, and governance. A province level employee who participated in the FGD admitted that there exists knowledge gaps due to lack of training. He said that due to the lack of skills and knowledge regarding the role, responsibility and liability of the bureaucracy in the changing governance system, they are not able to provide services according to the constitution. A local representative also agreed to this. The representative said that not only the employees but also the work of peoples' representatives could not be federalist-friendly and because of that, the positive perception among the common citizens about the province has not been developed yet.

During the survey, the question was asked to the employees working in the Karnali province on what the status of availability of professional trainings to the employees in the province is. Majority of the participants which covers 50 percent of them answered that there is insufficient professional training for the employees working in Karnali. Similarly, 31 percent of the participants answered that the trainings is sufficient for the employees. Likewise, 14 percent of the participants were unknown about the availability of training while only 4 percent of them answered that the employees working in the Karnali province get sufficient professional training.

**Figure 2: Availability of Professional Trainings for Employees**



*Source: Field Survey, 2023*

Retaining competent staff members in a remote province like Karnali is a challenge. Due to limited opportunities for professional growth and better salaries in other regions, many well-qualified individuals are lured away from Karnali Province. Since skilled and capable employees are reluctant to transfer to Karnali Province and those who go to Karnali are only for promotion, the province is facing various challenges. Most of the participants in the interview and focus group discussion shared their experience that competent and skilled employees do not want to go to Karnali Province. Karnali Province was also of the view that Karnali Province is facing a challenge because employees are being transferred to Karnali Province or the local level under it.

Karnali Province's complex topography necessitates specialized administrative and technical expertise for the delivery of public services. The absence of qualified personnel, particularly engineers and technical experts, presents a substantial challenge in infrastructure development and service delivery. The Karnali province struggles with a shortage of skilled professionals and technical experts in various sectors, including public administration, healthcare, education, and infrastructure development. The absence of specialized skills hampers effective decision-making and program implementation.

For a long time, there was no policy arrangement for providing training to the elected, nominated, or appointed officials of the province and local level to increase the knowledge, skills and capacity of the manpower of the federal, provincial and local government agencies and institutions in the state. People in the province lack the subject knowledge of the work, duties and rights of the provincial body, and the scope of work they can do. A former minister from the Karnali province says:

Karnali province could not make policy arrangements in time to increase the capacity of the people needed in its province. The province is not able to make necessary policy arrangements for the establishment of necessary institutions, arranging necessary financial and human resources for its effective implementation. Due to this, the governance arrangements practiced during the unitary system has not changed yet.

An employee working in Karnali province agrees on this. He, working in Province Ministry since the establishment of the province says:

I have been working in civil service for 16 years and it has been quite a few years of working in the Karnali province. I have not received any kind of skill enhancement and capacity building training except the orientation training I received right after posting. The government system of the state was transformed from a unitary system to a federal system. We have not obtained any kind of training on what the change in the working modality of the employees after the establishment of the federal system should be.

An official of the Province Planning Commission of Karnali Province agrees on this. He says:

During the beginning of the establishment of the province government, there was a shortage of manpower in the province. The available employees were not skilled. The employees in the Karnali Province Planning Commission also lacked employees who had knowledge of preparing plans and policy. The employees do not seem to be enthusiastic about learning. This problem exists in the case of the people's representatives as well. The major reason behind the increasing complaints from general people and weakening of effectiveness of the province is the lack of capacity in public staffs.

Karnali Province has had a policy gap for a long time in terms of conducting training and training for improving the knowledge, skills, and capacity of the people of Karnali Province and local level elected, nominated or appointed officials, associations, state and local level government agencies and other institutions located in Karnali Province. During the first term of the state assembly, this kind of law could not be passed. There is no institutional arrangement to provide capacity building training to the officials of the local and federal agencies located in the province. As a result, there was policy ambiguity about it for a long time. However, during this period, the state governance center did some work for capacity building. Though, while looking at the budget allocated and the expenditure of the province good governance center during the last three years, the institution is not working effectively.

**Table 1: Budget and Percentage of Expenditure of the Province Governance Center**

S.N.	Fiscal Year	Allocated Budget	Total expenditure	Remaining Budget	Expenditure in Percent
1	2077/78	137724000	25971142	111752858	18.85
2	2078/79	162050000	107342619	54707381	66.24
3	2079/80	104410000	36494039	67915961	34.95

Source: Provincial Center for Good Governance (PCGG), 2023

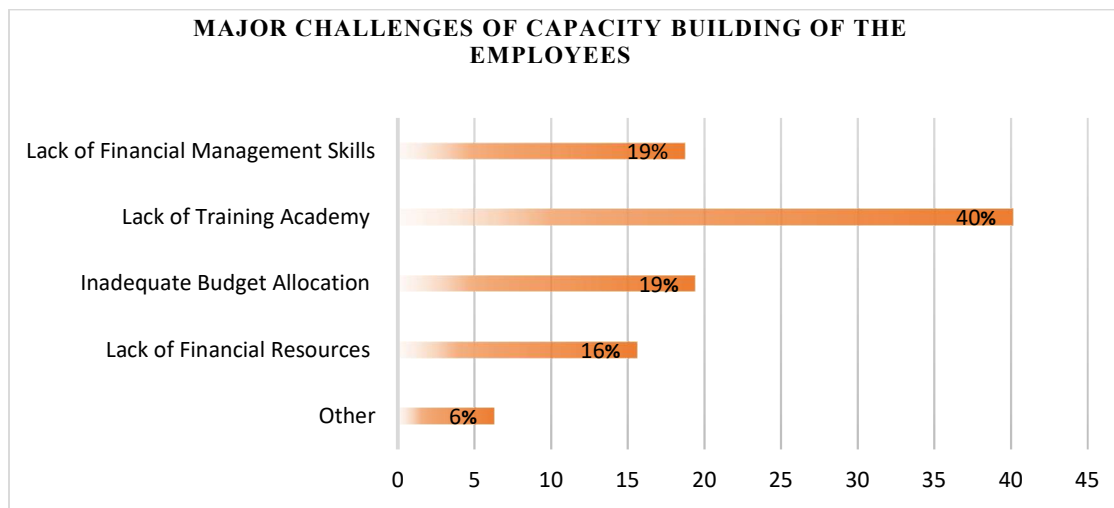
Likewise, the Karnali Province Training Institute Academy (Establishment and Operation) Act has been issued in March 2079 to conduct this kind of capacity building training and to regulate the institutions providing trainings and to study and research on various issues. According to the issued act, the academy has been established as a regulatory body for determining training methods, evaluating other training programs, developing training methods, materials, curriculum, and all capacity building work under Karnali province. Due to the lack of such training institutes, the state government could not conduct capacity building programs. A key informant of this subject matter says:

In Kanali Province, there was policy ambiguity regarding the Provincial Training Institute for a long time. There was no clarity on which agency would do this work. As a result, the capacity-building work of elected, nominated, and appointed officials and employees of local and regional level government and public institutions could not progress institutionally. The quality of capacity-building training materials could not be assured, and the criteria could not be developed. The five-year tenure of the local and provincial government ended with policy level ambiguity.

It seems that capacity building cannot be ensured only by the formation of Karnali Province Training Academy. The question of development of the capacity of the provincial training institutes and other bodies formed for the purpose of capacity development is very important. An Assistant professor at Mid-West University says that the work of capacity building of the provincial bodies is still challenging as the curriculum created by such bodies, the ability and quality of trainers providing training cannot be measured.

The participants of the survey have indicated the major reason is the lack of training provided by the institute. A question was asked about what the major challenges in capacity building of employees are working in Karnali Province in which most of the participants i.e., 40 percent reported the lack of training institutions/academies as the major reason. Similarly, 19 percent reported the major reason as lack of budget allocation while 19 percent reported it as a lack of financial management capacity.

Figure 3: Major Challenges of Capacity Building of the Employees



Source: Field Survey, 2023

Due to the programs of institutional insufficiency for providing capacity building trainings, the trainings and programs have been inadequate. The Karnali province has been facing challenges due to this. One official who participated in the workshop says:

*We have a huge policy gap when it comes to capacity building. It is having a direct impact on every place of federalism implementation. Administrative federalism is the main way to dive into federalism. But federalism has been implemented administratively to a very low extent. The Federal Civil Service Act has not been enacted. The Federal Education Act has not yet been enacted. Similarly, the structural gap in federalism is also more. In terms of Karnali, structural coordination is low. Before the establishment of federalism, there were educational training centers in 10 districts in Karnali province. There was a large training center in Jumla, Surkhet and Rukum. But now there is only one educational training center in the entire Karnali Province, the Human Resource Development Center under the Ministry of Social Development of the Karnali Province Government which is not adequate. The teachers have to travel from remote villages of districts like Dolpa and Humla to Surkhet for training. This has created difficulties.*

The inadequacy of training and capacity development programs in Karnali Province represents a significant challenge when it comes to addressing the competency gap among its employees. Insufficient resources, both in terms of finances and infrastructure, have compounded this issue. Moreover, the available training and development initiatives often fall short in terms of their content and delivery methods. Karnali Province is confronted with a substantial obstacle in bridging the competency gap among its workforces. The insufficiency of training and capacity development programs stands out as a pivotal concern, significantly

impeding progress in various sectors. The presence of subpar infrastructure and financial limitations further aggravate the situation, impeding the overall growth of Karnali Province.

The first and foremost challenge facing training and capacity development programs in Karnali Province is the lack of financial resources. Karnali Province often grapples with the allocation of sufficient funds for training programs. The dearth of financial resources not only impedes the enhancement of government employees' skills but also constrains their capacity to effectively implement innovative policies and initiatives.

The financial constraints manifest in multiple ways, such as inadequate funding for institutional development, updated training courses, exposure visits, essential training materials, good payment of skilled trainers, and even the upkeep of training facilities. In some cases, training and capacity development programs have been canceled or postponed due to budgetary constraints, leaving employees without the opportunities to enhance their skills and knowledge. This chronic underinvestment has long-term implications, as a skilled and competent workforce is crucial for the province's development. An informant during the interview says:

Internal revenue of Karnali province is very low. There is a situation where resources are insufficient to manage ordinary and regular expenses from financial transfers and other grants. As a result, the province has not been able to allocate the necessary resources for capacity building and training of employees and public representatives. Development partners and non-governmental organizations in this area have not been able to pay attention to the capacity building of employees.

As a result, the province is facing various challenges in the field of capacity building.

Financial resources are a fundamental requirement for building and maintaining institutional capacity. In the context of Karnali Province, the low revenue generation capacity and the dependency on federal government funds present significant obstacles to the allocation of adequate budgets for training and capacity development related programs, and skill enhancement of employees and elected people's representatives. An official of the Office of Karnali Province Chief Minister and Council of Ministers says:

The provincial government is not able to work properly due to lack of expansion of functions according to the rights in the schedule of the constitution. In terms of capacity development, the state government has started some works. In which the Karnali Province Training Institute has been formed. Prior to this, it was serving as the state governance center. The state has established its Karnali State Public Service Commission and appointed more than a thousand employees. However, these are insufficient in terms of increasing technical capacity. Our experience also says that there is a lack of understanding not only among the employees but also among the people's representatives about the provincial structure, work, duties and rights and policy programs. It is

important to teach the political leadership that not only does the implementation of any program has a good effect, but its construction and policy matters have a long-term effect.

The province's revenue generation is hampered by factors such as limited economic activities and an agrarian economy. Insufficient funding has far-reaching implications for institutional capacity in Karnali Province. According to the FGD participants, the shortage of financial resources inhibits the development and maintenance of administrative infrastructure. Government offices, IT systems, and communication networks suffer from inadequacies, affecting the efficiency and effectiveness of the institutions.

Similarly, the recruitment of skilled personnel and their subsequent training is impeded by the financial constraints. This, in turn, perpetuates the competence gaps mentioned earlier. And the limited financial resources hamper the delivery of essential public services. As a result, citizens in Karnali Province often experience delays, inefficiencies, and gaps in service provision.

#### 4.2.2 Governance and Leadership related Challenges

Effective leadership and governance are vital components of any region's development and capacity-building efforts. However, Karnali Province faces significant challenges in these areas. Frequent changes in local leaders and politicians disrupt the continuity of development plans and projects, which hampers the province's overall progress. These frequent leadership transitions hinder the development of a cohesive vision and strategic direction for the province, thereby obstructing long-term capacity-building efforts.

One of the most significant challenges in Karnali Province is the frequent turnover of provincial government. This rapid turnover can be attributed to a variety of factors, including political instability, power struggles, and a lack of political experience. As a result, it becomes challenging to maintain a consistent and cohesive vision for the province's development. New leaders often bring different priorities and agendas, causing disruptions in the implementation of long-term development plans. The table below shows how quickly the Chief Minister and Finance Minister changed from the establishment of the province to October 2023.

**Table 2: Unsteady Province Government**

S.N	Name	Starting Date	End Date
<b>Chief Minister</b>			
1	Mahendra Bahadur Shahi	2074/11/03	2078/07/15
2	Jeevan Bahadur Shahi	2078/07/16	27/09/2079
3	Rajkumar Sharma	28/09/2079	To date
<b>Name of Finance Minister</b>			
1	Prakash Jwala	2074/11/06	2077/12/24

2	Bimala KC	2077/12/28	2078/01/29
3	Gopal Sharma	2078/02/03	2078/07/15
4	Bindman Bisht	2078/08/14	2079/05/12
5	Krishna Shah (Acharya)	2079/05/13	2079/09/28
6	Binod Kumar Shah	2079/10/11	2079/12/26
7	Bedraj Singh	2080/01/05	To date

Source: Website of the concerned ministry, 2023

Karnali province has experienced its fair share of political instability in recent years (Table 2). The province's leadership has often been marred by factionalism, coalition governments, and disputes over power-sharing. These dynamics not only hinder the effective governance of the province but also affect its ability to create and implement sustainable development policies. The constantly shifting political landscape makes it difficult to plan and execute long-term projects, as the political climate can change with each new election or political development.

The challenges of subnational leadership also impact the province's capacity-building efforts. Karnali Province has struggled to develop the necessary human and institutional capacity to plan, manage, and implement development projects effectively. Frequent leadership changes disrupt the continuity of capacity-building programs, making it difficult for civil servants and local institutions to develop the skills and expertise needed for long-term progress. An employee working in Karnali Policy Commission says:

The process of political instability and change of government is also directly affecting the regular operation of the work related to capacity building. The process of setting up the Karnali Pradesh Training Institute has also been delayed due to political instability. The activities of the province have been directly affected by the rapid change of government and ministers.

The frequent changes in leadership disrupt the continuity of capacity development related policies and activities in province. The policies and activities initiated by one administration may be delayed when a new administration takes over, leading to inefficiencies and wastage of resources. This lack of project continuity hinders the province's overall development and capacity-building efforts. Similarly, the absence of a consistent and cohesive vision for development in Karnali Province makes it challenging to formulate a long-term strategy. A fragmented approach to development planning results in projects that lack coordination and constructive collaboration, impeding the province's capacity-building objectives.

Finally, the lack of stability in leadership has weakened local institutions, hindering their ability to function effectively. A stable and well-functioning bureaucracy is essential for capacity building, as it ensures the efficient implementation of policies and projects. Frequent leadership changes disrupt the development of strong and capable institutions.

### 4.2.3 Low Retention Rates

Karnali Province has been grappling with high turnover rates among government employees. This issue has far-reaching consequences for the sub-national government's ability to build and sustain institutional capacity. The primary factors contributing to this challenge are the lack of professional growth opportunities and a perceived lack of job security. The instability in human resources poses a considerable challenge to building and sustaining institutional capacity. Through FGD and KII, the employees in Karnali province reported that there is lack of professional growth opportunities in Karnali Province. They strongly argue that the major challenges in retaining government employees in Karnali Province is the dearth of opportunities for professional growth. Not only in the remote rural villages of Karnali province, but also in the provincial government, this problem is regularly faced. The Table 3 below clarifies the fact that how frequently the secretaries in the Chief Minister's Office and the Ministry of Provincial Finance are changing.

**Table 3: Status of Change of Chief Secretary and Secretary of Ministry of Finance**

S.N.	Chief Secretary, Office of the Chief Minister			Secretary at ministry of finance		
	Name	Starting date	End date	Name	Starting date	End date
1	Suresh Pradhan	2074/10/19	2074/12/26	Dhundi Prasad Niraula	2074/10/27	2076/01/12
2	Ram Prasad Thapalia	2075/01/12	2076/01/10	Sant Bahadur Sunar	2076/01/15	2076/05/17
3	Kewal Prasad Bhandari	2076/01/19	2076/11/27	Bishnu Prasad Nepal	2076/05/26	2077/01/08
4	Tek Narayan Pandey	2076/11/29	2077/04/07	Ghanshyam Upadhyay	2077/01/14	2077/11/14
5	Chandraman Shrestha	2077/05/25	2078/02/14	Hiralal Regmi	2077/11/20	2077/12/31
6	Ganesh Prasad Pandey	2078/03/28	2078/05/23	Chakra Bahadur Budha	2078/01/08	2078/09/29
7	Rajkumar Shrestha	2078/05/30	2079/04/06	Jhakka Prasad Acharya	2078/09/30	2079/05/12
8	Dr. Gopi Krishna Khanal	2079/04/12	2080/04/10	Shyamkrishna Thapa	2079/06/06	2080/04/17
9	Chudamani Paudel	2080/05/25	To date	Dirgha Bahadur Pokharel	2080/04/30	To date

Source: Websites of the concerned ministries.

Many employees face stagnation in their careers, with limited prospects for skill development, promotions, and career advancement. This lack of growth opportunities is a major demotivating factor for employees, prompting them to seek better prospects elsewhere. While the province is not able to retain the senior employees as well, this has a direct impact on institutional capacity building. First, high employee turnover rates lead to the loss of institutional knowledge. When experienced employees leave their positions, they take with them valuable insights, skills, and knowledge that are crucial for the efficient functioning of the government. This continuous loss of institutional memory hampers the effectiveness and continuity of government operations.

Second, frequent staff transfer negatively impacts the performance of government agencies. New employees require time to acclimate to their roles and responsibilities, and this learning curve can result in inefficiencies. The government's ability to provide essential public services and address the unique challenges of Karnali Province is significantly hindered by this continuous disruption. Finally, high employee transfer rates also undermine public trust and confidence in government institutions. When citizens witness frequent changes in government personnel, it can erode their faith in the government's ability to serve their needs effectively. This can further fuel disillusionment and disengagement among the populace.

#### **4.3 Resource Allocation Related Challenges**

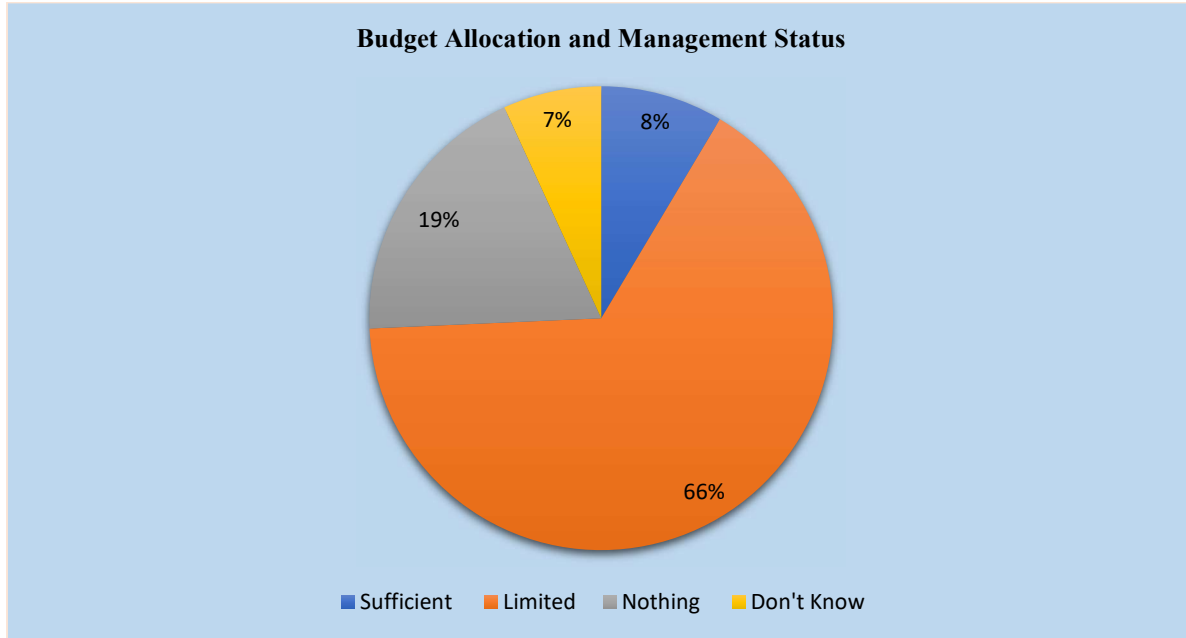
The Karnali Sub-national government faces significant policy challenges related to resource allocation. The first challenge lies in the development of a fair and effective resource allocation policy that caters to the diverse needs of the province. Given the region's unique geography, with remote and hard-to-reach areas, policymakers must design allocation strategies that ensure equitable access to resources, infrastructure, and services. Creating a policy framework that considers the specific socio-economic conditions and vulnerabilities of different districts within Karnali province is a complex endeavor, requiring a deep understanding of local dynamics and close collaboration with local communities.

Similarly, another major policy challenge relates to fiscal autonomy and revenue generation. Karnali province is heavily reliant on federal transfers for its budget. This dependence can hinder the province's ability to exercise fiscal autonomy and pursue its development goals independently. A sound policy approach would involve strategies to enhance local revenue generation through taxation, natural resource management, and economic diversification. Strengthening fiscal autonomy empowers the sub-national government to allocate resources according to its unique priorities and strengthens its ability to respond to the evolving needs of its population.

The general people deem that lack of internal resources has led to difficulty in allocating budget for equitable development of Karnali Province. During the survey it was asked if the Karnali province can allocate and manage economic resources in an effective way or not. Among the respondents, 66 percent answered that the budget allocation and management status is very less effective. Similarly, 19 percent of respondents answered that they were not effective at all. 7 percent of the respondents did not know about it while there were only 8 percent of the respondents who answered that it was sufficient (

Figure 4).

**Figure 4: Budget Allocation and Management for Equitable Development**



Source: Field Survey, 2023

#### 4.3.1 Fiscal Autonomy related challenges

Karnali province faces unique challenges in terms of fiscal autonomy and resource allocation. The allocation of fiscal resources poses a major challenge for sub-national governments. Karnali Province heavily relies on federal grants for its budget, rendering it vulnerable to changes in national policies and priorities. Karnali depends on budget received from Federal government through fiscal transformation.

**Table 4: Fiscal Transformation to Karnali Province**

(Amount in Thousand)

S.N.	Fiscal Year	Total	Equalization Grant	Conditional Grant	Matching Grant	Special Grant
1	074/75	234324	-	-	-	-
2	075/76	6428900	6428900	1438430	4070470	920000
3	076/77	3542047	822911	2283353	165373	270410
4	077/78	9963474	5929080	3740229	97751	196414
5	078/79	10112781	5550625	4031228	155416	375512

Source: Reports of the Office of the Auditor General for Fiscal Years 074/75 to 078/79

This reliance on external support hampers the province's ability to independently cater to local requirements and exposes it to financial deficits. The Karnali sub-national government confronts a significant obstacle in its restricted revenue-generating capabilities. The region's economy relies on agriculture, leading to a scarcity of diverse income streams. Consequently, the Karnali government heavily depends on financial allocations from the federal government. Such dependence gives rise to apprehensions about the province's fiscal self-reliance, as it possesses minimal authority over its income foundation.

Similarly, resource allocation is another significant concern in Nepal's federal system. The process of allocating resources from the federal government to provinces and local levels is often characterized by ambiguity and political influences. The Karnali sub-national government, being one of the less developed regions, faces a disadvantageous position in this process. The unequal allocation of resources often leads to disparities in development across provinces. Karnali's resource allocation must address the unique challenges it faces, including its remote geographical location and underdeveloped infrastructure. There should be a more equitable approach to resource allocation that considers the specific needs and developmental priorities of the region. Political interference at the provincial and local levels remains a concern that hampers fiscal autonomy in Nepal. Political parties and their interests sometimes overshadow the province's developmental needs. This interference can lead to resource allocation decisions that prioritize short-term political gains over long-term sustainable development. A participant of FGD says:

In allocating state and local level budgets, the influence of powerful leaders is greater than the legal process. Constituency plans of powerful leaders are a priority. Real needs and priorities are not being paid attention to. In policy level, the budget allocation steps have been defined, however, these have not been followed. As a result, there is scarcity of budget in necessary areas but unnecessary budget in powerful leaders.

There seems to be a weakness in the current policy arrangement of the budget allocation of the province. Currently, the provincial government sends some amount to the local level based on a certain formula. But due to this formula, the local level of Karnali province is suffering losses. According to this formula, funds are basically transferred based on population, but many local levels in Karnali province are geographically poor and underdeveloped, and when the population of these local levels is low, the budget is also reduced. If some plans have to be implemented in such rural areas, the transportation costs will also be higher. An official of Karnali Province Chief Minister and Council of Ministers office says:

Likewise, the problem seen in the distribution of resources in the province is the use of access to resources. A lot of the budget is allocated in the constituencies and districts of leaders who have power and access. It is seen that the minister who has more power and access in the ministry will keep more budget of his ministry and less in other necessary places. It is necessary to adopt

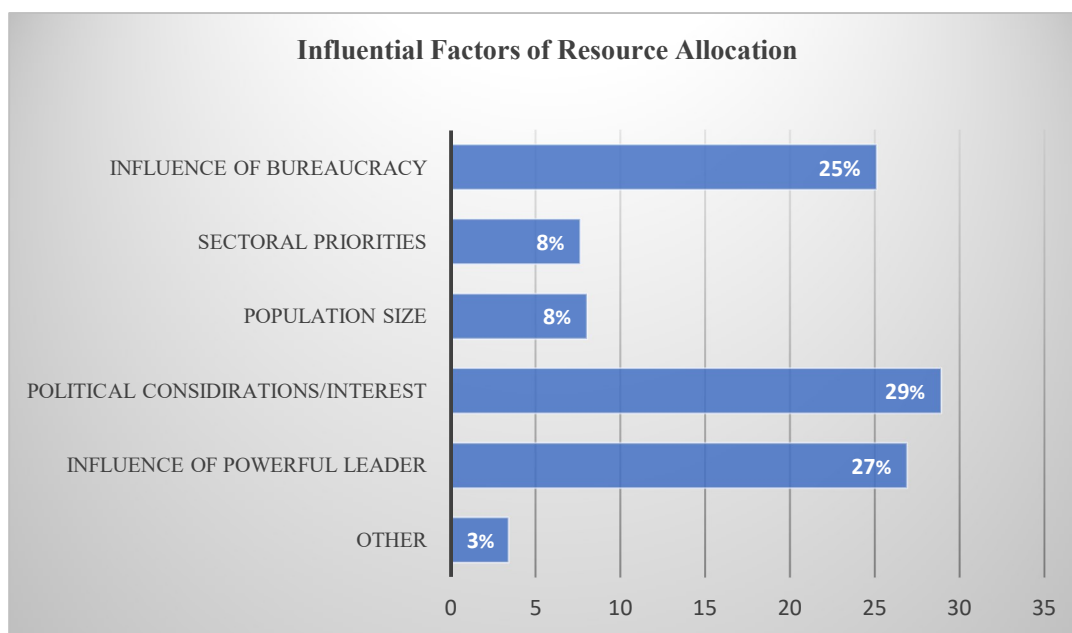
scientific procedures for ministerial budget sealing and program prioritization. At present, however, the budget allocation is based on the powerful Ministers' direction.

An official of Karnali Province Planning Commission says:

Karnali state government has not made a policy, plan, or action plan to find its own resources and increase internal revenue. Province's dependency on the resources of the federal government has created hindrance to make clear standards and policies. Due to this, the peoples' representatives are allocating budget on their own will. Employees and public representatives are allocating the budget on their will. There is also a budget title of plans or programs focused to people they know.

Similar is the view of the participants of the survey. A question was asked on what are the elements that affect the budget allocation in Karnali province in which majority of the participants which covered 29 percent reported that the main element is political interests. Similarly, 27 percent reported the influential powerful leader and 25 percent reported the effect of bureaucracy as main element (Figure 5).

**Figure 5: Elements that affect budget allocation**



Source: Field Survey, 2023

The responsible officials agree with this as well. In Karnali Province, rather than prioritizing budget allocation based on clear criteria, it is a challenge that budget is allocated based on power. An official of Karnali Province Planning Commission says:

One of the biggest problems in resource allocation is the tendency to prioritize programs of the respective electoral region rather than overall priorities. There has not been a practice of clearly setting priorities in resource allocation and doing it accordingly. Now, there is a challenge in the planning method. There are numerous small programs in the province.

In the meantime, the administrative capacity of sub-national governments is crucial for ensuring effective resource management and fiscal autonomy. Karnali faces administrative challenges that hinder its ability to utilize allocated resources efficiently. It seems that Karnali province lacks the administrative capacity to effectively utilize the budget allocated.

Table 5: Status of Budget Freeze of Province Government

Fiscal Year	Type of budget	Budget	Actual Expenditure		Freeze budget in percentage
			Amount	Percentage	
2074/75	Equalization Grant	–	–	–	–
	Conditional Grant	–	–	–	–
	Matching Grant	–	–	–	–
	Special Grant	–	–	–	–
	Total Federal Govt.		234324	22.96	77.04
	Provincial Govt.				
2075/76	Equalization Grant	9131400	1438430	15.75	84.25
	Conditional Grant	6634150	4070470	61.36	38.64
	Matching Grant	2000000	920000	46	54
	Special Grant	3000000	0	0	100
	Total Federal Govt.	20765550	6428900	30.96	69.04
	Provincial Govt.	7517278	3587442	47.72	52.28
2076/77	Equalization Grant	9848300	822911	8.36	91.64
	Conditional Grant	5272700	2283353	43.31	56.69
	Matching Grant	900000	165373	18.37	81.63
	Special Grant	912200	270410	29.64	70.36
	Total Federal Govt.	16933200	3542047	20.92	79.08
	Provincial Govt.	17420225	13338157	76.57	23.43
2077/78	Equalization Grant	9632900	5929080	61.55	38.45
	Conditional Grant	4508715	3740229	82.96	17.04
	Matching Grant	252500	97751	38.71	61.29
	Special Grant	460000	196414	42.70	57.30
	Total Federal Govt.	32274340	23301631	72.20	27.80
	Provincial Govt.	18887238	12788506	67.71	32.29
2078/79	Equalization Grant	10142100	5550625	54.73	45.27
	Conditional Grant	3987700	4031228	101.09	-1.09
	Matching Grant	813500	155416	19.10	80.90
	Special Grant	613000	375512	61.26	38.74
	Total Federal Govt.	15556300	10112781	65.01	34.99
	Provincial Govt.	20990336	14169088	67.50	32.50

Source: Website of the Office of the Auditor General Nepal

Most of the participants in the focus group discussion mentioned that the provincial government lacks the necessary policy and legal arrangements to spend the allocated budget. Similarly, the fact that there is a lack of administrative mechanism and structure necessary for spending the allocated budget effectively was pointed out. They said that the reason for this is that the state government is facing challenges in making the allocated budget effectively and efficiently.

#### 4.3.2 Inadequate Resources

The funding levels allocated to Karnali Province have proven insufficient to meet the growing demands for essential services. The internal revenue situation of Karnali province is very poor. It seems that only 2.19 percent of what Karnali province has spent in the 5 fiscal years since the formation of the provincial government has come from internal revenue (Table 5).

**Table 5: Expenditure of Karnali province and revenue portion in expenditure**

S.N.	Fiscal Year	Gross expenditure	Target of internal revenue	Revenue's portion in expenditure
1	2075/76	10 Arab 1Crore	7 Crore	0.70%
2	2076/77	16 Arab 88 Crore	23 Crore 44 Lakh	1.39%
3	2077/78	22 Arab 4 Crore	50 Crore 26 Lakh	2.28%
4	2078/79	23 Arab 99 Crore	61 Crore 58 Lakh	2.57%
5	2079/80 (till Chaitra)	8 Arab 4 Crore	36 Crore 16 Lakh	4.50%

Source: Website of the Office of the Auditor General Nepal

The Table 5 clearly shows the income of Karnali province. As the source of income cannot be identified and the tax system is not managed, the provincial government must depend on the federal government. Due to its low internal revenue, the entire province is facing problems of financial constraints. The province is also weak in terms of making necessary policy arrangements to increase internal revenue. Most of the participants of the focus group discussion said that Karnali province has not been able to work politically in identifying potential sectors such as tourism, hydroelectric power, agriculture, etc. to increase its internal income, and to create a plan for its development and expansion. They said that the province has also failed to make policies in such areas so that the public can act through partnership. Due to this, health, education, and infrastructure projects frequently encounter resource shortages, resulting in delays and subpar service delivery.

According to the collected data from the sources, the primary challenges faced by the Karnali Province is the paucity of financial resources. Despite its significant development needs, the province's fiscal allocation

from the federal government remains inadequate. This insufficiency has severely limited the capacity of the provincial government to undertake essential development projects, provide public services, and invest in education and healthcare infrastructure.

Due to shortage of internal income and resources, the Karnali Province relies heavily on federal grants and transfers for its budget, making it vulnerable to fluctuations in the federal government's fiscal priorities. This dependency makes long-term planning and investment in crucial areas like education, healthcare, and infrastructure difficult. An official of Karnali Province Planning Commission says:

Karnali province's sources of income are very limited. Both current and capital budgets are dependent on federal financial transfers and grants. Due to the lack of internal resources, the budget cannot be allocated for the plans that are necessary for the province. Because the budget from the federal level will be spent in areas and limits, the province is not free to invest in the plan. As a result, the province always faces challenges in implementing the plans.

The province's limited ability to generate its revenue further exacerbates the financial challenge. Due to insufficient resources Karnali province faces a severe lack of road connectivity, hampering trade, mobility, and accessibility to remote areas. The rugged terrain and harsh climatic conditions make infrastructure development more expensive and challenging. Inadequate resources have resulted in a shortage of educational and healthcare facilities in the province, affecting the quality of life and access to essential services for the population. Similarly, the Karnali Province also grapples with a shortage of skilled human resources, which is a critical challenge for effective governance and service delivery. The province struggles to attract and retain trained professionals in various fields, leading to understaffed government offices and a lack of expertise in critical sectors. Many educated individuals from Karnali migrate to other regions or countries in search of better opportunities due to the lack of local employment opportunities, exacerbating the brain drain.

The combination of financial limitations, infrastructure deficits, and human resource shortages has significant socio-economic ramifications for the province. Poverty rates are higher in Karnali provinces, and the region lags in various human development indicators. Inadequate resources contribute to extreme poverty levels and income inequality, as the province lacks the capacity to implement poverty alleviation programs effectively.

#### **4.3.3 Budget Execution related challenges**

Empirical data highlights that budget execution at the sub-national level is often inefficient. Delays in disbursing allocated funds for development projects frequently result in cost overruns and project delays. These inefficiencies are due to a combination of bureaucratic hurdles, fiscal management challenges, and a lack of capacity to manage budgets effectively.

Karnali Sub-national governments often encounter bureaucratic obstacles that hinder the efficient execution of budgets. These hurdles may include complex administrative processes, layers of approval, and red tape that slow down the release of funds. Bureaucratic inefficiencies can result in project delays and cost overruns as projects wait for approvals and funding.

Effective fiscal management is crucial for successful budget execution. However, Karnali province may face challenges in managing its finances. These challenges can encompass issues like insufficient financial transparency, inadequate accounting systems, and difficulties in tracking budget expenditures. As a result, it becomes challenging to allocate funds to various projects in a timely and efficient manner.

Karnali sub-national government may lack the necessary capacity to manage budgets effectively. This capacity deficit can involve a shortage of skilled personnel, including financial experts, project managers, and administrative staff. Without a capable workforce, it becomes difficult to plan, allocate, and execute budgets for development projects. In the meantime, political factors can also influence budget execution. Political instability or frequent changes in leadership can disrupt the budgeting process and create uncertainty, leading to delays in project funding.

#### **4.4 Service Delivery Challenges:**

Karnali Province's geography is nothing short of breathtaking, with its towering mountains, deep valleys, and pristine rivers. However, this very terrain poses a significant challenge to the accessibility of public services. Many of its remote villages are nestled in hard-to-reach locations, far from urban centers and road networks. This geographical isolation makes it difficult for government agencies and service providers to reach these communities effectively.

The limited transportation infrastructure in Karnali Province compounds the issue of accessibility. The province has a shortage of paved roads, and many of the existing roads are in poor condition, often rendered impassable during adverse weather conditions. Lack of bridges and road maintenance further adds to the transportation woes. This not only makes it hard for service providers to reach remote areas but also hampers residents' ability to access essential services in urban centers.

Furthermore, the lack of an efficient public transportation system makes it expensive and arduous for residents to travel to healthcare facilities, schools, and government offices. Long and grueling journeys on foot or by mule are often the only option for those residing in the most isolated regions, discouraging them from seeking services when needed. In addition to transportation, communication infrastructure also plays a pivotal role in service delivery. Karnali Province struggles with a dearth of modern communication facilities, such as mobile network coverage and internet connectivity. This lack of communication infrastructure not only impedes access to information and online services but also affects the response time of government agencies in times of crisis.

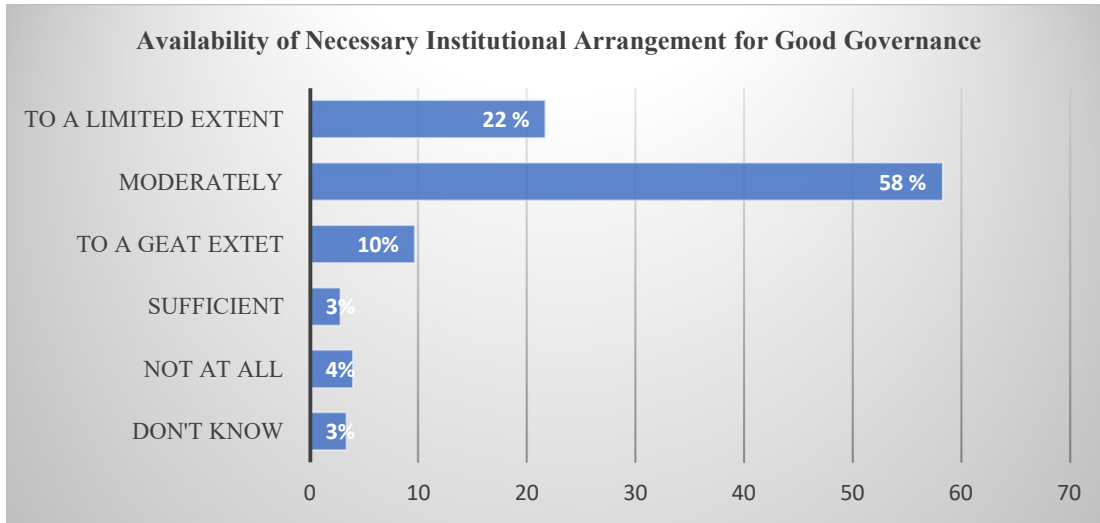
The challenges of accessibility in Karnali Province disproportionately affect marginalized and vulnerable populations. Many of the residents in remote areas belong to indigenous and economically marginalized communities. The lack of access to essential services further deepens the existing socioeconomic disparities, making it difficult for these communities to break free from the cycle of poverty and deprivation. The Karnali province faces significant challenges in delivering essential public services to its constituents. It is characterized by its difficult terrain, extreme poverty, and limited infrastructure. As a result, the provision of basic services such as education, healthcare, transportation, and clean water remains a formidable task for the local government.

Similarly, the duplication of programs has created further challenges in the province. An official of Karnali Province Chief Minister and Council of Ministers Office says:

There is a problem in the service delivery of the provincial government. The main reason for this is that there are more service delivery offices that deal with the local level, which is primarily responsible for service delivery. As in every local level, there are Livestock Section, Agriculture Section, Industry Section, Women Section, Infrastructure Section etc. But the state government has opened district level offices related to these in every district. Some of the offices of the Federal Government are still in the district. Instead of making service delivery more effective, it has become more duplicative and ineffective. The local level has lost faith in the state government. As the citizens are used to the service delivery of the local government, they do not realize that the provincial government is doing the service delivery work and the province has not done anything, they are saying that this level of government has no work. Therefore, if the provincial government is to be formed by improving the service delivery, it is necessary to formulate a policy to support the local level office rather than establishing a separate office for the service delivery at the local level.

According to an informant who participated in the KII, Karnali Province has not been able to make the necessary policy and institutional arrangements to effectively advance the delivery of public services. General people also seem to agree with this. During the survey, a question was asked whether the Karnali state government has established the necessary institutional structure for service delivery and effective governance. Most of the respondents, i.e. 22 percent, reported that there is a limited number of necessary institutional arrangements for effective governance. Similarly, 58 percent reported that the arrangement is moderately available while 3 percent reported as the arrangement is sufficient.

**Figure 6: Status of Service Delivery and Necessary Institutional Arrangements for Effective Governance**

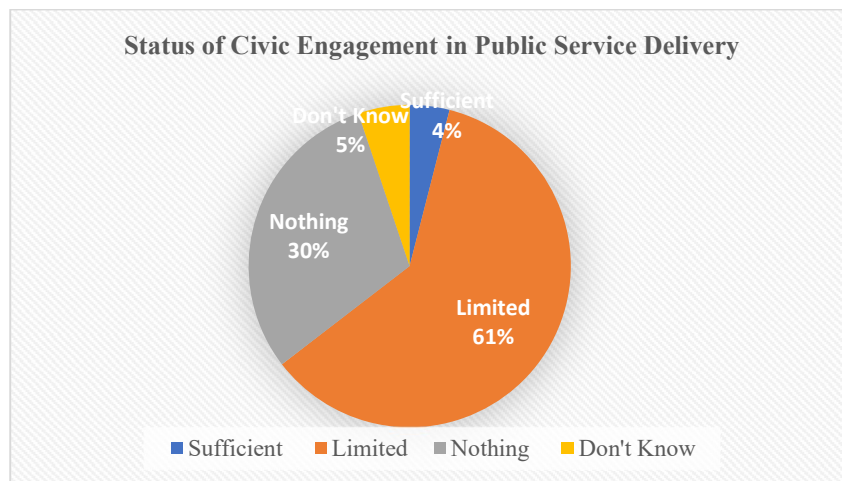


Source: Field Survey, 2023

#### 4.4.1 Limited Civic Engagement

Experts say that the biggest challenge in terms of service delivery in Karnali Province is limited civic engagement. Interviewed key informants and FGD participants said that the involvement of citizens in the governance system is very weak due to the geographical and socio-economic conditions of Karnali province which is like the opinion given by the general people. During the survey, questions were asked on what the civic engagement status is in public service delivery and decision-making process in Karnali Province. Most of the respondents, 61 percent of them answered that civic engagement is very limited. Only 4 percent of the participants answered that there is sufficient civic engagement.

**Figure 7: Status of Civic Engagement in Public Service Delivery and Decision-Making Process**



Source: Field Survey, 2023

The FGD participants and interviewed personnel inferred that limited Civic Engagement can be attributed to various challenges and constraints that hinder citizens' active participation in the democratic process in Karnali province.

The Karnali province is situated in remote and mountainous terrain, and often experiences infrastructural limitations. Inadequate road networks and transportation facilities make it difficult for citizens to access government offices, attend public meetings, or participate in civic activities. This geographical isolation limits citizens' ability to engage with the government. The literacy rate of Karnali province is only 62.77 percent<sup>2</sup>. Limited access to quality education can hinder citizens' ability to comprehend complex government processes and engage effectively in policy discussions or community initiatives.

#### **4.4.2 Insufficient Use of Information Technology**

The utilization of information and technology in service delivery within Karnali Province faces several critical challenges. The region's rugged terrain and lack of robust infrastructure contribute to unreliable internet access and a dearth of technological resources, hindering the efficient provision of essential services.

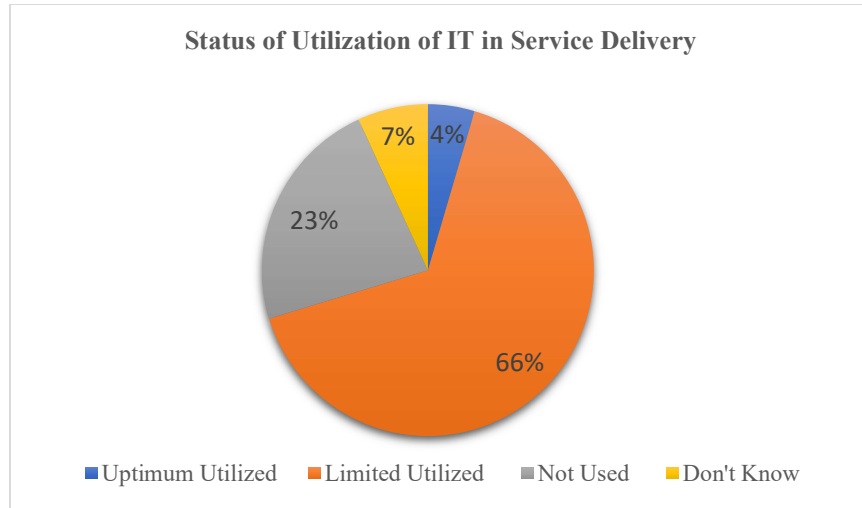
Additionally, there is a substantial digital literacy gap, as many residents in Karnali may not possess the necessary skills to navigate and benefit from technological solutions effectively. The limited access to technology-based training and education compounds this issue, further limiting the workforce's capacity to employ information and technology for service delivery.

The general people have a similar kind of perception in this regard. Deployment of information technology is an important issue for the enhancement of service quality and service delivery. In the survey, a question was asked on the use of technology and digital media for effective service delivery and work execution in the Karnali province government. In the survey, 66 percent of the respondents answered that there is very limited use of information technology while only 4 percent reported that information technology is utilized.

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<sup>2</sup> <http://karnali.gov.np/>

**Figure 8: Status of Utilization of Information Technology in Service Delivery**



*Source: Field Survey, 2023*

Due to lack of effective use of information technology in service delivery, services are not being delivered effectively. Due to the geographical complexity, every person must walk for hours even for the smallest work that needs to be received from the provincial and local levels. A representative of a civil society organization participating in the FGD says:

Citizens of Karnali province must travel for hours for some work that can be done from the mobile phone in their hand when they can use information technology in a suitable manner. Citizens of remote rural villages in the province are facing a huge problem. But the province has not been able to formulate a clear policy on e-governance including the effective use of information technology. Since the e-governance master plan of the province has not been prepared, some work has not been able to move forward.

Even the officials of Karnali province seem to agree with this. An official of Karnali province says:

Due to the geographical complexity of Karnali province, citizens have problems in reaching the local rural municipalities, municipalities, and the capital of the province. In such a situation, service facilities can be provided to citizens by using e-governance effectively. For that, we have felt that there is policy ambiguity in the province.

### 4.4.3 Corruption and Accountability

Corruption within sub-national governments is a significant challenge in Karnali Province. Misappropriation of funds, bribery, and embezzlement are issues that plague service delivery. Corruption erodes public trust and diverts resources away from vital services. There are a number of cases of corruption filed in CIAA provincial office Karnali during last five years (Table 6).

**Table 6: Corruption Cases Filed to CIAA in Karnali Province from 2074 Till Today**

S.N.	Fiscal Year	Number of Complain	Status	
			Settled	Remanning
1	2075/076	882	514	386
2	076/77	210	122	98
3	077/78	306	151	155
4	078/79	386	237	131
5	079/80	442	224	214

Source: Office of CIAA, Surkhet, 2023

The Table 6 above makes clear that corruption has been increasing in Karnali province. Corruption is a complex and pervasive issue that affects Karnali sub-national government. The Table 6 shows that Karnali province faces significant challenges related to corruption. According to the respondent, poverty and economic disparities of Karnali Province create a breeding ground for corruption as individuals may resort to corrupt practices to escape poverty and improve their living conditions. Lack of access to basic services and limited economic opportunities exacerbate the desperation that leads to corrupt behavior.

Many respondents in the FGD explain that inadequate infrastructure and limited access to quality healthcare, education, and transportation and other service delivery from the provincial and local government of Karnali province make the people more susceptible to corruption. Government officials and public servants often exploit this vulnerability by demanding bribes for essential services.

Karnali Province has faced challenges in establishing strong governance and accountability structures. Weak institutions, inadequate oversight, and political interference have contributed to a climate where corruption can thrive. The lack of transparency in public administration fosters a culture of impunity among corrupt officials. Nepotism and favoritism are common in Karnali, where personal relationships often take precedence over merit-based decision-making. This culture of favoritism can lead to the appointment of unqualified individuals to public positions, further exacerbating corruption.

Effective oversight mechanisms are essential for holding government officials accountable. In Karnali, oversight institutions such as the Office of the Auditor General and the Commission for the Investigation of Abuse of Authority (CIAA) face challenges in monitoring government activities and addressing corruption effectively. Corruption within government institutions is a pervasive issue in Karnali. Bureaucratic corruption not only diverts public funds but also erodes the public's trust in government institutions and their ability to function transparently. At the same time, political influence and interference in administrative matters remain a significant challenge. This results in opaque decision-making processes and undermines the accountability of government officials.

Karnali Province has not been able to make necessary policy arrangements to control the growing corruption. The participants in the focus group discussion said that since the provincial government is not able to make policy and legal arrangements for increasing accountability and control of corruption in service delivery, development construction and other activities, it is facing challenges in the governance of the province as a whole. A participant of FGD says:

Every year, the number of complaints received from Karnali province in CIAA has increased. But the provincial government has not been able to make any policy and legal arrangements for corruption control and establishing good governance. Even though federalism has decentralized resources, means and rights, the institutional and policy system of corruption control is still fully centralized. As a result, the question of establishing good governance is a challenge.

Not only the corruption but there is similar case of arrears in Karnali province.

**Table 7: The Status of Arrears of Karnali province during the last five years (Amount in 10 million)**

Fiscal Year	Audit amount	Arrears of the previous year	Scrutinized and settled	Arrears of the current year	Current Arrears
2074/75	23.79	-	-	0.0177	0.0177
2075/76	1,900.49	0.0177	-	51.70	51.72
2076/77	2,343.96	51.72	4.04	83.48	131.15
2077/78	3,108.90	131.15	11.46	160.18	279.87
2078/079	3,803.88	279.87	14.36	168.84	434.35

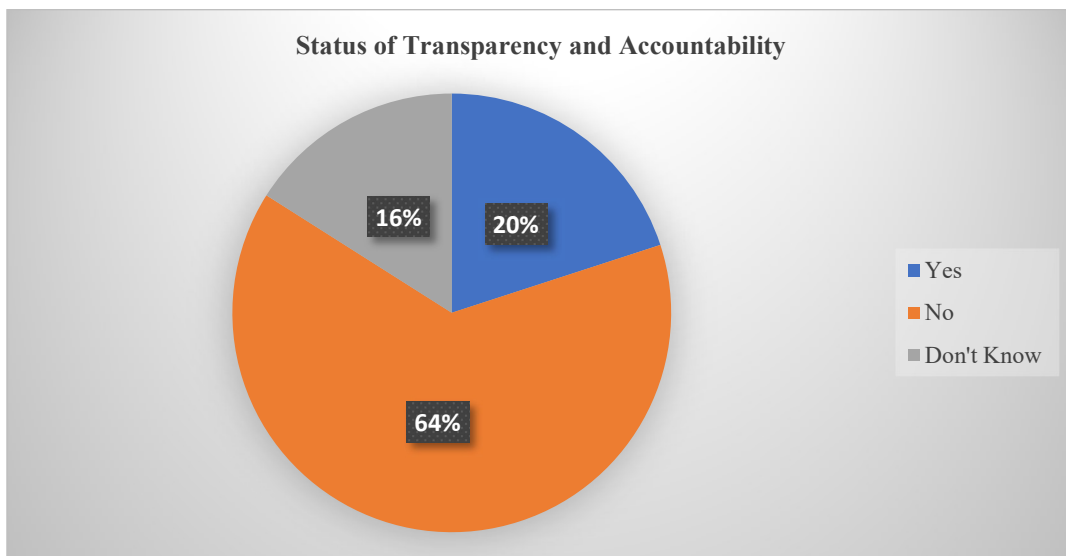
**Source:** OAG (B.S.2079)

The Table 7 shows how the situation of arrears in Karnali region is increasing. As this kind of violence increases, it has a direct negative impact on service delivery. It seems that there is a lack of an effective mechanism of accountability and transparency behind it. Karnali province has unique transparency and accountability challenges. Access to government information is a cornerstone of transparency. In Karnali,

many citizens, particularly in rural areas, face difficulties in accessing government information. This hinders their ability to hold the government accountable and participate effectively in the decision-making process. Transparency in fiscal matters is crucial for public trust. The Karnali Government struggles with effectively disclosing its budgets and expenditures to the public. As a result, citizens often remain in the dark about how government funds are allocated and spent.

Transparency and accountability challenges in the Karnali Government pose significant obstacles to the region's development and democratic progress. Majority of participants in the survey which was 64 percent reported that there lacks transparency and accountability in service delivery in Karnali province.

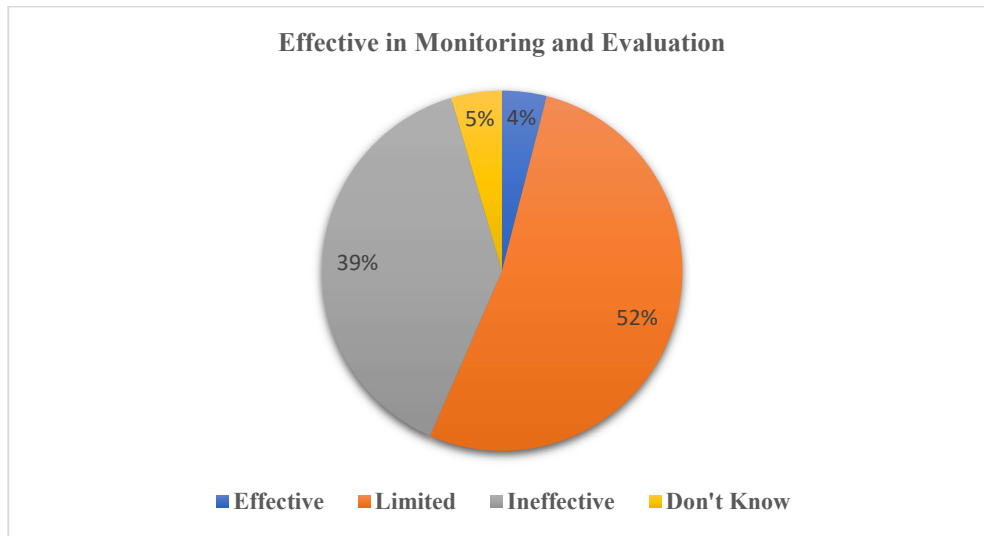
**Figure 9: Status of Transparency and Accountability**



*Source: Field Survey 2023*

Similarly, in Karnali Province, the necessary effective policy and legal mechanism has not been established in relation to the effective mechanism of monitoring and evaluation. The province lacks an effective policy system related to monitoring and evaluation. During the survey, 52 percent of the participants answered that the monitoring and evaluation system of Karnali Province was less effective, while 4 percent answered that it was ineffective.

**Figure 10: Status of Effectiveness in Monitoring and Evaluation**



*Source: Field Survey 2023*

The same answers given by the participants of the survey were also given by the participants of the interviews with key informants and focus group discussions. A participant in FGD says:

One of the biggest challenges faced by the province and its local levels is the challenge related to monitoring and evaluation. The state government has not been able to make the necessary policy arrangements for the effective implementation of plans, programs and service delivery related to the development and construction of the state and local levels and effective monitoring and evaluation regarding quality. As a result, there is a situation in which the budget is allocated, spent, but how effectively the expenses are being used.

Even one person who is knowledgeable about the provincial government has maintained that the provincial government is not able to effectively monitor and evaluate the relationship.

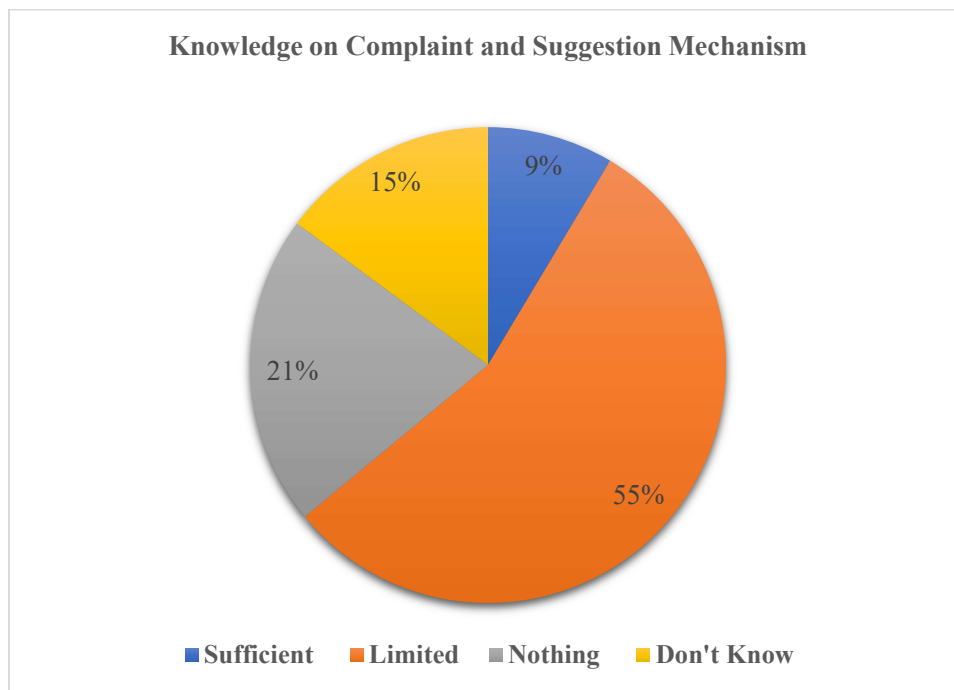
#### **4.4.5 Complaints Hearing**

The Karnali Province Government Chief Minister and Council of Ministers Office has started hotline service of 1096 for addressing the complaint if any which will help in enhancing the cooperation and participation of the citizens in the service flow and development work. In the same way, various channels have been arranged to complain, such as web app, mobile app, national and international calls, SMS, fax, email, letter, Facebook, Twitter, Skype, Viber, IMO, complaint box. The total number of complaints

received till 14 October 2023 is 849 in which 50.9 percent i.e. 432 complaints have been settled and the remaining 49.1 percent i.e. 417 complaints are in the process of hearing<sup>3</sup>.

The respondents who answered during the survey also gave a positive opinion about it. A survey was conducted to find out how much information there is about the complaint and suggestion mechanism related to the services provided by the Karnali state government. In which 55 percent of the respondents believed they have little information about the development of complaints and suggestion mechanisms related to the services provided by Karnali Province. Similarly, 21 percent of the respondents answered that they have no information about this.

**Figure 11: Knowledge on Complaint and Suggestion Mechanism about Service Delivery**



*Source: Field Survey, 2023*

Data from user feedback and complaints registries highlight several service quality issues. Many residents report dissatisfaction with the quality of drinking water, road, electricity, community school, local government, and healthcare, indicating a need for enhanced quality control and service improvement.

<sup>3</sup> <https://hellocm.karnali.gov.np/> Retrieved on 14 October 2023.

**Table 8: Sectors Receiving More Complaints**

S.N.	Sector	Number
1	Drinking Water related complain	136
2	Road and Bridge related complain	122
3	Electricity related complain	74
4	Community School related complain	69
5	Local government related complain	51
6	Health Post/Hospital related complain	44

Source: Website of Hello CM, 2023

Karnali Province Government, Office of the Chief Minister and Council of Ministers have also prepared guidelines for hearing complaints at policy level. However, due to the lack of effective publicity and effective resolution of the complaints received, the trust of the citizens has not yet been won. A representative of a civil society organization participating in the focus group discussion says:

The Office of the Chief Minister and Council of Ministers of the Karnali State Government has arranged for the hearing of complaints as a matter of policy. However, the public has not been informed about it. There is a grievance redressing mechanism, but due to its lack of proper dissemination, the marginalized citizens are not able to complain about the hardships and problems they are facing. Similarly, the condition of resolving the received complaints is also weak.

Most of the complaints received to "Hamra Kura Hamra Mukhyamantri" program are related to jurisdiction of municipalities and rural municipalities. Due to this the complaints which are under the sole jurisdiction of local levels are not solved by the province government. Due to the lack of a clear policy on responsibility in hearing the complaints, the Karnali province has been facing difficulty in hearing complaints.

#### 4.5 Conclusion

In conclusion, this chapter sheds light on the key challenges that sub-national governments in Karnali Province, Nepal, has been facing. Capacity building issues, resource allocation challenges, and service delivery shortcomings were identified as critical obstacles to effective local governance. The empirical data presented in this chapter served as the foundation for subsequent chapters, which explored potential solutions and policy recommendations to address these challenges. This comprehensive analysis underscored the multifaceted nature of these issues, providing the groundwork for addressing them effectively in the chapters that followed.

## CHAPTER FIVE

### SUMMARY AND CONCLUSION

#### 5.1 Introduction

This chapter, serving as the culmination of our comprehensive study, delves into the summary and key recommendations. The central focus of our exploration revolves around capacity building, resource allocation, and service delivery, examining the intricacies of its geography, governance, and infrastructure. As we have delved deep into the intricacies of the province's development landscape, we have witnessed the extraordinary potential of Karnali, but also the numerous barriers that have stymied its progress.

Capacity building, the cornerstone of effective sub-national governance, stands weakened in Karnali Province, primarily due to a deficiency of training programs designed to equip government employees for the unique challenges of transitioning to a federal governance system. These knowledge gaps resonate across all facets of development, particularly affecting resource allocation and service delivery, from public service to governance and infrastructure development. However, the hurdles extend beyond institutional limitations, delving into the realm of political and bureaucratic instability. Frequent leadership changes disrupt development plans and projects, further weakening the province's capacity-building efforts and impacting resource allocation and ultimately service delivery.

The province's fiscal autonomy and resource allocation mechanisms are similarly strained, with a heavy reliance on federal transfers constraining independent development initiatives and hindering equitable service delivery. Inadequate resource allocation, inefficiencies in budget execution, and a dearth of internal revenue sources further exacerbate the problem, influencing the quality of essential services delivered to the population. The lack of infrastructure, particularly roads, bridges, and public transportation, in this remote and challenging terrain amplifies these issues, isolating many communities and hindering the delivery of essential services. Addressing these challenges necessitates a comprehensive approach, emphasizing capacity building, resource allocation, and service delivery as intertwined elements that must be addressed to unlock Karnali's potential.

#### 5.2 Summary and Conclusion

Capacity building is the backbone of effective sub-national government operations. In Karnali Province, however, this backbone is somewhat feeble. The province grapples with limited institutional capacity, which can be attributed to its unique geography and challenging socioeconomic conditions. Notably, there is a deficiency of training programs aimed at enhancing the competence, knowledge, and skills of government employees, especially in the context of transitioning to a federal governance system. These

knowledge gaps reverberate through various aspects of development, public service delivery, and governance. The shortage of skilled professionals and technical experts also severely impedes infrastructure development and the delivery of essential services.

Adding to the complexity of the situation, frequent changes in provincial leadership create disruptions in development plans and projects, thus impeding overall progress. The province faces political and bureaucratic instability, power struggles, and a dearth of experience, all of which contribute to leadership turnover. These issues, in turn, hinder capacity-building efforts, creating a ripple effect of disruptions in policies and activities. The absence of a consistent vision and long-term strategy for development further compounds the challenges, resulting in inefficiencies, wasted resources, and weakened local institutions. Simultaneously, high turnover rates among government employees in Karnali Province have severe consequences. The perceived lack of professional growth opportunities and job insecurity act as critical catalysts for this issue. Frequent staff transfers lead to the loss of institutional knowledge and detrimentally impact government agency performance. This disruption echoes through public services, eroding public trust and further crippling institutional capacity building.

The budget allocation landscape in Karnali Province poses substantial policy challenges. This includes the pressing need for a fair and effective resource allocation policy that caters to the diverse needs of the province, especially in its unique, remote, and hard-to-reach areas. Fiscal autonomy and revenue generation are also significant hurdles, as Karnali heavily relies on federal transfers, which restricts its ability to independently pursue development goals. The dearth of internal resources and the perception of ineffective budget allocation further exacerbate the problem.

Insufficient resources are a critical issue, with only a small percentage of funding originating from internal revenue sources, leading to financial constraints. Karnali struggles to identify potential income sources and create policies for development and expansion in sectors like tourism and agriculture. Budget execution is also hindered by inefficiencies in the form of bureaucratic obstacles, financial management challenges, and a lack of capacity. These issues impact the timely release of funds for development projects and have significant socio-economic consequences, including poverty and income inequality. Addressing these issues necessitates a multi-faceted approach, which should encompass improving fiscal autonomy, diversifying income sources, streamlining bureaucratic processes, and enhancing financial management.

Karnali Province's breathtaking but challenging geography, defined by towering mountains, deep valleys, and pristine rivers, isolates many remote villages from urban centers and road networks. This physical

isolation presents a formidable obstacle for government agencies and service providers to effectively reach these communities. The province grapples with a shortage of paved roads, and many existing roads are in poor condition, often impassable during adverse weather conditions. The lack of bridges and road maintenance further hampers the ability of service providers to reach remote areas and residents' access to urban services.

Inadequate infrastructure also extends to the lack of an efficient public transportation system, which makes it expensive and arduous for residents to access essential services. The resulting long, tiring journeys on foot or by mule discourage residents from seeking these services. Moreover, Karnali Province faces challenges regarding modern communication facilities, such as mobile network coverage and internet connectivity. These accessibility issues disproportionately affect indigenous and economically marginalized communities, deepening existing socioeconomic disparities and hindering their ability to escape poverty.

Similarly, weak civic engagement in Karnali Province is primarily attributed to its remote and mountainous terrain, which makes it difficult for citizens to access government offices, attend public meetings, or participate in civic activities. The province's low literacy rate further hinders citizens' understanding of complex government processes and effective engagement in policy discussions and community initiatives. The province's rugged terrain and lack of robust infrastructure contribute to unreliable internet access and a shortage of technological resources, impeding the efficient provision of essential services. Many residents in Karnali lack the necessary skills to navigate and benefit from technological solutions, as access to technology-based training and education is limited. This leads to a perception among the public that information technology is underutilized in service delivery, impacting the effectiveness of services.

Karnali Province also grapples with corruption and accountability-related challenges. Corruption within sub-national governments is a significant issue, involving misappropriation of funds, bribery, and embezzlement, which erodes public trust and diverts resources away from vital services. Poverty, economic disparities, and limited access to basic services make individuals more susceptible to corruption, as they resort to corrupt practices to escape poverty. Weak institutions, inadequate oversight, and political interference have created an environment where corruption can thrive. Transparency and merit-based decision-making are often overshadowed by nepotism and favoritism.

The government of Karnali Province has established various channels for citizens to file complaints, but their effectiveness is hindered by limited public awareness and an unclear policy on complaint responsibility. Many citizens remain dissatisfied with the quality of services, such as drinking water, roads,

electricity, education, and healthcare, indicating a need for enhanced quality control and service improvement. Jurisdictional issues between local levels and the provincial government further complicate the resolution of complaints, while the lack of proper dissemination of grievance redressing mechanisms hampers their effectiveness.

In conclusion, Karnali Province faces a complex web of challenges encompassing geographic isolation, infrastructure limitations, corruption, and limited civic engagement, all of which hinder the effective delivery of public services and contribute to socio-economic disparities within the province. To address these issues effectively, a comprehensive approach is needed, encompassing improved infrastructure, enhanced governance, increased civic engagement, as well as a sharp focus on transparency and accountability. Tackling these multifaceted challenges will be crucial in promoting equitable development and improving the lives of the people of Karnali Province, Nepal.

### 5.3 Recommendations

#### a) Capacity Building Challenges

- i. **Comprehensive Training Programs:** Establish and maintain comprehensive training programs for government employees, including elected representatives, with a focus on enhancing their competence, knowledge, and skills. These programs should adapt to the transition from a unitary to a federal governance system and evolve to meet changing needs.
- ii. **Karnali Province Training Academy:** Ensure the effective operation of the Karnali Province Training Academy, which serves as a regulatory body for capacity building of Provincial employees. This academy should be equipped to provide training, materials, and curriculum development.
- iii. **Specialized Expertise:** Address the shortage of skilled professionals, especially in critical sectors like public administration, healthcare, education, and infrastructure development. Promote the recruitment and retention of qualified personnel with specialized skills.
- iv. **Infrastructure Development:** Invest in the development of infrastructure and resources for capacity-building programs. Ensure that government offices, IT systems, and communication networks are well-maintained and updated to support effective training.
- v. **Financial Resources:** Allocate sufficient financial resources for training and development programs. Explore alternative revenue sources to enhance funding for these initiatives.
- vi. **Stability in Leadership:** Foster political stability and minimize frequent leadership changes. Promote continuity in development plans and projects by championing cohesive visions and strategic directions.

- vii. **Long-term Planning:** Develop a long-term development strategy that transcends political transitions. Ensure that development projects are not disrupted by leadership changes, and that policies remain consistent over time.
- viii. **Strengthen Local Institutions:** Empower and stabilize local institutions to ensure effective functioning regardless of changes in leadership. This supports long-term capacity-building efforts.
- ix. **Professional Growth Opportunities:** Create opportunities for professional growth within Karnali Province. Provide clear career paths, skill development, and promotional prospects to motivate government employees to remain.
- x. **Retention Strategies:** Develop retention strategies that address the perceived lack of job security and offer incentives for employees to stay. This may include improved salaries, benefits, and a conducive work environment.
- xi. **Address Stagnation:** Mitigate career stagnation by providing avenues for skill development, promotions, and career advancement. Encourage continuous learning and professional development among employees.
- xii. **Institutional Knowledge Preservation:** Implement knowledge transfer and succession planning to preserve institutional memory when experienced employees leave. This ensures the efficient functioning of government institutions.
- xiii. **Public Trust:** Enhance public trust and confidence in government institutions by reducing staff turnover. A stable and reliable government workforce will improve citizen satisfaction and engagement.

#### **b) Resource Allocation Challenges**

- i. **Equitable Resource Allocation Policy:** Develop a comprehensive and equitable resource allocation policy that accounts for Karnali's unique geography, ensuring that remote and hard-to-reach areas receive their fair share of resources. Collaborate closely with local communities to understand their specific needs.
- ii. **Local Resource Assessment:** Conduct a thorough assessment of local resources, needs, and vulnerabilities in each district within Karnali province. Tailor resource allocation policies to local conditions based on this assessment.
- iii. **Transparency and Public Engagement:** Enhance transparency in the resource allocation process and involve the public in decision-making to build trust and confidence in government allocation strategies.

- iv. **Diversify Income Sources:** Promote economic diversification beyond agriculture by identifying potential sectors for internal income, such as tourism and agriculture. Implement policies to attract investments and create opportunities for revenue generation.
- v. **Enhance Local Revenue Generation:** Develop strategies for enhancing local revenue through taxation, natural resource management, and economic diversification. This will reduce dependence on federal transfers and boost fiscal autonomy.
- vi. **Invest in Infrastructure:** Prioritize infrastructure development, especially improving road connectivity to reduce transportation costs in remote areas. This will facilitate trade, mobility, and accessibility to essential services.
- vii. **Skills Development and Retention:** Implement programs to attract and retain skilled professionals in various fields. Provide education and training opportunities to prevent the outflow of talent and build local expertise.
- viii. **Simplify Bureaucratic Processes:** Streamline administrative processes, reduce red tape, and minimize layers of approval to expedite the release of funds for development projects.
- ix. **Enhance Financial Management:** Improve financial transparency, accounting systems, and budget expenditure tracking to efficiently allocate funds to various projects.
- x. **Capacity Building:** Invest in building the capacity of the workforce, including financial experts, project managers, and administrative staff, to enhance efficient budget planning and execution.
- xi. **Political Stability:** Foster stable leadership to minimize disruptions in the budgeting process and ensure consistency in long-term development goals.

### c) Service Delivery

- i. **Transportation Infrastructure:** Allocate funds for the expansion and maintenance of road networks, with a focus on remote areas. Prioritize the construction of bridges to ensure accessibility during adverse weather conditions, and invest in affordable and efficient public transportation options, particularly in isolated regions.
- ii. **Communication Infrastructure:** Develop and expand modern communication facilities, including mobile network coverage and internet connectivity. Establish reliable communication systems to improve government agencies' response time during crises.
- iii. **Local-Level Service Delivery:** Reevaluate the necessity of district-level service delivery offices, minimize program duplication, and redirect resources towards strengthening local-level service delivery offices. Ensure residents are aware of the services provided by the provincial government.

- iv. **Civic Engagement:** Implement measures to facilitate civic engagement, especially in remote and marginalized communities. Enhance educational opportunities to improve citizens' ability to understand and participate in the democratic process.
- v. **Information Technology Utilization:** Develop a clear policy and strategy for e-governance, including the use of information technology for service delivery. Offer training and education to enhance digital literacy among government officials and the public.
- vi. **Corruption and Accountability:** Strengthen governance and accountability structures to prevent and address corruption effectively. Implement transparent policies and practices to boost public trust and establish clear mechanisms for monitoring and evaluating government activities.
- vii. **Complaints Handling:** Promote awareness of existing complaints and suggestion mechanisms and improve the resolution of complaints, ensuring that citizens see results from their feedback.
- viii. **Quality Control and Service Improvement:** Address service quality issues related to drinking water, road infrastructure, electricity, community schools, local government, and healthcare. Implement measures to enhance the quality of these essential services.
- ix. **Policy Clarity and Responsibility:** Clarify policies regarding the responsibility for handling complaints, particularly those under the jurisdiction of local levels. Ensure that marginalized citizens have access to grievance redress mechanisms and are informed about their rights.

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## Annex 1

### List of the Key Informants

S.N.	Name	Designation
1	Bindaman Bista	Former Minister, Karnali Province Government
2	Yogendra Shahi	Vice-Chair, Karnali Province Planning Commission
3	Ananda Saru	Secretary, OCMCM, Karnali Province Government
4	Prakash Regmi	Federalism and Local Governance Expert
5	Lalit Jung Shahi	Assistant Professor, Mid-West University

## Annex 2

### List of participants of the workshop I (Problem identification)

S.N.	Name	Designation
1	Dev Kumar Subedi	Former Mayor, Birendranagar Municipality
2	Mina Bishwokarma	Province Coordinator, FEDO
3	Pitambar Dhakal	Province Coordinator, Human Rights Defenders' Association
4	Durga Prasad Sapkota	Advocate/Assistant Professor, Mid-West University
5	Narayan Nath Yogi	Advocate/Assistant Professor, Mid-West University
6	Khemraj Rawat	Assistant Professor, Mid-West University
7	Prakash Poudel	Senior Officer, Birendranagar Municipality

### Annex 3

#### List of participants of the workshop II (Problem validation)

S.N.	Name	Designation
1	Hon. Kalyani Khadka	Member, Karnali Provincial Assembly
2	Hon. Tulasa Malla	Member, Karnali Provincial Assembly
3	Hon. Gamata B.K.	Member, Karnali Provincial Assembly
4	Atmadevi Shrestha	Advocate
5	Rita BC	Subnational Governance Advisor, GIZ
6	Keshav Kumar Acharya	Governance Advisor, GIZ
7	Yadav Ojha	Project Manager, GIZ
8	Bikash Panthi	Provincial Coordinator, GIZ
9	Shilpa Kunwar	Local Governance Expert, PLGSP
10	Hansa Malla	Local Governance Expert, PLGSP
11	Jyotee Katuwal	Journo/ Kantipur Daily
12	Punam BC	Journo/ Yugaahwan Daily
13	Manju Sunar	President, FEDO Karnali Province
14	Prakash Saru	President, NGO Federation, Surkhet
15	Rama K.C.	Journo/ RSS
16	Upendra Khadka	President, Nepali Congress, Birendranagar
17	Om Shahi	Journo/ Shilapatra
18	Bindu Lal Regmi	Secretary, NGO Federation, Surkhet
19	Binod K Bhandari	Officer, MOPID, Karnali Province Government
20	Khagendra Bhattarai	General Secretary, FNJ, Karnali
21	Sunil Limbu	Section Officer, Karnali Province Planning Commission
22	Dhirendra Prasad Sharma	Under Secretary, Birendranagar Municipality
23	Uttam Pd Acharya	Vice President, Nepal Bar Association
24	Laxman Kandel	President, CCI, Surkhet
25	Dinesh Khatri	Ward Chairman, Birendranagar Municipality 1
26	Lalit Basel	President, FNJ, Surkhet
27	Madan Khadka	Law Officer, Karnali Provincial Assembly

## Annex 4

### Survey Questionnaire

This Questionnaire has been prepared and distributed as a part of conducting joint research by Hriti Foundation. This research is for academic and policy reform purposes; no information and data received from respondents will be used for any other purpose. By being ready to fill up this questionnaire form, respondents are believed to give their consent to be part of this study. As the participation of respondents in the study is completely voluntary, you can also withdraw from the study at any time without giving reasons. Information will be collected by our data enumerators which will be administered through the Google form. Your true and accurate information on this questionnaire will be highly appreciated. The data will be kept confidential and will be used only for study purposes.

1. Gender
  - a) Male
  - b) Female
  - c) Others
  
2. Age ----
3. Caste/Ethnicity
  - a) Brahmin
  - b) Chhetri
  - c) Dalit
  - d) Janajati
  - e) Thakuri
  - f) Other (please specify)
  
4. What is your highest level of education completed?
  - a) Less than high school
  - b) High school diploma or equivalent
  - c) vocational training
  - d) +2
  - e) Bachelor's degree
  - f) Master and above degree
  
5. What is your current employment status?
  - a) Employed full-time.
  - b) Employed part-time.
  - c) Unemployed
  - d) Student
  - e) Retired
  - f) Other (please specify)
  
6. What is your religion?
  - a) Hinduism
  - b) Buddhism
  - c) Islam
  - d) Christianity
  - e) Other (please specify)
  
7. How familiar are you with the functions and responsibilities of sub-national governments in Karnali Province?
  - a) Very familiar

- b) Familiar
  - c) Somewhat familiar
  - d) Not familiar at all
8. To what extent does Karnali Province have established clear institutional frameworks for effective governance and service delivery?
- a. Not at all
  - b. To a limited extent
  - c. Moderately
  - d. To a great extent
  - e. Fully
9. How well do Karnali Province ensure transparency and accountability in their operations and decision-making processes?
- a. Very poorly
  - b. Poorly
  - c. Fairly well
  - d. Well
  - e. Very well
10. How effectively does Karnali Province monitor and evaluate their programs and policies to assess their impact and make informed decisions?
- a. Ineffectively
  - b. Somewhat effectively
  - c. Moderately effectively
  - d. Quite effectively
  - e. Highly effectively
- 11) To what extent do Karnali Province engage in regular capacity building activities to enhance the skills and knowledge of their staff members?
- a. Not at all
  - b. To a limited extent
  - c. Moderately
  - d. To a great extent
  - e. Fully
- 12) How well does Karnali Province allocate and manage financial resources to ensure equitable distribution and efficient utilization for the benefit of their constituents?
- a. Very poorly
  - b. Poorly
  - c. Fairly well
  - d. Well
  - e. Very well
- 13) How effectively do sub-national governments in Nepal engage with and involve local communities in decision-making processes and the delivery of public services?
- a. Ineffectively
  - b. Somewhat effectively
  - c. Moderately effectively
  - d. Quite effectively
  - e. Highly effectively
- 14) To what extent do sub-national governments in Nepal establish and maintain mechanisms for citizen feedback and complaint resolution to address grievances and improve service delivery?
- a. Not at all

b. To a limited extent

c. Moderately

d. To a great extent

e. Fully

15) How well do sub-national governments in Nepal collaborate and coordinate with other government entities and stakeholders to achieve common goals and address shared challenges?

a. Very poorly

b. Poorly

c. Fairly well

d. Well

e. Very well

16) How effectively do sub-national governments in Nepal utilize technology and digital tools to enhance their operational efficiency and service delivery?

a. Ineffectively

b. Somewhat effectively

c. Moderately effectively

d. Quite effectively

e. Highly effectively

17) To what extent do sub-national governments in Nepal demonstrate responsiveness and adaptability to changing societal needs and priorities?

a. Not at all

b. To a limited extent

c. Moderately

d. To a great extent

e. Fully

18) What are the main factors contributing to limited capacity building opportunities for Karnali Province government officials?

a. Limited access to training and professional development opportunities

b. Inadequate financial resources for capacity building initiatives

c. Lack of skilled and competent staff

d. Insufficient knowledge transfer and sharing mechanisms

e. Limited institutional support for capacity building efforts

f. Other (please specify)

19) How would you rate the availability of training and professional development opportunities for Karnali Province?

a. Very limited

b. Limited

c. Moderate

d. Sufficient

e. Abundant

20) What are the major challenges faced by Karnali Province in terms of financial resources for capacity building initiatives?

a. Inadequate budget allocation

b. Lack of funding opportunities

c. Limited financial management skills

d. Other (please specify)

21) How would you rate the competency and skills of the staff members working in Karnali Province in Nepal?

a. Very low

- b. Low
- c. Moderate
- d. High
- e. Very high

22) What are the existing mechanisms for knowledge transfer and sharing within Karnali Province?

- a. Well-established knowledge-sharing platforms
- b. Informal networks and interactions
- c. Limited knowledge-sharing initiatives.
- d. No specific mechanisms in place

23) How would you assess the level of institutional support for capacity-building efforts within Karnali Province?

- a. Very low
- b. Low
- c. Moderate
- d. High
- e. Very high

24) What factors do you believe influence resource allocation decisions in Karnali Province?

- a. Political considerations
- b. Population size and demographics
- c. financial constraints
- d. Sectoral priorities
- e. Other (please specify):

25) Likert Scale Questionnaire for Participants

To what extent do you agree with the following statements?	SD	D	N	A	SA
<b>1. Strongly Disagree 2. Disagree 3. Neutral 4. Agree 5. Strongly Agree</b>					
Institutional Building	1	2	3	4	5
Operation	1	2	3	4	5
Monitoring and Evaluation	1	2	3	4	5
Revenue Collection	1	2	3	4	5
Budget Expenditure	1	2	3	4	5
Budget allocation	1	2	3	4	5
Budget Implementation	1	2	3	4	5
Utilization of Resources	1	2	3	4	5
Accessibility of Services	1	2	3	4	5
Quality of Services	1	2	3	4	5
Transparency in Service Delivery	1	2	3	4	5
Accountability of Authorities	1	2	3	4	5
Civic Engagement in the service delivery process	1	2	3	4	5

## ऋति फाउण्डेसनबारे

ऋति फाउण्डेसन कम्पनी ऐन, २०६३ बमोजिम संस्थापित मुनाफा वितरण नगर्ने कम्पनी हो । स्थापनाकालदेखि यसले आफ्नो उद्देश्यअनुसार कर्णाली प्रदेशको आर्थिक उन्नति र प्रगतिका लागि काम गर्दै आएको छ ।

विशेषतः बहसको वातावरण बनाई समग्र विकासमा योगदान गर्ने यसको उद्देश्य रहेको छ । फाउण्डेसनले कर्णाली उत्सव..कुडा कर्णालीका, लेट्स स्पिक, सवाल उद्यमीको जस्ता सार्वजनिक बहसका नियमित कार्यक्रमका साथै कर्णाली प्रदेशको समृद्धिका लागि आवश्यक नीतिगत व्यवस्थाहरूको अध्ययन, अनुसन्धान तथा पैरवी गर्दै आइरहेको छ । यसले वाक स्वतन्त्रता र सम्पत्तिमाथिको अधिकारको पक्षमा वकालत गर्छ ।

विकासका लागि विचार भन्ने मान्यता बोकेको फाउण्डेसनले गन्थन, मन्थन र चिन्तनलाई प्रश्रय दिन्छ । फाउण्डेशनले आर्थिक, सामाजिक, नीतिगत बहस पैरवीका साथै अनुसन्धानमुलक छलफल पत्र, अनुसन्धानमुलक प्रकाशन र तीनको आधारमा अनुसन्धानमुलक लेख सामाग्री समेत प्रकाशन गर्दै आएको छ । फाउण्डेशनले अनुसन्धान, बहस र पैरवीलाई मुख्य प्राथमिकता दिन्छ ।



# HRITI FOUNDATION

TOWARDS PROSPEROUS KARNALI