

# Local Politics of Local Economic Development Strategy in Nepal

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**Abstract**— The local government has to be productive and able to offer economic opportunities to the poor, create wealth, generate jobs, increase incomes, and ultimately improve the quality of life for the long term prosperity and welfare of locality. A strategic plan for sustainable development is needed to change existing local conditions, mindsets by building capacity, organizing participatory processes and empowering stakeholders. The New Constitution of Nepal 2015 has delegated full authority to local government regarding the overall development of the locality such as a municipality. However, many questions about stakeholders' participation, transparency, accountability, openness, the capacity of people and local governments, inclusiveness, and equality are being raised. In this context, a case of economic development strategy set by Chaudandigadhi Municipality has been studied to answer these questions. Both primary and secondary data collection methods have been used to justify qualitative and quantitative research methods. This study has concluded that municipal authorities have to be empowered and development actors have to be harmonized and consolidated in local economic development activities.

**Index Terms**— Stakeholders, Local economic development, Strategy, Power balance, Political challenges, Patronage network

## 1 BACKGROUND AND RATIONALE

It is noted that the sustainable prosperity and growth of the locality depends on their ability to take advantage of local resource utilization and grabbing the opportunities [1]. The local government has to be able to offer economic opportunities to the poor to reduce poverty. In changing local conditions, building capacity, organizing participation, and empowering stakeholders, local economic development strategic plan (LEDP) is concrete action [2]. [2] focuses further that the local economic development is inclusiveness within which the public sector, business, and civil society work together. Therefore, local economic development is the key to reduce poverty and help for the advancement of indices of the happiness of a people and society. Public, business and non-governmental sectors must work collectively in the best partnership in the local system to create better economic conditions for business creation, employment generation, or combinations thereof [3]. Private businesses are the engines of economic development to create wealth and jobs. But for the prosperity and growth of the private sector, a favorable business condition is essential. Local governments and other public sector actors have to establish and maintain favorable business conditions for their success. However, [4] expresses that sometimes rules and regulations may jeopardize or impede the business environment. Therefore, deliberation and negotiation in local networks and organizations are essential in reaching an adequate understanding of development activities that are practical, appropriate and sustainable. It is crucial to making good judgments and strategy that it is realistic to expect in a given context.

After very long efforts, Nepal has completed restructuring work according to the New Constitution of Nepal 2015 and fiscal federalism has been institutionalized as the important

dimension of the restructuring process [5]. This constitution has made Nepal a federal, democratic, republican nation-state (GoN, 2015). Local government has been considered a closer partner institution to the people than the central government as the basis for development [6]. Current local government units are overall larger in size, vested with greater authority, and shoulder the responsibility to uphold a promise to the people of Nepal. Both the constitutional provisions and the newly elected leaders have promised a lot to the people because all municipalities and VDCs were vacant during the Maoist insurgency (1996-2006) and All-Party Mechanisms were responsible for administrative and development activities until the local election 2017. Local government representatives were elected in November and December 2017 in all local government units. This development raised public expectations and the people believe that they can develop their local economy from the local government resides at their doorstep. But active engagement and fulfillment of the role of people as a good partner with local government are must confirm sustainable economic development and high quality of life [7]. [8] suggests that economic planning is the tool for participation and activating people in development in the least developed country like Nepal. But he further points out that our capacity to implement development projects is very poor and there is low utilization of local resources.

There are many pertinent questions and challenges regarding the strategic planning in local level government. Also, the study of [9] found that the absence of elected local government short-circuited local level development planning and execution. Unelected local politicians dominated decision-making that was not accountable to local people. Many questions were evolved as follows. Are key parts like

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participation, openness and transparency, accountability, and equality in dignity and rights are included for developing the economy? Do newly elected leaders have the capacity to enjoy newly defined a vast amount of power? Do we have appropriate administrative staff to carry out extended jobs? Do we have appropriate interaction among development actors? Do we have appropriate policies to back up the elected leaders? Do the stakeholders understand the local economic development strategy?

To seek the answers to these questions, this study was carried out. As the effect of politics on economic outcomes has been taken as an important aspect [10], [11], political activities such as political behavior, behavior shaping particular policies and programs, and implications for development strategies and programs in local level have been studied in this study.

### 1.1 Statement of the Problem

According to the constitutional provision, local governments have been formally devolved legislative, executive and judicial power. This power structure offered the services to the grassroots people at their doorsteps. In order to implement the provisions regarding the powers of the local government, the Local Government Operation Act 2017 was endorsed by Nepal Government. This Act provisioned the functions of local government ranging from formulation and implementation of the plan, carrying out judicial works, establishing financial controls, and maintain the administrative structure. The powers are devolved to the Ward levels from rural and urban municipal centers in different functions mainly formulation, implementation and monitoring of plan; data updating and preserving; development work; regulative functions; and recommendation and certification. However, the local government has issues such as insufficient revenue to perform the functions, lack of capacity of elected representatives and administrative staff, unclear and insufficient directions and control of the central government. The local economic development was very difficult to implement a centrally planned program in the context of All-Party Mechanisms (APM). APM lost the polity practice, disordered bureaucracy grew incompetency, and increased structural complexities. Plans evolved from grassroots based on the genuine needs of the people totally disrespected, shelved and sidelined the decision-makers. The powerful politicians' control overrode these plans in Nepal [8]. All projects and programs were misallocated; resources were misused in larger proportion and powers remained worthless. Politicians, elected representatives, bureaucrats, and social leaders influenced the local government level to set the strategic plan for local economic development.

### 1.2 Objective of the Study

The general objective of the study is to diagnose and analyze the roles and responsibilities of stakeholders in the economic development process of local people in province number 1 in Nepal. The specific objectives of the study are identifying the power and resources that shape local economic development strategy and evaluating key political factors that influence local economic development strategy.

### 1.3 Research Questions

The research questions are as follows.

- How power and resources shape local systems, organizations, communities, and sectors involved in the local economic development strategy?
- What contextual factors may pose risks to current or potential programs and activities for economic development?
- What are the political challenges in local economic development sectors?

### 1.4 Significance of the Study

A substantial commitment of representatives, local leaders and citizens must be ensured in developing the local economic development strategic plan for total support of all actors [2]. Conflict is negotiated, bargains are struck, and political settlements, alliances, and coalitions are made and broken formal and informal way in the local economic development process [10]. Since each community has unique local conditions [12], the nature of local economies has to be understood better for formulating appropriate local development strategies [13]. This study suggests to the locality to review their economic base actively and gain an understanding of opportunities and obstacles. The community can set relevant strategic movements that enhance the quality of life by the extension and variety of the sources of employment, the development of infrastructures, and the improvement of the image [14].

## 2 REVIEW OF LITERATURE

### 2.1 Local Economic Development as a Local Activity

The County and City Managers' Association (2013) in [15] noted that "local authorities retain functions essential for the promotion of economic development in a local area. Such functions include the physical planning remit to make towns and counties more attractive places to live, work and invest, the capacity to directly invest in roads, water, recreation, enterprise, tourism, heritage, and cultural assets. Importantly, local authorities can acquire land/property in order to perform any of their functions" (p. 2).

As the use of more local resources in an efficient way will be critical to improve outcomes and reduce regional disparities, many countries have transferred development responsibilities to local authorities [16]. Bottom-up approaches are increasingly favored in the neo-liberal economy [15]. The public, private businesses, and non-governmental sectors should work collectively to create better conditions for economic growth and employment generation [12]. Local government should attempt to coordinate efforts, improve the operational environment, and take initiations within the framework of coherent local policies or strategies. The development activities are inspired, owned and managed by all actors in the locality through the identification and mobilization of local resources. Local economic development is a solution for unemployment, poverty, and inequality, especially in developing countries [17]. [18] recognize the following characteristics of local economic development (p. 38).

- It is a territorial-based approach that aims to empower stakeholders to shape the future of the place they live in.
- Local economic development is a participatory approach to development.
- Local economic development does not ignore or reject globalization.
- The local economic development aims to create sustainable economic development.

## 2.2 Local Economic Development Strategy

[19] pointed out that efficient management of local assets and focus to the private sector mobilize local resources and minimize the public pressure of doing nothing. Local economic development strategies set sectoral policies for development programs and allow cities to take greater control of their economic development processes [1]. [20] opines that local government has to identify and consider economic strengths, weaknesses, opportunities, and threats of community. According to [21], strategic planning for local economic development answers a series of four basic questions:

- Where are we now?
- Where do we want to go?
- How are we going to get there?
- How do we know when we have arrived?

## 2.3 Key Actors in the Local Economic Development Strategy

As [18] emphasize that the local economic development is a participatory approach to development, it consists of three partners specifically, the public sector (local government), private sector and local communities (civil society) for service delivery [17]. The local government has to fulfill the leadership role; the private sector needs to contribute to the creation of wealth for the prosperity and civil society should be the part of a good governance process to ensure democratic principles in layers of society [22]. Partnerships among these stakeholders are very important to work in an innovative way.

**The Government or Public Sector.** According to Nel and Humphrys (1999) in [23], the government plays a fundamental role in creating a conducive environment for economic, social, legal and political activities. Local governments are responsible for providing different services and implementing regulations for local economic development needs [24]. Also, the local government provides the infrastructure to facilitate business development, retention and attraction to people [25]. Local governments have to identify the context and provide leadership to organize and build coalitions and partnerships to exchange information among all actors [25].

**Civil Society.** To address diverse groups with different family structures, interests, networks, workplaces and professions, citizens must be involved and empowered for long term or short-term plans [26]. Their participation helps to ensure desired outcomes [27].

**Private Sector or Business.** According to [26], the private sector/businesses have a deeper knowledge of local economic issues and are more likely to be more informed about local problems and opportunities. The private sector is run privately for earning a profit and generate investments, create jobs and

produce tradable goods [28]. [4] expresses that the private sector is the engine of economic growth whereas government agencies and authorities set the agenda for local economic development in developing and transitioning economies.

## 2.4 Correlation of Political Context and Economic Context

Politics and economics cannot be seen in isolation for each other. On one hand, the uncertainty connected with an unstable political environment may reduce investment and the speed of economic development. On the other hand, poor economic performance may lead to government collapse and political unrest [29]. He further adds that politics provide a crucial framework for economic development because politics stand at the center of governing the entire system of development and social transformation. Politicians make decisions and take actions for the social outcomes which led the society towards economic growth. Political and social discord, the prolonged political transition, and political uncertainty of the government have made for an unfavorable investment climate, suppressed agricultural activities, and undermined the expansion of services sectors like tourism and finance resulting in slow economic growth [30]. Thus government represented by political parties exercises power to implement the theory of politics to see the economic issues. According to [31], the growth is likely to be good when political rules are agreed and the major players are committed to promoting developmental strategy.

The political system is composed of influences of various lobbying groups like the judiciary, legislative, administrators, civil service in certain social and cultural systems. The economy of the state depends on the role played by the people in the society. Society is also affected by the national and international environment.

**The Political Context of Nepal.** Nepal is a small landlocked country, located in the mid of two giant countries China in the north and India in the south. Nepal has faced the ups and downs in the political arena from the long ago. The Jana Andolan (People's Movement) ushered in a new period of political freedom in 1990. However, constant infighting, interparty dispute, and factionalism between and within political parties led to political instability and weak governance in Nepal [32]. In 1991, democracy was restored and the Shah dynasty joined with the people and a constitutional monarchy with the multi-party governmental set-up was established in the period of King Birendra. But the Communist Party of Nepal (Maoists) started an armed struggle in 1996 which was continued for almost a decade. On 21 November 2006, Nepal Government and Maoist rebels signed a peace deal to end a decade-long insurgency that paved the way for the guerrillas to join the country's interim government. As part of a peace deal with Maoists on 28 December 2007, Nepal's parliament voted in favor of abolishing the centuries-old monarchy in Nepal which turned the monarch nation into a republic nation [33]. After all, on 28 May 2008, Nepal was established as a secular republic [34]. Nepal passed a long-awaited new constitution on 16 September 2015 which set the country up as a secular federation of seven states, each with a legislature and chief minister. On February 20, 2017, the

Government of Nepal announced the local elections in provinces 3, 4 and 6 on May 14, in provinces 1, 5 and 7 on June 28 and in province 2 on September 18, 2017. Nepal was declared a federal democratic republic country in 2015 and the new structure was established. Local Self-Governance Act (LSGA) in 1999 mandated of local bodies, powers, responsibilities, and resources. Presently, powers are shared between the three-tier of governance namely, the Federation, the State and the local level [35].

**The Economic Context of Nepal.** According to [5], the economic growth rate of Nepal has averaged 4.6 percent in the last ten years. The Nepalese economy was expanded by an annual average of 7.3 percent in FY 2017/18 which was 7.4 in the previous year [36]. The population under the absolute poverty line is estimated to have been 18.7 percent in FY 2018/19. Per capita income of Nepalese in FY 2017/18 has been reached to USD 1,004 (NPR 103,335) and is estimated to reach USD 1,034 (NPR 1,17,455) in FY 2018/19. Gross domestic product growth is projected to average 6.5 percent over the medium term, driven by services and underpinned by a steady inflow of remittances [16]. The difference between gross domestic savings and gross investment has been 36.7 percent in FY 2017/18. However, gross national savings over gross investment has been anticipated to be negative 7.8 percent in FY 2018/19. The budget deficit has been increased with the government expenditure. Gross revenue has increased by 21.7 percent in the 8th month of FY 2017/18 which was increased by 21.0 percent in the last decade. Foreign aid has been dominated by foreign loans. Total outstanding public debt is 28 percent of gross domestic product. Of the total debt, the share of foreign debt has remained at 53.9 percent. Also, the performance of public enterprises is not satisfactory. Inflation of 2.3 percent in July 2017 increased to 6.0 percent in March 2018. The trade deficit has increased due to the domination of imports over export. Despite a widening trade deficit, the balance of payments has remained mostly favorable and the country's foreign exchange reserves have grown to cover the cost of nearly 9.7 months' worth of merchandise imports [5].

**The Political Economy of Nepal.** [37] explain the effects of recent conflict, political transformation, governance issues, socio-cultural factors, the nature and history of relationships between citizens and the state, and the specific characteristics of Nepalese civil society and the media have influences to demonstrate the government accountability towards people. The current challenge in Nepal is to build on important strengths in working to address the state's systemic weaknesses in governance and accountability.

## 2.5 Policy Review for Local Economic Development

Nepal does not have a very long history formal local government system. On 21 November 1982, Decentralization Act, 1982 was introduced that established the responsibility and power to local Panchayats (governing units) for implementation of development activities at the local level. Also, local units were made responsible for the formulation of development plans and projects. The Local Self-Governance Act (1999) and Local Self-Governance Regulation (2000) was enacted by replacing the Decentralization Act (1982). The LSGA (1999) provided a detailed framework for

decentralization by making a separate act for each local body, including the Village Development Committee Act (1991), Municipality Act (1991), and District Development Committee Act (1991). These Acts provided a strong basis for grassroots democracy because they ensured the devolution of power, participatory planning processes, community and private sector involvement, accountability, and public service delivery [38]. But the LSGA (1999) was repealed by the Local Government Operation Act 2017 after the new constitution of Nepal in 2015. The Constitution of Nepal (2015) reflects the important role of local governments in giving exclusive powers [39].

According to clause 24(1) of LGOA (2017), the local government has to develop and implement periodic, annual, strategic and thematic mid-term and long-plan development plan. The local government in Nepal has to complete 7 steps in annual budgeting and planning processes starting from January 14 to July 15 for the coming year. First of all, the budget and plan have to be prepared by the ward or grassroots level and then such budget and plan received from each ward have to be integrated as an overall annual municipal budget. This integrated annual budget and plan have to be passed by the municipal assembly. As the municipal assembly endorses the annual budget and plan, it is submitted to the central government for further actions. This system set by the government of Nepal has emphasized that every local government must ensure greater participation of community people in Nepal for the development process. For meeting the purposes of the municipality, as provisioned in Intergovernmental Fiscal Arrangement Act, 2017, local government should follow above mentioned annual budget and plan process [40]. Likewise, the local government has to prepare the periodic development plan in the support of expert with the participation of all stakeholders so that it is nearer to the need for the locality. The local government has to follow four phases of the planning process. There is ten steps planning process for the periodic plan. Stakeholders mapping, consultation, orientation, situation analysis, ward-wise target group consultation, subjective plan formulation are major steps of the planning process. The periodic plan has to be finalized after discussion conducting a workshop including all stakeholders. The steps and stages of the periodic development plan of the local government of Nepal have to be formulated within 39 days.

Equalization grants, conditional grants, complementary (revenue sharing) grants and special grants to the state and local governments depending on their expenditure requirements and revenue capacity has been provisioned in Nepal. These grants are based on the modality for revenue sharing as recommended by the National Natural Resources and Fiscal Commission [41].

## 3 RESEARCH METHODOLOGY

### 3.1 Background

This study examined the interaction among the stakeholders and their effectiveness in local economic development in the

context of Chaudandigadhi Municipality in Nepal. It is based on field research findings, library research, and internet search. Both qualitative and quantitative methods were adopted on the exploratory cum descriptive research study approaches because [42] emphasized that qualitative methods are more suitable for research in a field involving human interactions and quantitative methods contribute to them. The primary concern of this study will be an investigation of the contribution of local people in building the local economy. This paper focuses on how local people participate in the local economic development strategy formulation and implementation. To diagnose this, mixed-method (qualitative dominant quantitative) research design has been used. The survey questionnaires, interviews and observations and secondary sources will be used to collect the data and information. The secondary data will be collected directly from books, journals, previous research works, and websites. However, it can be kept in mind that any exact method is not the end [43]. The entire process of the study was guided by a set of beliefs and feelings of research participants taking primary research participants.

### 3.2 Research Design

[44] argue that the qualitative method can demonstrate the nature of certain situations, settings, processes, relationship systems, and people. The case study method was used to gain relevant information about the interplay or role of stakeholders in local economic development programs. This method allows a researcher to test the validity of certain assumptions, claims, theories, or generalizations within real-world contexts. It also helps to judge the effectiveness of particular ideas, policies, and practices. The data were collected the data by means of semi-structured depth interviews, observation, focused group discussion, open-ended questions, and document analysis to ensure triangulation.

### 3.3 Population and Sample

The research population for the study consists of all people from Chaudandigadhi Municipality of province number 1 of Nepal.

**Sampling Procedure.** As I have applied the case study method for my study, it does not enforce sample logic [42]. This study used purposive non-probability sampling as snowball sampling strategies were designed to enhance understandings of selected individual's experience(s). Interviewees were selected based on personal involvement in local economic development strategy under investigation and their ability and willingness to answer the researcher's questions accurately and adequately, and not based on convenience or access [45]. Three types of research participants; businessman, municipality representatives, and social workers from Chaudandigadhi Municipality of Nepal for the purpose of the research. All ward chairpersons, mayor, and coordinator of the development committee, chairman of FNCCI (municipality unit), chairman of different NGOs and Community Development Committee (Tole Bikas Samiti) were interviewed in-depth. Altogether 10 people from different categories were taken in-depth interviews.

### 3.4 Case Study

Under a single study, the case study method recommends the triangulation of data by using different techniques, such as a survey, interview, experiment, etc. [42]. The case study approach was used to collect information from Chaudandigadhi Municipality of Nepal in getting an in-depth analysis of the local economic development as [46] argues that case study is appropriate to study the case of special interest.

### 3.5 Introduction of Chaudandigadhi Municipality

Chaudandigadhi Municipality, recently formed is located in the mid-eastern region of Nepal, constituency number 1 of Udayapur District of Province No. 1. According to the population census 2011, the total population of the municipality is 48,574 [47] but it is 57,360 according to the current update of the municipality in 2019. There are 10,519 households according to population census 2011. The population growth rate is 7.89%. The average number of family members in the municipality is five. The gender ratio (male/female) is 83%. Population density per square kilometer is 171 persons according to population census 2011 and 202 persons per square kilometer according to the recent record of the municipality in 2019. According to CBS (2011), the main source of light is electricity. About 7,632 households which are 72.55% of total households use electricity. About 2,410 households (22.91%) use kerosene, 362 (3.44%) households use solar energy, and remaining use biogas and other sources of light. According to the Local Level Detailed Report 2017 of Udayapur district, 94.5% of households use traditional sources of energy i.e. firewood. Remaining 5.5% of households use kerosene, LP gas, cow dung, biogas, and electricity as the source of energy. According to Population Census 2011, the overall literacy rate of the municipality is 70.39% while the literacy rate of males and females is 78.70% and 63.57% respectively [47].

There are 199 farmers' groups in the municipality. The major source of income of the municipality is livestock also. Every household owns 5-7 four-footed big animals and 20 small animals and birds on average [48]. There is not any large scale industry in the municipality. As per the municipality record, there are 5 cottages, 18 small, and 1 medium industry.

## 4 ANALYSIS AND RESULTS

### 4.1 Introduction

The changing context of local governance in Nepal requires an appraisal of the role of local governments, social composition, cultural, geographical and political influence in local economic development. This section brings to the fore the various aspects of the local economic development strategies formulation and implementation of the municipality. The views and opinions of stakeholders in the municipality development were explored to arrive at these analyses and conclusions. A summary of the findings and emerging issues are also presented as follows.

### 4.2 Analysis of the Findings

The municipality has envisioned "smile in every resident of a beautiful and prosperous city". For achieving this dream, the

municipality has set a mission of increasing economic activity, establishing an emerging city which fulfills the basic human, physical and social wants, invest in agriculture, tourism, and industry, emphasizing partnership and joint work with NGOs, business organizations, cooperative societies, and other private sector organizations and using the human skill and capabilities at an optimum level so that youth and workforce don't leave the city.

The overall developmental objective of the municipality is to reduce the poverty with social, economic, and human development establishing welfare and social justice.

The strategies of the municipality to achieve these objectives are increasing the production after transformation of the agriculture sector, development of tourism, and diversification of small and medium scale business, developing human resources, promoting good governance, building up the institutional capacity using science and technology and running programs relating to gender equality, inclusiveness, environment protection, and climate change.

### 4.3 Current Status of the Municipality

**Economic Development.** The status of economic development is as follows.

**Agriculture.** The majority of people in the municipality depend on agriculture for their livelihoods. Agriculture is the most potential sector of the municipality on the basis of the geographical structure and climate. Farmers received support from the Crop Development Program in which they received hybrid seeds of different food crops in 50% aid in the pocket areas. Major food crops of the municipality are paddy, maize, wheat, and millet which have been categorized into group A and group B on the basis of food crop production. The private sector is willing to invest in livestock farming because it is being business-oriented. According to the record of the municipality, people have earned about 507 million rupees in FY 2017/18. According to the Udayapur Agriculture Development Office, in FY 2017/18, the income from agricultural products like paddy, wheat, vegetables, oil, ginger, turmeric, and potato, etc. was 585.6 million rupees. 40% to 50% of total households earned 72.2 million rupees [49].

**Tourism.** The condition of tourism is not very good even though Chaudandigadhi is a historical place. Lack of drinking water, electricity, hotel and lodges, transportation facilities, and means of entertainment are challenging factors for tourism. However, the newly constructed view tower in Chaudandigadhi has added the attraction. Also, Chaudandigadhi can be developed as a hicking place.

**Foreign employment.** According to the municipality report, 3521 individuals have received the passport within three years. 33.47% of total households received a passport if one passport for a household is considered. As per the statistics of the district, about 3,434 individuals have gone abroad for foreign employment from this municipality before the last 3 years. Absentee population according to the Central Bureau of Statistics 2011 is 9%.

**Poverty.** A prosperity index score of Nepal is 57.7 and the rank of Nepal is 90 out of 149 countries in the world and 17 in Asia [50]. According to [51], poverty rate of ward number 2, 3 and 4 is 13.41% (5.77), poverty gap 2.46% (1.31), and depth of poverty

0.69% (0.43); poverty rate of ward number 6 and 7 is 5.81% (2.39), poverty gap 0.91% (0.44), and depth of poverty 0.23% (0.13); poverty rate of ward number 1 and 8 is 31.32% (7.27), poverty gap 6.95% (2.31), and depth of poverty 0.23% (0.13); and poverty rate in ward number 5, 9, and 10 is 15.4% (4.18), poverty gap 2.89% (1), poverty depth of poverty 0.83% (0.34). The poverty rate of ward numbers 1 and 8 is observed highest among all. The average poverty rate of the municipality is 16.49%.

**Women development.** Till July 2017, municipality traced 314 groups, 47 committees, 2022 members [49]. Women and children's office has provided Rs. 260,000/- to 80 members for pig, goat, and vegetable farming. Movement of women against poverty program has provided skill development training to 360 women of Siddipur and provided Rs. 1,462,000/- as an aid through Uchcha Jyoti Women Saving and Credit Cooperative Society.

**Awareness of municipal LED strategy.** At the time of interviews, 15% of selected interviewees replied that the municipality has a LED strategy in place, whereas 20% claimed that they were either not aware of the strategy. A total of 55% of the participants claimed that they were not aware of whether the municipality has got an LED strategy in place or refer to the LED strategy as a strategic plan as they were supposed to be part and parcel of the development of LED strategies. Most of the community or social leaders claimed that key persons were not involved in the five-year periodic plan preparation process. Most of the claimants of this statement were opposition groups of political parties in each ward where the municipality conducted a workshop to collect the opinion.

**Awareness of LED white paper.** Out of total research participants, only 13% claimed that white paper will provide a framework for LED and that it will add value to national development initiatives. A total of 20% opined that it is striving to improve the livelihood of Nepalese people through economic growth, job creation and community wealth. But 38% expressed that the Government wanted to provide guidance to various localities in the country on how to go about developing their respective LED strategies in order to enhance LED in their areas. 30% of the total participants did not know why it was developed.

According to [52], a white paper for LED has been developed to improve unemployment, poverty, dependency, inequality, and backwardness. But the interview reveals that a little people only had got an idea of what the white paper intends to achieve. It can be concluded that there is still much to be done to achieve the intended purpose of LED.

**Establishment of LED strategy by the municipality.** 38% of research participants who were ward chairpersons and municipality office authority, claimed that the LED strategy for the municipality was established in 2018, whereas 24% of participants replied that the municipality has not established a separate LED plan. 38% of participants answered that they were not aware of the LED strategy. These responses demonstrated that the participants had no information about the establishment of the LED strategies.

**Degree of interests of the poor in LED strategy.** According to the interview conducted to all research participants, 37% of

participants answered that the periodic plan for 5 (five) years have been designed on the political pressure and 35% have answered that there is the influence of elected representatives to finalize the periodic plan. Therefore, 72% of political influence can be observed against the interest of businessmen, social leaders, central government, and the interest of the poor. The development program has been finalized after long discussions among political leaders. The inclusiveness has not been considered even though the local government has to prioritize the economic development and poverty alleviation program in periodic, annual, strategic and thematic mid-term, and long-term development plans to uplift the living standard, income, and employment of local people [53].

**Strengthening the stakeholders' role.** According to clause 24 (3) (d) of the [53], the municipality must ensure maximum participation of the local people to be effective and sustainable development plans. According to the [40], the strategy development process has to be participatory and consultative, the local government must have a proactive and facilitative role towards stimulating local economic development. It further states that local leaders, experts of concerned issues, targeted communities, and civil society must be consulted in developing a development strategy.

For the question of how the stakeholders' role can be strengthened, 45% of participants suggested that assistance to people in the creation of enabling environment and marketing can strengthen the role of stakeholders in LED. Likewise, 24% claimed that process of LED has to be initiated and facilitated by the local government, 21% claimed that labor-intensive project has to be introduced on continuous basis in implementation of LED strategy, 15% claimed that people have to be informed that resources and projects are available in order to uplift the living standard of the local community. 15% of participants emphasized regularizing networking and communication opportunities, create an enabling environment by offering entrepreneurial training and education, and assist with funding, communication, and information sharing.

**Roles, Mandates, and Responsibilities for LED.** Research participants identified 12 factors have influenced the LED strategy of the municipality. Participants have categorized that infrastructure development status is the most influencing factor among all. 63% of the total participants opined that economic development without infrastructure is impossible. Clear and implementable developmental policies come in second place according to 50% of participants. Poverty alleviation and social development initiatives of the municipality including the regional and central level government have been categorized in the third rank by 45% of total participants. 43% of the total participants expressed that transport and access opportunities are other influencing factors to LED. 40% of participants have chosen a safe and secure environment within the municipality in the fifth place. 38% of participants expressed that the municipality must be capable to finance and strong local leadership for effective LED formulation and implementation. Likewise, public-private partnership status, human resource development status and opportunities of agricultural development are ranked in the seventh position by 25% participants. Entrepreneurial development by 18% of participants and economic

development initiatives by 13% of participants put in eighth and ninth rank.

Development need has been arising due to problems and challenges of poverty, unemployment, and low income which have been categorized as major factors by all participants. All participants focused on the promotion of the local economy to recognizing comparative and competitive advantage of the municipality. Leadership and local government capacity to carry on the LED process is another very important factor noted by the research participants.

**Changes in roles, mandate/responsibilities of the organization and key players.** Many changes have been experienced in roles, mandate, and responsibilities of newly structured municipalities, civil societies, and business organizations for building the local economy. In the new structure, the local-level political system has been systematized with the full authority of political institutions viz. legislative, executive and judiciary. 72% of research participants replied that the new structure is very effective for the development of the community but about 70% of the research participants opposed the role of the provincial government. These institutions must hear political parties, business organizations, community development committees, NGOs, consumer committees, women, Dalit (deprived group), Janajatis (indigenous), youths and other groups for maintaining inclusiveness. But these organizations usually keep their voices on the basis of their political alliances. Among all, 84% of research participants agreed that people have patronage networks to bargain for the project and policies.

**Organizational Structure.** The structure for formulating a strategic plan and its inclusiveness is as follows.

**Inclusiveness of stakeholders in drafting the municipal LED strategy.** As per the record of the municipality office, a total of 230 persons participated in the workshop for the five-year periodic plans in 2018. The planning officer was asked some questions regarding the basis of the selection of participants. Among all, 53 (23%) of total participants in LED strategy formulation are selected on the basis of the municipality representative. 50 (22%) participants were selected from among the intellectuals. 42 (18%) participants were involved from the local political parties. Likewise, 35 (15%) participants on the basis of accessibility, geographic location, 30 (13%) participants on the basis of cultural community and 20 (9%) participants on the basis of economic status were selected to strike a balance in the participation in the workshop for the strategy development initiated by the municipality and facilitated by the consulting firm Gorakhkali Manokamana Research Center.

According to [53] (5), the local level must ensure maximum participation of the local intellectuals and subject matter experts, experienced and retired professionals as well as of the local residents including the marginalized and near-extinct community, women, children, Dalit, youth, minorities, people with disabilities, elderly citizens living within its area while developing and implementing its plan. Most importantly, the periodic plan must be agreed by all stakeholders from the viewpoint of the periodic plan formulation process, assigning responsibilities, and time frame. This municipality has to

organize a participative workshop with a full representation of all stakeholders for strategy development.

The municipality has conducted a workshop to formulate a five-year periodic plan in which local economic development issues were discussed and passed the draft however people of each category couldn't be involved in the process. The participation was seen effectively structured that reflects and responds to different geographical demands, contexts varying levels of development, ethnicity and political-religious constituencies.

Before federalism in Nepal, local bodies were central government-oriented for instructions, manpower, and any resources [54]. The newly adopted Constitution of Nepal granted the local government a range of powers to be exercised with a degree of autonomy within their respective jurisdictions. Principles of separation, checks, and balances of legislative, executive and judicial power are conditioned in the local government. Therefore, the local government is not as same as the local body. The structural change shaped the municipality with this change in Nepal. Historical legacies of earlier forms and existing corruption, mismanagement, and a lack of public accountability pose numerous challenges to the current system. 70% of Executive Council Members believe that the full involvement of local people institutionalizes the local governance by enabling the environment of democratic values and public participation in making a decision for social and economic development. However, the local government has to gain the requisite capacity to design and develop infrastructure and deliver locally significant services as per demand.

**Balancing Influencing Factors.** The question for strategy adopted by the municipality to address influencing factors was answered by the research participants reveal as follows. 38% of research participants put political and social local leaders' commitment in the topmost priority whereas 30% of research participants answered that the level of initiation of the local community in the selection of development programs. The development programs have been passed for those who monitored regularly. According to 18% of research participants, the municipality has followed a power balance strategy. Only 8% of research participants agreed that the municipality has adopted an integrated approach that includes geographic, network, cultural and political thought.

**Management, Leadership, and Composition.** 52 municipal assembly members were elected from the first local election conducted on June 14, 2017, in the municipality after the adoption of the new constitution [55]. The composition of members is given in Fig. 1. Out of three political parties, the Nepali Congress Party positioned highest with 63.46%, Nepal Communist Party (Unified Marxist-Leninist) with 30.77% and Nepal Communist Party (Maoist Center) with 5.77%. Nepali Congress Party has the majority of representatives in the municipality.

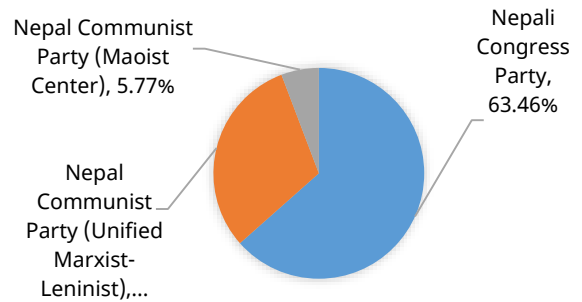


Fig. 1. Elected Representative in Chaudandigadhi Municipality in 2017  
Source: (Election Commission of Nepal, 2017)

Fig. 2 **Error! Reference source not found.** below describes the proportion of ethnic groups in the municipal assembly. 42% of Janajatis (Indigenous), 19% Dalit (marginal group), and 39% Khas (Elite) were elected as representatives in the municipality [55].



Fig. 2. Representation of Ethnic Group in Municipal Assembly  
Source: (Election Commission of Nepal, 2017)

The municipality has faced some disputes or protests politically in policymaking and implementation of projects even though the municipality adopted a power balance strategy. The influence on members by patronage networks to lobby over the resources and opportunities is the reason for such disputes.

However, regarding power relations, 63% of research participants commented that all authorities of formal positions are not capable of planning, implementation, and managerial functions. They remarked that about 85% of municipality representatives lack such capabilities. Also, 65% of research participants claimed that 50% of authorities are influenced by prominent and less visible actors and stakeholders because of their political and personal benefits. The ideologies, values, and perceptions of stakeholders influence the management and leadership within the municipality. According to the executive (sectoral committee), in some cases, opposition party members exert high pressure on the decision-making process. Municipality sectoral committee negotiates with the member exerting pressure and finalize the plan.

## 5 CONCLUSIONS AND IMPLICATIONS

[56] states that effective partnerships among key organizations and leaders build the LED initiative effective and successful. How the partnerships and inclusiveness been adopted are summarized below.



## 5.1 Summary and Conclusions

[29] points out that overall development is possible in political stability. The bottom-up approach in local development has been started in Nepal as a means to facilitate the people because [57] describes that the real changes are possible after the development of the local level. But there is a number of confusions and controversies to local government to implement set strategies into practice. The challenge connected with local economic development is building human capital, retaining them, creating situations regarding structure formulation, incentives, and interest.

However, people are not aware whether the municipality has got an LED strategy in place, the municipality has ensured effective and structured participation that reflects and responds to different geographical demands, contexts varying levels of development, ethnicity and political-religious constituencies. But political interest has highly dominated the interest of businessmen, civil society, and poor people. The municipality has allocated funds only for two sectors viz. agriculture and food security and irrigation remaining other components were disregarded. The local-level political system which is very effective for the development of the community has been systematized with the full authority to political bodies by the federalism system in Nepal. Local government should be aware of balancing the power among political and social local leaders' commitment, initiation of the local community, political will power, and an integrated approach that includes geographic, network, cultural and political thought, and natural capital, capacity and shared vision.

Problems and challenges in the municipality occurred due to poverty, unemployment and low income. Therefore, the promotion of the local economy to gain a comparative and competitive advantage is a major thing to be focused on. The very important factor is leadership and local government capacity to carry on the LED process. Also, local economic development, planning, management, and implementation must be participatory and cooperative. Additionally, central government policies and programs, development focus, and directives have to be clear. The municipality has adopted the power relation strategy to balance the roles and responsibilities of each level of people.

There is a challenge of the use of available resources in the municipality even though the municipality is rich in human, financial, natural, and physical resources. The municipality has to capitalize on these resources balancing the power and building skill and leadership capabilities of people to make them self-reliant. The private sector partnership project has to be evolved to increase investment and job opportunities. For this, there is a massive need for public investments in infrastructure, agriculture, health, and education despite the availability of private capital and increases in wages for the poor to motivate public-private partnerships [58].

## 5.2 Final Remarks

I have studied interaction and interrelationship between the structure and power of all actors in local economic development at the local level. The new local government approach in Nepal has many challenges. Municipal authorities have a deficiency in understanding their promotional roles and

lack of capacities for coordinating development actors. Also, actors of local economic development have not understood the roles of the private sectors towards harmonizing and consolidating local economic development promotion actions by creating employment opportunities, mobilizing and circulating financial resources. These issues have been hot and prominent in this time in Nepal. These conclusions are not advocating similar copies in the locality since each locality has its own peculiar context, issues, and challenges. It does not permit the generalization of the findings to other cases of the same nature. However, these findings may be relevant to other local governments in Nepal.

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