Formulating A Graduation Framework for Local Government Units in Alignment with Nepal's Graduation from LDC Status

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CHAPTER I: INTRODUCTION

Statement of Problem

Nepal is on the brink of a transformative milestone: its expected graduation from the United Nations' Least Developed Country (LDC) category by 2026, following the 2021 recommendation by the Committee for Development Policy (CDP). This designation, established in 1971, has provided the world's most marginalized countries access to international support

and favorable policies, enabling them to combat structural challenges and accelerate socio-economic development. However, as Nepal approaches this transition, significant challenges remain.

Graduation from LDC status is determined by three key criteria: Gross National Income (GNI) per capita, the Human Assets Index (HAI), and the Economic and Environmental Vulnerability Index (EVI). Nepal met the thresholds for HAI and EVI in three consecutive CDP reviews (2015, 2018, and 2021), despite falling short on GNI per capita. As Nepal prepares to graduate, it will lose access to certain preferential international financial supports, making it crucial to align national and local development strategies to mitigate potential impacts.

At the same time, Nepal's transition to federalism has granted local governments greater autonomy over development planning, budgeting, and implementation. This decentralization aligns with the broader goals of LDC graduation by empowering municipalities and rural municipalities to address local development priorities. However, the shift has also exposed challenges such as capacity constraints, resource disparities, and coordination gaps across governance levels. These challenges risk undermining Nepal's ability to sustain progress post-graduation unless local government units (LGUs) are adequately prepared.

This research aims to bridge a critical gap in Nepal's LDC graduation strategy: the lack of a robust framework for local government units (LGUs) to align with national graduation priorities. While the National Planning Commission's Smooth Transition Strategy (STS) outlines federal and provincial-level mechanisms for LDC graduation, it offers limited guidance on LGU-level implementation. Local governments, as key actors in decentralized governance, must not only align with national strategies but also develop localized frameworks to ensure sustainable and inclusive growth.

By addressing this gap, the research offers several key contributions:

1. **Policy Integration and Coherence**: It develops a framework to align LGU policies with LDC graduation criteria, fostering coherence between national and local strategies.
2. **Capacity Building**: It identifies institutional, regulatory, and resource gaps at the LGU level, enabling targeted capacity-building initiatives.
3. **Sustainability and Resilience**: It emphasizes local strategies to enhance resilience against economic shocks, disasters, and environmental vulnerabilities, key elements of LDC graduation criteria.
4. **Development Synergies**: By aligning LGU efforts with the Sustainable Development Goals (SDGs), it strengthens Nepal's broader development trajectory.

The primary beneficiaries of this research include policymakers at the federal, provincial, and local levels, development partners, and international agencies supporting Nepal's transition. It will also serve as a reference for academic and professional communities interested in governance, federalism, and sustainable development.

Scope of the Research

The research focuses on:

1. Assessing LGUs' readiness for LDC graduation by examining their current policies, institutional capacities, and alignment with national priorities.
2. Developing an LGU Graduation Index to evaluate performance across governance, public service delivery, fiscal management, economic development, education, and health sectors.
3. Conducting a comparative analysis of international best practices, with an emphasis on local government preparedness in recently graduated countries.
4. Proposing policy recommendations and a monitoring framework to guide LGUs in sustaining progress post-graduation.

Research Questions

To achieve these objectives, the research addresses the following questions:

1. What are the criteria and indicators for a country graduating from LDC status, and how do they apply to LGUs?
2. How prepared are Nepal's LGUs to meet LDC graduation requirements, and what gaps exist?
3. How can LGUs efficiently and transparently monitor and sustain progress post-graduation?

CHAPTER II: LITERATURE REVIEW

Nepal's transition to federalism, marked by the 2015 Constitution, brought significant political, administrative, and developmental changes. The restructuring of governance into federal, provincial, and local tiers is central to the ongoing evolution of Nepal's political landscape. The introduction of federalism aimed to address historical inequalities, decentralize power, and strengthen local governance. The Local Government Operation Act of 2017 further operationalized these shifts, granting considerable autonomy to Local Government Units (LGUs). The core premise is that decentralized governance fosters more efficient service delivery and enhances public participation in decision-making.

Nepal's transition to a federal democratic republic, enshrined in the 2015 Constitution, has significantly reshaped its governance landscape, particularly through the decentralization of power to Local Government Units (LGUs). The Local Government Operations Act of 2017 operationalizes this constitutional mandate, granting substantial autonomy to municipalities, rural municipalities, and other local bodies. This legislative framework aims to enhance local governance, ensuring that services are delivered efficiently at the grassroots level and fostering participatory democracy. As Nepal aims to graduate from Least Developed Country (LDC) status, understanding and optimizing the role of LGUs is imperative. This study explores the

formulation of a graduation framework for LGUs, aligning local governance capacities with national and international development benchmarks, in an attempt to ensure a smooth and sustainable transition from LDC status.

Schedule 5 of the 2015 Constitution of Nepal specifies the exclusive powers of the federal government. These powers are designed to maintain national unity, security, and integrity, while also managing critical national functions such as defense, foreign affairs, and major economic policies. The detailed list of these federal powers is as follows:

1. Relating to defense and military
   (a) Protection of national unity and territorial integrity
   (b) Relating to national security
2. War and defense
3. Arms and ammunitions factories and production thereof
4. Central Police, Armed Police Force, national intelligence and investigation, law and order.
5. Central planning, central bank, financial policies, monetary and banking, monetary policies, foreign grants, aid and loans
6. Foreign and diplomatic affairs, international relations and United Nations related matters
7. International treaties or agreements, extradition, mutual legal assistance and international borders, international boundary rivers
8. Telecommunications, allocation of radio frequency, radio, television and postal matters
9. Customs, excise-duty, value-added tax, corporate income tax, individual income tax, remuneration tax, passport fee, visa fee, tourism fee, service charge and fee, penalty

10. Federal civil service, judicial service and other government services
11. Policies relating to conservation and multiple uses of water resources
12. Inland and inter-province electricity transmission lines
13. Central statistics (national and international standards and quality)
14. Central level large electricity, irrigation and other projects
15. Central universities, central level academies, universities standards and regulation, central libraries
16. Health policies, health services, health standards, quality and monitoring, national or specialised service providing hospitals, traditional treatment services and communicable disease control
17. Federal Parliament, Federal Executive, Local Level related affairs, special structure
18. International trade, exchange, port, quarantine
19. Civil aviation, international airports
20. National transportation policies, management of railways and national highways

21. Laws relating to the Supreme Court, High Courts, District Courts and administration of justice
22. Citizenship, passport, visa, immigration
23. Atomic energy, air space and astronomy
24. Intellectual property (including patents, designs, trademarks and copyrights)
25. Measurement
26. Mines excavation
27. National and international environment management, national parks, wildlife reserves and wetland, national forest policies, carbon services
28. Insurance policies, securities, cooperatives regulation
29. Land use policies, human settlement development policies, tourism policies, environment adaptation
30. Enactment of Criminal and civil laws
31. Security printing
32. Social security and poverty alleviation
33. Constitutional Bodies, Commissions of national importance
34. Sites of archaeological importance and ancient monuments
35. Any matter not enumerated in the Lists of Federal Powers, Province Powers and Local Level Powers or the Concurrent List and any matter not specified in the constitution and federal laws

Schedule 6 of the 2015 Constitution of Nepal outlines the exclusive powers of provincial governments, which include:

1. Provincial police administration and law and order
2. Operation of banks and financial institutions in accordance with the policies of Nepal Rastra Bank, cooperative institutions, foreign grants and assistance with the consent of the Centre
3. Operation of Radio, F.M., television
4. Housing and land registration fee, motor vehicle tax, entertainment tax, advertisement tax, tax on tourism, agro-income, service charge, fee, penalty
5. Provincial civil service and other government services
6. Provincial statistics
7. Province level electricity, irrigation and water supply services, navigation
8. Provincial universities, higher education, libraries, museums
9. Health services
10. Matters relating to the Provincial Assembly, Provincial Council of Ministers
11. Intra-Province trade
12. Provincial highways
13. Provincial Bureau of Investigation
14. Physical management and other necessary matters of Provincial governmental offices
15. Provincial Public Service Commission
16. Management of land, land records

17. Exploration and management of mines
18. Protection and use of languages, scripts, cultures, fine arts and religions
19. Use of forests and waters and management of environment within the Province
20. Agriculture and livestock development, factories, industrialization, trade, business, transportation
21. Management of trusts (Guthi)

Schedule-8 of Nepal's Constitution outlines the powers vested in local governments, emphasizing their role in grassroots governance and service delivery. The areas in which local governments can exercise their jurisdiction include:

1. Town police
2. Cooperative institutions
3. Operation of F.M.
4. Local taxes (property tax, house rent tax, land and building registration fee, motor vehicle tax), service charge, fee, tourism fee, advertisement tax, business tax, land tax (land revenue), penalty, entertainment tax, land revenue collection
5. Management of the Local services
6. Collection of local statistics and records
7. Local Level development plans and projects
8. Basic and secondary education
9. Basic health and sanitation
10. Local market management, environment protection and bio-diversity
11. Local roads, rural roads, agro-roads, irrigation
12. Rural Municipal Assembly, Municipal Assembly, District Assembly, local courts, management of mediation and arbitration
13. Local records management
14. Distribution of house and land ownership certificates
15. Agriculture and animal husbandry, agro-products management, animal health,
16. cooperatives
17. Management of senior citizens, persons with disabilities and the incapacitated
18. Collection of statistics of the unemployed
19. Management, operation and control of agricultural extension
20. Water supply, small hydropower projects, alternative energy
21. Disaster management
22. Conservation of watersheds, wildlife, mines and minerals
23. Protection and development of languages, cultures and fine arts

Several studies explore the complexities of Nepal's federal transition. For instance, Acharya (2018) emphasizes that decentralization allowed for a broad-based engagement in local

governance, involving over 4 million people in the democratic process. This empowerment of local bodies is seen as crucial for fostering inclusive governance and resolving local conflicts. Chaudhary (2019) further highlights the challenges of local governance, noting structural and operational weaknesses. Insufficient legal frameworks, poor coordination between the local and provincial levels, and a lack of capacity within local units persist as significant barriers. These issues raise questions about the sustainability of Nepal's federal system, particularly in the context of development goals such as graduation from Least Developed Country (LDC) status.

Despite the promise of federalism, the literature reveals a persistent tension between the federal, provincial, and local governments. As the Democracy Resource Center Nepal (DRCN, 2022) outlines, overlapping jurisdictions and the dominance of federal laws complicate governance, hindering effective decentralization. Furthermore, the bureaucratic legacy of centralized governance still permeates local systems, often leading to inefficiencies and weakened policy implementation at the sub-national level. Addressing these systemic issues is critical to ensuring that local governments can effectively contribute to Nepal's developmental goals, especially in light of the upcoming LDC graduation.

Challenges and Opportunities for Local Governance

As Nepal progresses toward LDC graduation, the role of local governments becomes increasingly significant. The National Planning Commission's Smooth Transition Strategy (2024) identifies key pillars aligned with LDC graduation criteria, such as improving GNI per capita, Human Assets Index (HAI), and Economic and Environmental Vulnerability Index (EVI). However, as Basnett et al. (2017) argue, development is inherently political, and economic policies often face challenges in implementation, particularly in a country like Nepal, where governance structures are still evolving. This brings to light the critical role of local governments in economic transformation, as they are responsible for mobilizing resources and implementing development initiatives.

One area of consensus in the literature is the importance of capacity-building at the local level. While Nepal's federal system has given local units a degree of autonomy, many lack the capacity to fully utilize these powers. Chaudhary (2019) emphasizes the need for targeted training and awareness programs for local leaders, particularly regarding their expanded responsibilities under federalism. Similarly, the Center for International Private Enterprise (CIPE, 2022) points out that Nepal's bureaucracy remains hierarchical and struggles to adapt to the federal system. Strengthening local governance through institutional reforms and capacity-building is crucial to achieving Nepal's development goals.

Moreover, the literature underscores the need for intergovernmental cooperation. As DRCN (2022) notes, the relationship between provincial and local levels remains strained, often driven by competition for resources rather than collaboration. To ensure a smooth LDC transition,

improving policy coordination and fostering collaboration across different levels of government are essential. In this context, the effective implementation of fiscal federalism and equitable resource distribution becomes vital.

Towards a Graduation Framework for Local Government Units

The literature suggests several pathways to developing a graduation framework for LGUs that aligns with Nepal's LDC transition. First, strengthening the institutional capacity of local governments is critical. This includes addressing the legal and bureaucratic challenges that hinder effective governance at the local level. Secondly, fostering intergovernmental cooperation is essential for ensuring that development efforts are coordinated and resources are distributed equitably. Finally, promoting local economic development through targeted policies that enhance human assets, infrastructure, and resilience to environmental vulnerabilities is key to sustainable graduation.

The gaps identified in the literature, such as the lack of coordination between governance levels and insufficient capacity at the local level, form the basis for further research. The next phase of this study will focus on identifying best practices for local governance in other countries that have successfully transitioned from LDC status and exploring how these can be adapted to the Nepali context. Additionally, this research will investigate how LGUs can leverage their newfound autonomy under federalism to drive development and ensure a smooth and sustainable transition from LDC status.

International Best Practices

Drawing on successful practices from other federal systems, Nepal can strengthen its local governance framework as it transitions from Least Developed Country (LDC) status. One of the most notable examples is India's Panchayati Raj system, introduced through the 73rd Constitutional Amendment Act of 1992, which established decentralized governance by empowering local bodies like Panchayats at the village, intermediate, and district levels. This amendment guarantees fiscal devolution through assigned taxes and grants, providing local governments with resources as well as autonomy to address local priorities. The model also emphasizes regular elections, local planning, and public participation, all of which could inform Nepal's efforts to strengthen financial and administrative decentralization in its federal context.

Similarly, South Africa's Integrated Development Plans (IDPs) are a strategic tool that enable local governments to align their development priorities with national policies, ensuring coherence in planning and resource allocation. According to the South African Local Government Association (SALGA), these IDPs have helped harmonize local and national objectives, especially in areas like infrastructure development, service delivery, and poverty alleviation. The framework provides a valuable model for Nepal, which can adopt such

integrated planning to better align the activities of Local Government Units (LGUs) with broader national strategies, such as those required for sustainable development and meeting the goals set for LDC graduation.

Brazil's participatory budgeting model offers another best practice that could be adapted to Nepal's context. According to Wampler (2012), participatory budgeting in Brazil allows citizens to directly participate in municipal budget planning, which increases transparency, reduces corruption, and strengthens the accountability of local authorities. This model can empower communities in Nepal to be more involved in decision-making processes, ensuring that local budgets reflect community needs and promote equitable development. Implementing participatory mechanisms in Nepal would also encourage citizen engagement, fostering a deeper sense of ownership over local governance outcomes.

In addition to these examples, the World Bank (2020) emphasizes the importance of effective service delivery at the local level, a challenge that many federal countries, including South Africa, face. In South Africa, decentralization has been paired with efforts to build the capacity of subnational governments, particularly in delivering services like healthcare, education, and infrastructure. These lessons can help Nepal design systems that support LGUs in delivering key public services efficiently while ensuring fiscal autonomy, transparency, and accountability in resource use.

Lastly, the UN-Habitat (2015) report underscores the significance of local governance in enhancing democracy and development. It highlights the role of local governments in promoting participatory democracy, accountability, and transparency in decision-making processes. The report emphasizes that best practices from global contexts, such as clear legislative frameworks and effective fiscal decentralization, are essential for local governments to succeed. For Nepal, strengthening the legal and institutional frameworks that govern its LGUs would not only facilitate better service delivery but also ensure that local governments play a more central role in achieving the country's LDC graduation goals.

By incorporating elements from these global best practices, Nepal can create a more robust and accountable local governance system, capable of driving sustainable development and supporting the country's transition from LDC status.

CHAPTER III: RESEARCH METHODOLOGY

Research Design

This study employs a qualitative research design to explore the role of Local Government Units (LGUs) in Nepal's transition from Least Developed Country (LDC) status, focusing on institutional preparedness, policy alignment, and capacity assessment. The approach integrates

document analysis, field assessments, and stakeholder consultations to ensure a comprehensive understanding of the complexities surrounding LDC graduation.

Data Collection Tools and Methods

Primary Data Collection

1. **Key Informant Interviews (KIIs):** Semi-structured interviews with policymakers, government officials, and development practitioners were conducted to capture their perspectives on policy implementation, decentralization, and LGU capacities.
2. **Focused Group Discussions (FGDs):** FGDs were held with stakeholders from selected LGUs, including elected officials, administrative staff, and community representatives, to gather diverse insights on local challenges and policy needs.

Secondary Data Collection

1. **Document Review:** Comprehensive desk reviews of policy documents, government reports, strategic plans, legislative acts, and academic literature were performed to identify themes and patterns related to LDC graduation and LGU roles.
2. **Case Studies:** Best practices and lessons learned from countries that recently graduated from LDC status were analyzed to draw comparative insights relevant to Nepal's context.

Data Sources

1. **Primary Sources:**
   o LGU offices (Itahari, Dharan, Dhankuta, Duhabi, Sangurigadhi, Budhiganga)
   o Key informants including policymakers, local officials, and experts
2. **Secondary Sources:**
   o National and local policy documents
   o Reports from the National Planning Commission (NPC)
   o Academic articles and development partner publications

Sampling Strategy

Site Selection: 6 LGUs were selected to represent a range of governance structures, geographic diversity, and development challenges:

1. Itahari Sub-Metropolitan City

2. Dharan Sub-Metropolitan City
3. Dhankuta Municipality
4. Duhabi Municipality
5. Sangurigadhi Rural Municipality
6. Budhiganga Rural Municipality

Participant Selection:
1. **Convenience Sampling**: The study visit sites were selected due to their convenient locations and ease of access from the Koshi highway. This easy access enabled data collection from several LGUs situated along the highway, within a limited duration of less than a week for the field visit.
2. **Purposive Sampling:** Key informants and FGD participants were selected based on their expertise and roles in local governance, policy implementation, and development planning.

Data Analysis

1. **Qualitative Content Analysis:**
   o Thematic analysis of interview transcripts, FGD notes, and policy documents were performed to identify recurring themes and gaps in LGU preparedness for LDC graduation.
2. **Indicator Development:**
   o Indicators for the LGU Graduation Index were developed through literature review and stakeholder consultations, focusing on governance, public service delivery, fiscal management, economic development, education, and health.

Ethical Considerations

1. **Informed Consent:** Participants were briefed on the study objectives and their consent was obtained before data collection.
2. **Confidentiality:** Data were anonymized to protect participants' identities.
3. **Voluntary Participation:** Participants were informed of their right to withdraw from the study at any time without penalty.

Framework for Analysis

1. **Institutional and Policy Assessment:**
   o Evaluate the degree of alignment between national policies (e.g., STS) and local governance structures.

2. **Capacity Assessment:**
    o   Assess institutional, regulatory, and resource capacities of LGUs to identify gaps and challenges.
3. **Best Practices and Recommendations:**
    o   Synthesize findings from comparative analysis and stakeholder inputs to propose actionable recommendations for enhancing LGU readiness for LDC graduation.

Limitations

1. **Scope of Fieldwork:** Field visits were limited to 6 LGUs, which may not capture the full diversity of challenges across all municipalities and rural municipalities in Nepal.
2. **Quality of Secondary Data:** Quality and availability of secondary data varied, potentially influencing the comprehensiveness of document analysis.
3. **Time Constraints:** To an extent, the study's limited timeline restricted the depth of engagement with local bodies.

CHAPTER IV: FINDINGS AND ANALYSIS

Meaningfully achieving and effectively implementing Least Developed Country (LDC) graduation requires more than simply meeting predetermined international benchmarks. While Nepal's journey towards graduation from the category of LDCs by 2026 is a significant milestone in its development trajectory, it also necessitates a nuanced approach that considers our unique socio-political landscape, particularly its recent transition to a federal system. No other country graduating in 2026, or that has recently graduated from LDC status, has adopted a federal governance structure. According to the UN's LDC portal, the countries that have recently graduated from LDC status are Bhutan, Equatorial Guinea, Samoa, Botswana, Maldives,

Vanuatu, and Cabo Verde. The countries set to graduate between 2024-2027 include São Tomé and Príncipe, Bangladesh, Lao PDR, Solomon Islands and Nepal. As none of these other nations operate under a federal system, Nepal, lies at a unique cusp of two significant transitions - LDC graduation and the successful implementation of federalism. This dual transition underscores the necessity of tailoring LDC graduation criteria to reflect the country's governance landscape. Tailoring the criteria to Nepal's local governance structures reinforces the role that local governments play in local governance and development, as devolved by the federal system established in 2017.

The success of federalism in Nepal, albeit difficult to come to conclusions currently, will hinge strongly on the effectiveness of local governments, as they are now largely responsible in overseeing and carrying out crucial functions such as education, healthcare, infrastructure development, and local economic planning. Therefore, any criteria for graduation and implementation must reflect the performance and capacities of these local bodies. Effective local governance ensures that development initiatives are contextually relevant, and also that resources are utilized efficiently. The efficacy of these services directly impacts the quality of life of citizens and the overall Human Development Index (HDI). It is important to assess the coverage and quality of services provided by local governments, as this highlights disparities and can help targeted interventions. Effectively collecting data to measure the distribution of services will also help ensure that vulnerable and marginalized communities are not left behind. The indicators and factors imperative to be taken into account are explained below.

Income and Economic Development
The Gross National Income (GNI) per capita is a fundamental indicator in the LDC graduation process. The national GNI value (USD 1027) ran lower than the threshold for graduation (USD 1222) during the triennial review in 2021. This makes Nepal the only country graduating from LDC status without meeting the income threshold. The regional (South Asia) average GNI per capita stands at approximately USD 2300, highlighting the amount of progress for Nepal yet to be made in terms of economic growth. It is also important to note that Nepal's diverse socio-political and economic landscape means national averages are masking regional disparities. While urban and highly populated areas exhibit significant economic growth, remote and rural areas still grapple with poverty.

Economic development at the local level is a critical component of national development. Periodically collecting data on and looking at indicators that measure local (eg. urban vs. rural) employment rates and household incomes is key to provide insight into the economic vitality of diverse regions. Another important indicator to evaluate is the Ease of Doing Business, and the number of new business registrations at the local level, which illustrates the entrepreneurial climate and effectiveness of local policies in promoting economic growth.

Human Assets (Health and Education)

The Human Assets Index (HAI) includes indicators related to health and education, both of which are now largely managed by local governments. Evaluating local governance structures' performance in these sectors can provide a clearer picture of human development across Nepal. Measuring improvements in healthcare access and educational quality at the local level can showcase the effectiveness of decentralization, and identify regions where local governance is particularly struggling.

Economic and Environmental Vulnerability

Nepal's vulnerability to economic shocks and environmental disasters also varies significantly across its landscape. For example, while the Terai region is more prone to floods, the hilly and mountainous regions are more vulnerable to landslides and earthquakes. Customized criteria that reflect these regional vulnerabilities will guide more effective risk management and mitigation strategies.

Infrastructure

Infrastructure is also a crucial component because it enables economic activities and improves living standards. Assessing the quality and reach of roads, electricity, water supply, and internet connectivity will help ensure equitable access to growth and development opportunities. Incorporating indicators related to sustainable infrastructure development including renewable energy usage and environmental conservation will also support long-term resilience and sustainability.

Social Inclusion

Social inclusion is a cornerstone of Nepal's federal system, aiming to empower marginalized communities and ensure their participation in governance. The Dalit community still faces extreme socio-economic challenges, with poverty rates nearly double the national average. Approximately 40% of Nepal's population is under 18 years old, underscoring the importance of youth inclusion in development policies. Thus, indicators such as gender parity, ethnic and minority inclusion, and the engagement of youth and people with disabilities can provide insights into the effectiveness of local governance in promoting inclusive development.

Planning, Monitoring and Evaluation

Effective monitoring and evaluation mechanisms are essential to track progress and need to be integrated into local governance structures, in order to ensure timely and accurate data collection and reporting. Investing in data collection and using local-level indicators will improve accuracy and timeliness, and regular monitoring and evaluation mechanisms will help foster a stronger culture of accountability.

Strengthening Federal Structures and Governance

The transition to federalism is still a work in progress, with local governments facing numerous challenges such as limited administrative capacity, inadequate financial resources, stagnant legal frameworks, and an inefficient bureaucracy. Hence, incorporating indicators that measure the capacity of local governments can push for efforts to develop more robust, enhanced and efficient federal structures. Indicators must include the quality of local governance, the efficiency of public service delivery, and the inclusiveness of decision-making processes. Looking at indicators related to financial management and budgeting practices will also ensure transparency and accountability in the use of public funds. It is instrumental to assess the level of community involvement in local governance processes, as this is a significant marker of democratic participation and the contextualization of development initiatives.

Local governments are the closest form of government to the public and thus are well-positioned to promote efficient resource allocation, accountability and transparency, and thus allowing for greater public oversight and participation. This will consequently help strengthen local governance capacities, support economic growth by promoting local industries and employment generation, and ensure social inclusion by reaching marginalized groups. Additionally, LGUs can also enhance community resilience through effective disaster management and environmental protection. Improved coordination between national and local governments will lead to more coherent development initiatives, and mobilizing local resources can maximize outcomes. Overall, involvement of local governments by focusing on local contexts, enhancing capacities of local governments, promoting social inclusion, and ensuring effective monitoring and evaluation, if combined, have the potential to ensure contextually relevant, inclusive, and sustainable development within Nepal's unique governance landscape.

Based on the literature review and the indicators explained above, a preliminary set of criteria was developed by this study. Scores on a scale of 1-5 are assigned according to the current performance and capacities of select Local Government Units across 9 different categories (criteria), which is given in the following table, with explanations provided below.

Local Government Unit Capacity Assessment

Category	Itahari	Dhankuta	Sangurigadhi	Dharan	Duhabi	Budhiganga
Governance, Institutional Capacity, and Autonomy	Developing	Developing	Developing	Developing	Meeting Expectations	Meeting Expectations
Economic Development	Developing	Meeting Expectations	Developing	Developing	Developing	Developing

Education and Skill Development	Meeting Expectations	Meeting Expectations	Developing	Meeting Expectations	Meeting Expectations	Meeting Expectations
Infrastructure and Connectivity	Exceeding Expectations	Exceeding Expectations	Meeting Expectations	Exceeding Expectations	Meeting Expectations	Exceeding Expectations
Health and Well-Being	Meeting Expectations	Developing	Meeting Expectations	Exceeding Expectations	Meeting Expectations	Meeting Expectations
Social Inclusion	N/A	Meeting Expectations	Meeting Expectations	Meeting Expectations	Meeting Expectations	Meeting Expectations
External Assistance and Partnerships	Exceeding Expectations	Exceeding Expectations	Developing	Developing	Meeting Expectations	Meeting Expectations
Environmental Sustainability	Developing	Developing	Developing	Developing	Developing	Developing
Evaluation and Vision/Future Plans	Exceeding Expectations	N/A	Meeting Expectations	Developing	Developing	Meeting Expectations

Table 1: Status of LGUs across criteria

Itahari

Governance, Institutional Capacity, and Autonomy: Developing

Itahari shows initiative with transparency mechanisms (live budget broadcasts, grievance handling) but faces significant challenges in policy formulation and limited financial autonomy. The capacity shortfall at the local level and reliance on higher government levels hinders governance effectiveness.

Economic Development: Developing

While the economy is driven by trade, challenges like unregulated informal sectors, out-migration of skilled workers, and infrastructure gaps limit growth. Initiatives like the Rojgaar Sewa Kendra and SAMIN Safe Migration Project show promise, but economic development is still stifled by insufficient formalization and financing.

Education and Skill Development: Meeting Expectations

With a literacy rate of 90%, Itahari shows significant educational development. However, public schools face underperformance, teacher capacity issues, and infrastructure problems. There is a growing preference for private education, and while scholarships are allocated for marginalized groups, significant reforms in teacher training and infrastructure are required.

Infrastructure and Connectivity: Exceeding Expectations

The municipality has achieved 100% motorable roads, and transport services like Nagar Bus and free ambulance services indicate strong infrastructure development. However, road maintenance

remains a critical issue due to resource constraints, and sustaining long-term infrastructure projects poses a challenge.

Health and Well-Being: Meeting Expectations
Health services in Itahari include hospitals and health posts with consultant doctors. However, key challenges include rising non-communicable diseases and financial constraints that limit health service provision. Initiatives are in place, but budgetary limitations and reduced federal support are major obstacles.

External Assistance and Partnerships: Exceeding Expectations
The municipality has successfully secured significant external assistance, including funding from the ADB, World Bank, and Town Development Fund for major infrastructure projects. International partnerships are a key strength for the municipality, especially in infrastructure development.

Environmental Sustainability: Developing
While there are positive initiatives, such as the Waste to Energy project and the Pradushan Roktham Nirdeshika for pollution control, industrial pollution and inadequate waste management persist as major challenges. Efforts to promote sustainability are limited by resource shortages and regulatory overlaps.

Evaluation and Vision/Future Plans: Exceeding Expectations
Itahari's Monitoring and Evaluation Committee, guided by a Five-Year Plan, shows commitment to long-term development. The municipality collects data for decision-making and progress tracking, with clear goals around infrastructure, service improvement, and sustainability, indicating a strategic vision for future development.

Dhankuta

Governance, Institutional Capacity, and Autonomy: Developing
Dhankuta has a structured governance framework and transparency mechanisms (public hearings, disclosures). However, financial autonomy is restricted due to reliance on delayed provincial and central funds. While there are notable achievements like promoting local heritage and tourism, challenges include budget constraints and a declining population.

Economic Development: Meeting Expectations
Agriculture, especially avocado cultivation, plays a key role in Dhankuta's economy, with efforts to promote tourism and support for ultra-poor households. However, issues like high migration

rates, lack of irrigation, and coordination challenges hinder economic growth. Industrial activities remain small-scale, and informal employment is widespread.

Education and Skill Development: Meeting Expectations

Dhankuta has a literacy rate of 84.46% and offers both academic and vocational training. Despite the implementation of a skill development program, challenges such as underutilized teachers, limited resources, and declining student numbers due to out-migration threaten the sustainability of public education. Scholarships for marginalized groups and vocational training programs offer inclusivity but need expansion.

Infrastructure and Connectivity: Exceeding Expectations

Dhankuta boasts nearly full road coverage, 99% electricity, and 95% drinking water access, alongside good telecom and internet connectivity. Ongoing projects like the Hile-Bhirgaun Road show infrastructure development. However, issues like water filtration, budget limitations for road expansion, and insufficient central government support remain concerns.

Health and Well-Being: Developing

Health services in Dhankuta include immunization centers and specialized health campaigns, but the absence of a dedicated municipal hospital limits healthcare access. Topographical challenges and uneven access to health clinics across wards further complicate health service delivery. There is a growing need for 24-hour operational health clinics and improved healthcare infrastructure.

Social Inclusion: Meeting Expectations

Dhankuta adopts a participatory approach in promoting social inclusion, focusing on women's empowerment and marginalized groups. Training programs for women and community engagement are positive steps, but social issues persist, requiring more effective strategies to fully address inequalities and ensure equitable benefits across all community members.

External Assistance and Partnerships: Exceeding Expectations

Dhankuta has received significant international assistance for irrigation, social inclusion, and entrepreneurship, with partnerships in the avocado industry and plans for a sister city relationship to enhance exports. However, the lack of a dedicated office to manage international partnerships may limit further collaboration, indicating a need for better coordination.

Environmental Sustainability: Developing

Environmental challenges include ineffective waste management and water scarcity. Afforestation efforts and collaborations with ICIMOD promote sustainable land use, but infrastructure is often prioritized over environmental sustainability. Climate change impacts are inadequately addressed, and there is a lack of technical expertise to implement comprehensive environmental strategies.

Sangurigadhi

Governance, Institutional Capacity, and Autonomy: Developing
Sangurigadhi has a structured governance framework but faces significant challenges with limited legislative power, autonomy, and resource allocation. While the local government has formulated legislations, implementation is hampered by limited legal expertise and reliance on government grants.

Economic Development: Developing
The economy is based on agriculture and tourism, with initiatives in sugarcane, turmeric, and tourism festivals. However, low productivity, lack of direct market linkages, and legal restrictions on the locally abundant marijuana cultivation limit growth. Infrastructure, financing, and skills gaps also remain significant barriers.

Education and Skill Development: Developing
The municipality has 53 schools but struggles with low enrollment, teacher professionalism, and political interference. Despite offering scholarships and vocational programs, challenges persist in providing equitable access to quality education for marginalized communities.

Infrastructure and Connectivity: Meeting Expectations
Infrastructure has improved with motorable roads, electricity, and internet coverage across all wards. However, drinking water access remains uneven, and there is a need for better technical capacity to address infrastructure maintenance and road upgrading.

Health and Well-Being: Meeting Expectations
Sangurigadhi has two primary health centers with MBBS doctors, but the lack of a municipal hospital limits healthcare service delivery. Initiatives like telemedicine and low-cost ambulance services help address healthcare needs, but serious health issues like cancer and diabetes remain prevalent.

Social Inclusion: Meeting Expectations
Marginalized communities, particularly women, are well-represented in governance through quotas and inclusive planning processes. However, limited resources constrain the municipality's ability to fully meet the needs of these groups and ensure complete social equity.

External Assistance and Partnerships: Developing
The municipality has received minimal international assistance, relying mostly on a single project from PERDEP Nepal. There is a lack of dedicated infrastructure for managing partnerships, and external support is needed to enhance tourism and agriculture.

Environmental Sustainability: Developing

Sangurigadhi faces environmental risks, particularly from landslides and flooding. While the municipality has enacted environmental conservation policies and initiated afforestation, it struggles with limited capacity and resources to fully address climate change and environmental degradation.

Evaluation and Vision/Future Plans: Meeting Expectations

The municipality has a well-established Monitoring and Evaluation (M&E) Committee that ensures alignment with LDC graduation goals. The committee reviews development initiatives and financial transactions with technical experts, emphasizing problem-solving and accountability. Public hearings promote transparency. However, achieving the ambitious goals of its five-year Periodic Plan, which requires 18 billion NPR, will demand more support in terms of technical expertise, capacity building, and financial investment.

Dharan

Governance, Institutional Capacity, and Autonomy: Developing

While Dharan has a well-structured organization and has implemented innovative practices like the Ghar Naksa Pass Pranali and EBPS System, it struggles with true autonomy due to federal conflicts and the absence of a Civil Service Act. Policy implementation in sectors like education remains restricted. Although transparency mechanisms exist, intergovernmental conflicts and budget issues pose challenges.

Economic Development: Developing

Dharan's economy relies heavily on remittances, with limited industrial activity and minimal economic diversification. Initiatives like MEDPA and skill development programs exist, but the lack of industries and job creation remains a challenge. Inadequate infrastructure, limited access to finance, and workforce skills gaps constrain further economic development.

Education and Skill Development: Meeting Expectations

Dharan has a high literacy rate (84.7%) and is home to B.P. Koirala Institute of Health Sciences, along with multiple schools and colleges. However, there are gaps in infrastructure for skill-based activities, human resource management, and financial constraints in government schools. Vocational schools have been established, but outcomes have been unpredictable, indicating a need for better alignment between education and employment.

Infrastructure and Connectivity: Exceeding Expectations

Dharan has strong infrastructure with nearly universal coverage of drinking water (95%) and electricity (90%), and a robust road network. Internet connectivity is also widespread. However, budget constraints and project delays due to legal disputes and consensus-building issues hinder further progress.

Health and Well-Being: Exceeding Expectations

Dharan's health services are supported by B.P. Koirala Institute of Health Sciences and 19 independent government health institutions. However, the absence of a local hospital and a shortage of health officers hinder healthcare service delivery. Efforts to address major health issues like dengue and tuberculosis are underway, but resource constraints limit effectiveness.

Social Inclusion: Meeting Expectations

Dharan has established organizations to support vulnerable groups, such as Jestha Nagarik Samiti for senior citizens and Nagar Baal Sanjaal for children. Women's empowerment programs are prioritized, but limited resources and institutional inefficiencies hinder the full implementation of the Gender Equality and Social Inclusion (GESI) policy.

External Assistance and Partnerships: Developing

Dharan has received assistance from international organizations like the ADB for a drinking water project and other health-related donations. While this support has improved governance and health services, there is potential for additional international assistance, especially in the tourism sector. Strengthening partnerships with NGOs and the private sector could enhance local development.

Environmental Sustainability: Developing

Dharan faces significant environmental challenges, including poor waste management and high vulnerability to natural disasters like floods and landslides. Local policies for environmental sustainability are insufficient, and the city relies heavily on federal and provincial governments for support. Efforts to mitigate climate change impacts are limited by resource constraints and low prioritization.

Evaluation and Vision/Future Plans: Developing

Dharan lacks a Periodic Plan focused on aligning with LDC graduation criteria. The absence of structured planning, indicators, and data collection mechanisms hinders the city's ability to systematically assess its progress toward national and international goals related to LDC graduation. Developing a detailed Periodic Plan with evaluation mechanisms is crucial for its long-term vision and development.

Duhabi

Governance, Institutional Capacity, and Autonomy: Meeting Expectations

Duhabi's governance relies on provincial laws, with decision-making carried out by the Nagar Sabha and Karyapalika. While revenue has improved through better taxation practices, local governance struggles with limited capacity and unclear taxation laws, impacting its autonomy.

Coordination with provincial guidelines is essential for infrastructure projects, though local capacity building remains a challenge.

Economic Development: Developing

Duhabi's economy focuses on food production, processing, and marketing, but it faces challenges like a shortage of skilled labor and inadequate infrastructure. Access to finance is limited, and while some initiatives aim to promote economic growth, details about their effectiveness are sparse. Addressing the informal sector and enhancing economic strategies are necessary for LDC graduation alignment.

Education and Skill Development: Meeting Expectations

With a literacy rate of 73.2%, Duhabi hosts multiple public and private schools but lacks dedicated training centers for skill development. There are disparities in educational quality between public and private schools, with low parental engagement complicating improvement efforts. Initiatives like teacher training and skill development programs show promise, but gaps in public school performance persist.

Infrastructure and Connectivity: Meeting Expectations

Duhabi has made significant strides in infrastructure, including paved roads, electricity coverage, and developing a comprehensive drinking water plan. Current projects include an Agroprocessing Center, a Sewage Treatment Plant, and a City Hospital. However, challenges related to budget constraints and political instability affect project execution.

Health and Well-Being: Meeting Expectations

Duhabi has a network of health facilities and is addressing key health challenges like child malnutrition and rising non-communicable diseases. Programs like nutrition clinics and an insurance scheme for vulnerable groups have been introduced, but shortages in healthcare personnel and reduced grants for medicinal supplies hinder effective service provision.

Social Inclusion: Meeting Expectations

The municipality promotes social inclusion with gender-friendly budgets and scholarships for marginalized groups, including Tharu women. Cultural barriers restrict the participation of some groups, and initiatives like scholarships for Tharu women and awareness programs would help bridge these gaps. Challenges in mobilizing marginalized populations and gender inequality remain areas for improvement.

External Assistance and Partnerships: Meeting Expectations

Duhabi has received international assistance from organizations like the Asian Development Bank (ADB), Swisscontact, and UNDP, focusing on road infrastructure, skill development, and

waste management. However, the municipality faces challenges in effectively segregating waste due to insufficient machinery and equipment, signaling a need for further external support.

Environmental Sustainability: Developing

Duhabi struggles with industrial pollution, inadequate waste management, and seasonal drinking water shortages. The municipality is working on policies like Initial Environmental Examination (IEE) and a Local Adaptation Plan of Action (LAPA), but budget constraints and limited prioritization of environmental issues hinder progress. Coordination across government levels is critical for addressing these challenges.

Evaluation and Vision/Future Plans: Developing

Duhabi uses a monitoring and evaluation system for projects valued at 5 lakhs and above, but the lack of a robust indicator framework and poor recordkeeping practices limit effective development tracking. Training elected representatives and digitizing recordkeeping are recognized needs, with future plans focusing on improving governance and building capacity among local officials.

Budhiganga

Governance, Institutional Capacity, and Autonomy: Meeting Expectations

Budhiganga's governance faces challenges due to overlapping jurisdictions and dependence on centralized financial allocations. While it promotes transparency through public hearings and budget processes, resource shortages and administrative delays in project implementation affect local autonomy and effective governance.

Economic Development: Developing

The economy is largely driven by subsistence agriculture and key industries like steel and jute mills. However, technological deficiencies and infrastructure issues hamper growth. The local skill development initiatives are not sufficient to address broader economic challenges, and more robust interventions are needed to promote sustainable growth.

Education and Skill Development: Meeting Expectations

With a literacy rate of 75.9%, Budhiganga supports a mix of public schools, madrasas, private institutions, and vocational programs. However, declining student numbers, teacher shortages, and inadequate educational resources remain persistent challenges. Initiatives to improve teacher training and parental engagement exist but need scaling to fully address educational gaps.

Infrastructure and Connectivity Score: Exceeding Expectations

Budhiganga has made substantial progress in infrastructure, including comprehensive road coverage, improving electricity access, and extending internet connectivity. Challenges remain in

ensuring universal access to drinking water and maintaining infrastructure, but overall, the municipality prioritizes strategic planning and development in these areas.

Health and Well-Being Score: Meeting Expectations
The municipality offers various healthcare facilities, but gaps in 24-hour services and pharmacy availability limit comprehensive care. Seasonal diseases and non-communicable diseases pose significant health risks, and technical resource shortages affect healthcare delivery. Awareness programs and insurance campaigns show some efforts, but health infrastructure and access need improvement.

Social Inclusion Score: Meeting Expectations
Budhiganga aims to promote social inclusion by organizing campaigns, initiatives and programs aimed at empowering marginalized communities. However, weak implementation frameworks and public awareness gaps hinder these programs' effectiveness. While there are some efforts to promote women's empowerment and vulnerable groups, stronger policies and enforcement are required.

External Assistance and Partnerships Score: Meeting Expectations
International partnerships, particularly in vocational education, have been key in boosting local development. Ongoing collaborations with organizations like the Swiss Government focus on employment and education quality, but further external support is needed to enhance healthcare and economic sectors. The municipality's partnerships show promise, but scaling is required.

Environmental Sustainability: Developing
Budhiganga faces environmental challenges, particularly industrial pollution and waste management. While afforestation efforts and a 3R (Reduce, Reuse, Recycle) system are being implemented, poor waste segregation practices and public awareness hinder progress. Environmental resilience requires better engagement and education on sustainability.

Evaluation and Vision/Future Plans: Meeting Expectations
Budhiganga's Monitoring and Evaluation (M&E) framework focuses on key development areas, including health, education, infrastructure, and agriculture modernization. Ambitious plans are in place for the next decade, but financial and technical support is essential for their success. The municipality demonstrates forward planning but requires stronger capacity-building measures.

LGU Graduation Framework

To effectively evaluate the capacity of Local Government Units (LGUs) in Nepal and align their development strategies with the national goal of graduating from Least Developed Country (LDC) status, this study employs a set of carefully chosen indicators. These indicators were derived based on the following considerations:

1. **Alignment with LDC Graduation Criteria**:
   o The chosen indicators reflect the three core criteria for LDC graduation: Gross National Income (GNI) per capita, Human Assets Index (HAI), and the Economic and Environmental Vulnerability Index (EVI).

o   For instance, indicators such as income levels, healthcare access, and disaster preparedness directly contribute to improving HAI and reducing EVI scores.

2. **Relevance to Nepal's Federal Context**:
    o   Nepal's transition to federalism has created unique challenges and opportunities. The selected indicators account for the autonomy and responsibilities of LGUs, focusing on governance, infrastructure, and social inclusion.
    o   Indicators like local governance capacity and citizen participation are critical to ensuring effective decentralized governance in Nepal.

3. **Global Best Practices**:
    o   Drawing on successful examples from countries such as Brazil, South Africa, and India, the framework incorporates indicators that have demonstrated effectiveness in promoting sustainable and inclusive local development.

4. **Stakeholder Inputs**:
    o   The selection of indicators was informed by consultations with policymakers and LGU officials, ensuring that they are contextually appropriate and actionable.

The proposed LGU Graduation Framework is underpinned by background research and stakeholder engagement, ensuring its relevance and applicability. By grounding the framework in these principles, the indicators serve not only as evaluation tools, but also as a means to guide LGUs toward targeted interventions that support sustainable and equitable development. Key elements of this process include:

1. **Comprehensive Literature Review**:
    o   The framework builds on a detailed analysis of global best practices and lessons learned from countries that have recently transitioned from LDC status.
    o   Studies on decentralized governance and federal systems have informed the selection of indicators and criteria.

2. **Stakeholder Consultations**:
    o   Insights from public officials, central government representatives, and LGU stakeholders have been integrated to ensure the framework addresses practical challenges and opportunities.

3. **Empirical Validation**:

- Data collected from field visits and key informant interviews with LGUs has been used to validate the indicators and their applicability to Nepal's governance landscape.

The LGU Graduation Framework outlined below (in Table 2) can serve as a strategic, operational tool to assess and enhance the performance of LGUs across key developmental areas. Unlike the capacity assessment summarized in Table 1, which provides a snapshot of current LGU performance, Table 2 is designed to:

1. **Bridge Current Gaps**:
   - While Table 1 identifies existing capacities and challenges, Table 2 offers a roadmap for addressing these gaps through structured, measurable interventions.

2. **Guide Strategic Planning**:
   - Table 2 extends beyond assessment to include criteria for monitoring progress and setting benchmarks for LGU development, making it an actionable framework for policy alignment.

3. **Ensure Operational Relevance**:
   - The indicators in Table 2 are more granular and actionable, focusing on aspects such as service quality, inclusivity, and environmental sustainability that directly influence local development outcomes.

This dual-framework approach ensures that LGUs are not only evaluated based on their current status, but are also provided with clear pathways for improvement and alignment with national objectives.

Category	Indicator	Measurement	Threshold/ Contribution to Graduation
Income Criterion	Gross National Income (GNI)	GNI per capita measured in USD (3-year average)	Above $1,222 (2021 threshold)
Human Assets	Human Assets Index (HAI)	Composite index including:	Above 66 (2021 threshold)

	Mortality	Under-five mortality rate	
	Mortality	Maternal mortality rate	
	Gross Enrollment	Gross secondary school enrollment ratio	
	Literacy	Adult literacy rate	
	Parity	Gender parity	
Economic and Environmental Vulnerability	Economic and Environmental Vulnerability Index (EVI)	Composite index including:	Below 32 (2021 threshold)
	Agriculture	Share of agriculture in GDP	
	Export	Export concentration	
	Population	Population in low elevated coastal zones	
	Population	Population size	
	Access to facilities	Remoteness	
	Disasters	Natural disaster victims	
	Agriculture	Agricultural instability	
Local Governance, LGU Performance, Capacity Enhancement and Development	Public Service Delivery	Quality and accessibility of services provided by local levels	Higher score contributes positively
	Participation and Inclusiveness	Citizen participation in decision-making processes, inclusiveness of marginalized groups	Higher score contributes positively
	Accountability and Transparency	Accountability and transparency in financial management and reporting	Higher score contributes positively
	Local	Capacity of local governments	Higher score

	Government Capacity	to plan, implement, and monitor policies and programs	contributes positively
	Service Coverage	Percentage of population with access to healthcare, education, water, sanitation	Higher coverage contributes positively
	Service Quality	Citizen satisfaction with service quality	Higher satisfaction contributes positively
	Service Efficiency	Time taken to deliver services	Lower time contributes positively
	Equity in Service Delivery	Distribution of services across demographic groups	Higher equity contributes positively
	Financial Management and Budgeting	Transparency and efficiency in local budgeting and spending	Higher transparency and efficiency contribute positively
	Local Economic Development	Initiatives supporting local economic growth and employment	Higher initiatives and impact contribute positively
	Capacity Building	Training and development programs for local government officials	Higher participation contributes positively
	Community Engagement	Community involvement in local governance and development projects	Higher engagement contributes positively
	Infrastructure Development	Quality and coverage of infrastructure such as roads, electricity, and internet	Higher quality and coverage contribute positively
	Disaster Preparedness	Ability to prepare for and respond to natural disasters	Higher preparedness contributes positively
Economic Development	Employment Rates	Percentage of the working-age population employed	Higher employment rates contribute positively
	Income Levels	Average household income and	Higher income and

		distribution	equitable distribution contribute positively
	Business Environment	Number of new business registrations, ease of doing business	More registrations contribute positively
Infrastructure Development	Coverage of Services	Quality and coverage of essential infrastructure (roads, bridges, water systems, electricity, internet, public transportation).	Better quality and wider coverage contribute positively
	Infrastructure Maintenance	Extent of maintenance and upgrades to local infrastructure	Regular maintenance and upgrades contribute positively
	Infrastructure Accessibility	Population's access to key infrastructure services	Higher access contributes positively
	Disaster-Resilient Infrastructure	Infrastructure's ability to withstand natural disasters such as floods, earthquakes, etc.	More disaster-resilient infrastructure contributes positively
	Smart Infrastructure Initiatives	Use of technology and innovation to enhance infrastructure services (e.g., smart grids, energy efficiency)	Adoption of smart infrastructure contributes positively
Environmental Sustainability	Air and Water Quality	Levels of pollutants and water quality indices	Better quality contributes positively
	Waste Management	Percentage of waste recycled	Higher percentage contributes positively
Development Planning	Strategic Planning	Existence and quality of development plans	Higher quality contributes positively
	Project	Timeliness and effectiveness of	More effective

	Implementation	development project implementation	implementation contributes positively
	Monitoring and Evaluation	Frequency and quality of monitoring activities	More frequent activities contribute positively
	Community Feedback	Mechanisms and responsiveness to feedback	Better responsiveness contributes positively
Social Inclusion	Gender Equality	Gender parity in employment, education, and politics	Higher parity contributes positively
	Disability Inclusion	Access to services for people with disabilities	Higher access contributes positively
	Ethnic and Minority Inclusion	Participation of ethnic and minority groups in governance	Higher participation contributes positively
	Youth Inclusion	Youth engagement in governance and development processes	Higher engagement contributes positively
	Elderly Inclusion	Access to services and participation opportunities for the elderly	Higher access contributes positively
	Poverty Alleviation	Programs aimed at reducing poverty	More programs contribute positively

Table 2: Graduation Framework

The proposed framework acknowledges the diversity among Nepal's LGUs and incorporates specific criteria tailored to their unique contexts. These LGU-specific criteria address variations in resources, capacities, and developmental needs across metropolitan cities, sub-metropolitan cities, municipalities, and rural municipalities.

1. **Integration into National Planning**:

o   The framework is intended to guide policy recommendations for the government, ensuring that LGUs can align their local strategies with national LDC graduation goals.

o   It proposes specific roles for LGUs in areas such as economic development, social inclusion, and disaster resilience, with mechanisms for collaboration with provincial and federal governments.

2. **Proposal for Implementation**:
    o   The framework suggests the adoption of LGU-specific criteria as part of a broader national strategy, enabling customization while maintaining coherence with overarching goals. More work on quantifying indicators and setting thresholds need to be carried out for this framework to be fully and further operationalized.

    o   A phased approach to implementation is recommended, starting with capacity-building initiatives for LGUs that gradually expands to performance-based evaluations.

This alignment between localized efforts and national objectives will help ensure that Nepal's development trajectory is inclusive and sustainable.

Adapting the Graduation Framework to Nepal's Administrative Units

The above Graduation Framework for Local Government Units (LGUs) can and must be adapted to Nepal's diverse administrative structures — metropolitan cities, sub-metropolitan cities, municipalities, and rural municipalities — by customizing indicators and benchmarks to reflect their unique development contexts, resource capacities, and socio-economic needs. Here is how the framework can be applied across the differing contexts:

Administrative Unit	Key Focus Areas	Examples
Metropolitan Cities	**Economic Development**: Diversified job opportunities, entrepreneurship promotion	Kathmandu, Lalitpur
	Human Assets: Focus on higher education, technical training, gender equality, youth & disability inclusion	
	Public Services & Infrastructure: Emphasis on smart infrastructure, mass transportation, disaster resilience	
	Environmental Sustainability: Air quality improvement, waste recycling, green spaces, renewable energy	
	Financial Management: Accountability, transparency,	

	local taxation, innovative revenue generation	
Sub-Metropolitan Cities	**Economic Development**: Focus on tourism, agro-based industries, economic diversification	Dharan, Itahari
	Infrastructure Development: Roads, electricity, and internet access for urban and nearby rural areas	
	Public Services: Improvement in healthcare, education, and public transportation; inclusive community services	
	Disaster Preparedness: Strengthen disaster-resilient infrastructure and preparedness	
	Capacity Building: Training programs for local officials to enhance governance, planning, and implementation	
Municipalities	**Economic Development**: Agriculture-based industries, small businesses, community-driven enterprises	Duhabi, Dhankuta
	Infrastructure Development: Clean water, sanitation, electricity, transportation infrastructure	
	Public Services & Social Inclusion: Inclusive governance, participation of women, minorities, and youth	
	Education & Healthcare: Improve gross enrollment, literacy rates, and healthcare access	
	Environmental Sustainability: Agricultural sustainability, climate change impact mitigation	
Rural Municipalities	**Economic Development**: Focus on agricultural productivity, agri-businesses, diversification away from subsistence farming	Sangurigadhi, Budhiganga
	Public Services: Expand healthcare, education, sanitation; mobile health clinics, community schools	
	Capacity Enhancement: Training for budgeting, planning, project management	
	Infrastructure Development: Roads, electricity, water supply, sustainable energy (e.g., solar power)	
	Disaster Preparedness: Disaster-resilient infrastructure for agriculture and housing	
	Social Inclusion: Focus on gender equality, ethnic minority inclusion, youth engagement, and poverty alleviation	

Metropolitan Cities

Metropolitan cities are urban hubs with higher populations, more advanced infrastructure, and greater economic activity. The application of the framework here focuses on sustainability, service efficiency, and smart infrastructure:

- Economic Indicators: Due to higher GDP and business concentration, the focus should be on local economic development, business environment, and employment rates. Metropolitan cities should prioritize creating job opportunities in diverse sectors and in promoting entrepreneurship.
- Human Assets: Higher literacy rates and secondary school enrollment are expected in metropolitan cities, so the focus should shift to higher education, technical training, and healthcare quality. Metropolitan cities should aim for leadership in gender equality, youth inclusion, and disability inclusion.
- Public Services and Infrastructure: Greater emphasis on service quality, disaster-resilient infrastructure, and smart infrastructure initiatives (e.g., smart grids, digital governance). Public service delivery should include urban planning, mass transportation, and waste management.
- Environmental Sustainability: Air quality and waste management are more critical in metropolitan areas due to urban pollution. Waste recycling, green urban spaces, and renewable energy initiatives are important factors to ensure sustainability.
- Financial Management: Metropolitan cities have larger budgets, requiring stronger accountability, financial transparency, and innovative revenue generation (e.g., local taxation).

Sub-Metropolitan Cities

Sub-metropolitan cities, though smaller than metropolitan cities, serve as regional economic centers. The framework for these cities should emphasize infrastructure development, urban-rural integration, and economic diversification:

- Economic Indicators: Local economic development focuses on expanding sectors like tourism, agro-based industries, and small enterprises. Employment rates should be tracked, with programs to diversify the economy beyond traditional industries.
- Infrastructure Development: Given their role as regional centers, infrastructure development is key. Sub-metropolitan cities should invest in roads, electricity, and internet access for both urban and nearby rural areas.

- Public Services: The focus should be on improving service coverage and quality, especially in healthcare, education, and public transportation. Community engagement should be fostered to ensure services are inclusive and meet the needs of all demographics, especially marginalized groups.
- Disaster Preparedness: Sub-metropolitan cities are often vulnerable to natural disasters such as floods and earthquakes. Strengthening disaster-resilient infrastructure and disaster preparedness through proper planning is critical.
- Capacity Building: These cities require capacity building programs for local government officials to enhance planning, implementation, and monitoring capabilities.

Municipalities

Municipalities are smaller urban areas that are often in the early stages of industrialization or urbanization. The framework for municipalities focuses on basic infrastructure, human assets development, and community-based governance:

- Economic Development: Municipalities should focus on improving income levels through agriculture-based industries, small businesses, and community-driven enterprises. Job creation and entrepreneurship programs tailored to local contexts are essential.
- Infrastructure Development: Basic infrastructure development as well as maintenance must be a priority. Municipalities should improve access to clean water, sanitation, electricity, and transportation. Maintaining and upgrading infrastructure must be a focus to ensure sustainability.
- Public Services and Social Inclusion: Municipalities should work on improving public service delivery through effective local governance and inclusive participation of ethnic minorities, women, and youth. Equity in service delivery and community feedback mechanisms can be incorporated to ensure that all residents benefit from development.
- Education and Healthcare: Improving gross enrollment ratios and adult literacy rates can boost human capital. Healthcare services need to be accessible and of higher quality, particularly for marginalized groups.
- Environmental Sustainability: Municipalities, often in proximity to rural areas, should integrate environmental protection into their development agenda with a focus on agricultural sustainability and in addressing the impacts of climate change on local livelihoods.

Rural Municipalities

Rural municipalities face distinct challenges such as limited infrastructure, high poverty, and a strong reliance on agriculture. The framework for rural municipalities emphasizes agricultural development, poverty alleviation, and community participation:

- Economic Development: Rural municipalities rely heavily on agriculture, so the framework should prioritize improving agricultural productivity, agricultural instability management, and promoting agri-businesses. Employment rates should focus on diversifying away from subsistence farming.
- Public Services: Service coverage in healthcare, education, and sanitation should be expanded. Mobile health clinics, community schools, and cooperative farming can be integrated to improve accessibility.
- Capacity Enhancement: Training local officials in budgeting, planning, and project management is essential. Capacity-building programs should be tailored to the unique challenges of rural governance.
- Infrastructure Development: Roads, electricity, and water supply need significant investment in rural areas. Remote area infrastructure and sustainable energy solutions like solar power can address some of these challenges.
- Disaster Preparedness: Given their higher vulnerability to natural disasters, rural municipalities need disaster-resilient infrastructure, particularly for agriculture and housing.
- Social Inclusion: Enhancing gender equality, ethnic minority inclusion, and youth engagement is critical in rural municipalities to promote inclusive development. Poverty alleviation programs, such as targeted microfinance or skill development for the rural poor, should be actively pursued.

By tailoring the LGU Graduation Framework to the unique characteristics of metropolitan cities, sub-metropolitan cities, municipalities, and rural municipalities, Nepal can create a comprehensive and adaptable approach that guides each type of LGU towards sustainable development progress. This customized framework ensures that the diverse needs, capacities, and challenges of local governments are addressed, enabling Nepal to make its graduation from Least Developed Country (LDC) status more effective and meaningful.

CHAPTER V: CONCLUSION AND RECOMMENDATIONS

Conclusion

The transition of Nepal from a Least Developed Country (LDC) status presents an unprecedented opportunity for Local Government Units (LGUs) to align their development frameworks with the broader national agenda. The comparative assessment of LGUs, such as Itahari, Dhankuta, Sangurigadhi, Dharan, Duhabi, and Budhiganga, highlights common strengths and challenges across sectors such as governance, economic development, infrastructure, education, health, and environmental sustainability. These LGUs serve as a microcosm of Nepal's overall progress, providing insights into the critical areas requiring attention to ensure a successful and sustainable graduation from LDC status.

A primary challenge for all LGUs is the lack of financial autonomy and institutional capacity. Despite governance frameworks and efforts toward transparency, most LGUs—such as Itahari, Dhankuta, and Dharan—struggle with overreliance on federal allocations and limited local revenue generation. Budhiganga and Sangurigadhi face similar issues due to overlapping jurisdictions and reliance on provincial guidelines. Addressing these governance and capacity challenges through clearer delegation of powers and enhanced capacity-building initiatives will be essential for LGUs to take full ownership of their developmental agendas.

Economic development also remains a critical area that needs to be aligned with LDC graduation requirements. The economies of most municipalities, such as Dhankuta, Duhabi, and Sangurigadhi, are heavily reliant on subsistence agriculture, remittances, and small-scale industries. These economies face hurdles such as high migration rates, unregulated informal sectors, and poor market linkages, which undermine long-term growth. While programs like the SAMIN Safe Migration Project in Itahari and avocado cultivation in Dhankuta show potential, scaling these initiatives and integrating them into a comprehensive local economic framework will be critical for fostering sustainable development. The industrial potential of municipalities like Budhiganga and Duhabi remains largely untapped, which suggests a need for targeted interventions in infrastructure and skill development to boost local economies.

Education and skill development have shown varying degrees of success across LGUs, with literacy rates above 70% in all cases. However, disparities between public and private education and gaps in vocational training remain pervasive. Municipalities like Dharan, Itahari, and Dhankuta have made progress in establishing vocational training centers, but issues such as teacher shortages, underutilized programs, and declining enrollment due to out-migration remain significant hurdles. Reforms in public education, along with a focus on equipping youth with marketable skills, will be pivotal in addressing these challenges and supporting national graduation goals.

Infrastructure development is an area where most municipalities, such as Itahari, Dharan, and Duhabi, have made substantial strides, with good road coverage and electricity access. However, issues such as road maintenance, budget constraints for expansion, and uneven access to drinking water continue to hamper long-term sustainability. Budgetary limitations and poor coordination between local and federal levels hinder the successful execution of infrastructure projects, as seen in Dhankuta and Sangurigadhi. External assistance and international partnerships have played a key role in supporting infrastructure projects, but municipalities will need to strengthen their capacity to manage these partnerships more effectively, especially as Nepal moves towards LDC graduation.

Health services across the municipalities remain underdeveloped, with many LGUs lacking municipal hospitals and 24-hour healthcare facilities. Health infrastructure gaps, rising non-communicable diseases, and seasonal health risks, such as dengue outbreaks in Dharan pose significant public health challenges. The situation in municipalities like Itahari and Duhabi, where health services are constrained by financial and personnel shortages, highlights the need for increased federal support and innovative health financing models. Expanding healthcare access and improving the quality of services will be key priorities in aligning LGU health outcomes with national graduation benchmarks.

Environmental sustainability represents one of the weakest areas across all LGUs. Despite some positive initiatives—such as Itahari's Waste to Energy project and afforestation efforts in Sangurigadhi—resource constraints, poor waste management, and limited environmental awareness are recurring issues. Industrial pollution in municipalities like Budhiganga and Duhabi remains a critical problem. The lack of technical expertise and funding has hindered the implementation of comprehensive environmental policies. To ensure alignment with Nepal's LDC graduation, LGUs must prioritize environmental sustainability through strengthened local policies, climate adaptation strategies, and enhanced intergovernmental coordination.

The formulation of a Graduation Framework for Nepal's LGUs, aligning with the country's aim to graduate from Least Developed Country (LDC) status, also presents a critical pathway for advancing development across diverse administrative structures—metropolitan cities, sub-metropolitan cities, municipalities, and rural municipalities. This framework is designed to address the unique socio-economic, infrastructural, and governance challenges faced by each administrative category, fostering localized yet harmonized growth throughout the nation.

For metropolitan cities like Kathmandu and Lalitpur, the framework emphasizes leveraging their advanced economic and infrastructural capacities to promote sustainability, enhance service efficiency, and integrate smart technologies. This includes prioritizing job creation in diverse sectors, enhancing higher education and healthcare, and fostering environmental sustainability

through green initiatives such as renewable energy and waste management. Strong financial management is also crucial for these larger urban centers, ensuring transparency and accountability in budgeting and revenue generation.

In sub-metropolitan cities such as Dharan and Itahari, which act as regional economic hubs, the focus shifts towards infrastructure development and urban-rural integration. These cities are poised to drive regional economic growth by expanding sectors like tourism and agro-industries while building capacity for disaster preparedness and inclusive public services. Strengthening governance and local capacity will be key to addressing the challenges of urbanization and ensuring equitable service delivery across diverse communities.

Municipalities like Duhabi, smaller than urban centers, are in the early stages of industrialization and urbanization. For these regions, the framework underscores the importance of basic infrastructure development, such as access to clean water, sanitation, and electricity. Enhancing human capital through education and healthcare, alongside fostering community-driven governance is vital for sustained development. Municipalities must also focus on inclusive service delivery, ensuring marginalized groups like women, ethnic minorities, and youth are fully integrated into the development process.

In rural municipalities such as Sangurigadhi and Budhiganga, where agriculture remains the primary livelihood, the framework emphasizes agricultural productivity, poverty alleviation, and disaster-resilient infrastructure. Expanding access to basic services like healthcare, education, and sustainable energy is essential, alongside initiatives that promote gender equality, social inclusion, and local governance capacity building. Addressing the unique challenges of rural governance through targeted capacity enhancement and sustainable infrastructure investments will enable these municipalities to play a key role in Nepal's broader development trajectory.

The formulation of a graduation framework tailored to the unique challenges and strengths of each LGU is essential in ensuring that this transition is inclusive, sustainable, and resilient. Thus, the adaptability of this Graduation Framework across the varied local government units attempts to ensure that each LGU is empowered to contribute to Nepal's overall development goals.

Recommendations

Some policy recommendations based on the collected data and conducted analysis are:

1. Mobilize youth in areas with limited access to education and employment opportunities to help bridge human resource gaps and develop innovative and inclusive approaches to engage them; for eg., Tharu and Muslim women from Terai and rural areas can be provided with scholarships to study nursing/medicine, to incentivize health and medical education which will consequently help improve the quality of health services provided.

2. Develop a mid-hill tourism circuit to promote sustainable eco-tourism that preserves natural and cultural heritage, through collaboration and coordination between relevant local governments, which can create employment opportunities, stimulate local entrepreneurship, and help generate local revenue. A well-developed tourism sector can attract foreign investment into infrastructure and hospitality, which can accelerate development and create multiplier effects.

3. Develop clear frameworks delineating jurisdictional responsibilities to refine local governance structures and strengthen local institutions to improve policy implementation and coordination between different levels of government.

4. Increase investment in maintaining and upgrading existing infrastructure, with a focus on improving resource management and planning. Explore innovative financing mechanisms and public-private partnerships to address funding gaps and expedite infrastructure projects.

5. Enhance health service delivery by investing in infrastructure and human resources. Implement programs to address both communicable and non-communicable diseases and improve access to health services for marginalized communities.

6. Reform education systems to better align with labor market needs. Invest in vocational and technical training programs, improve educational infrastructure in public schools, and support marginalized groups with more targeted programs and scholarships.

7. Build capacity and awareness among local authorities and generate collaborative partnerships with NGOs and international organizations working on social inclusion.

8. Integrate environmental sustainability into development plans. Implement comprehensive waste management systems, promote climate change adaptation measures, and localize SDG goals to address environmental challenges.

9. Strengthen partnerships with international organizations and donors to secure targeted and contextualized support for key development areas. Develop strategies to leverage international assistance for tourism and economic growth.

10. Foster economic diversification by supporting local industries and entrepreneurship. Develop strategies to attract investment and promote tourism, while providing skill development and training programs to enhance local employment opportunities.

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ANNEXES

Field Visit Report

Date: 23ʳᵈ July 2024

Prepared by: Aditi Upadhyaya

Designation: Daayitwa Nepal Public Policy Fellow 2024

Project Name: Fellowship Research (LDC Graduation Framework for Nepal's LGUs)

Team Member's Name:

Travel District/Place: Purpose/Programme: Primary Data Collection

Travel Date: Thursday 11ᵗʰ July 2024 – Friday 19ᵗʰ July 2024

Total No. of Travel Days: 9

Details:

Date	Day	Carried activities/completed tasks	Remarks

11th July 2024	1	Travel to Biratnagar, reached hotel by evening, stayed in Biratnagar Hotel Swagatam	
12th July 2024	2	Travel to Itahari, Conducted scheduled KII with Itahari Chief Administrative Officer, and FGD with CAO and Officers for Education and Health, stayed in Biratnagar Hotel Swagatam	
13th July 2024	3	Travel to Dharan, worked on finalizing questionnaire, stayed in Dharan Hotel Dreamland	Saturday (Government holiday)
14th July 2024	4	Travel to Bhedetar, stayed in Bhedetar Paul's Hotel	Tried to schedule Dharan and Biratnagar interview, but Dharan CAO had other engagements and no contact with Biratnagar
15th July 2024	5	Travel to Dhankuta, conducted scheduled KIIs with Dhankuta CAO and Officers for Economic Development, Health, Education, Environment, Planning and Evaluation, stayed in Bhedetar Paul's Hotel	
16th July 2024	6	Conducted scheduled FGD at Sangurigadhi (Bhedetar) with CAO, Officer for Economic Development and Health, travel to Dharan, stayed at relative's place	
17th July 2024	7	Conducted scheduled KIIs with Dharan CAO and Officers for Economic Development, Health, Education and Social Development, travel to Biratnagar, stayed in Biratnagar London House	
18th July 2024	8	Travel to Duhabi, conducted scheduled KII with CAO and FGD with Officers for Economic Development, Health, Education, Environment and Justice, at Duhabi, stayed in Biratnagar London House	
19th July 2024	9	Travel to Budhiganga, conducted KII with Education Officer in Budhiganga, travel to Biratnagar airport, flight to Kathmandu by evening	

Aditi Upadhyaya
Kathmandu, Nepal.

Prepared by: Aditi Upadhyaya

Approved by (Executive Director/Line Manager):

Interview Questions (English)

Thank you for taking the time to meet with me today.

This research project, conducted by me (Aditi Upadhyaya) as part of the Daayitwa Nepal Public Policy Fellowship in collaboration with the Ministry of Federal Affairs and General Administration, focuses on developing a comprehensive framework to support local government units in aligning their governance, resource management, and policy autonomy with Nepal's impending graduation from Least Developed Country (LDC) status.

As Nepal transitions towards this significant milestone, it is crucial to understand the current structures, capabilities, and challenges faced by local governments. Your insights and experiences will be invaluable in shaping a framework that ensures sustainable and inclusive development, empowering local governments to effectively contribute to Nepal's national objectives.

The full length of this interview will be 1 hour, with the possibility of extension to 1.5 hours. I appreciate your cooperation and look forward to your valuable input.

General Information

1. Name:
2. Province:
3. District:
4. Metro/Submetro/Municipality/Rural Municipality:
5. Population (latest census):
6. Contact Information:
    Name of Respondent:
    Position:
    Length of time in this position:
    Phone Number:

Email Address:

Governance, Institutional Capacity and Autonomy

1. How would you describe the structure of this local government? How is it formed? Who makes the major decisions and how? What other government units does it work with and how?
2. What are the major responsibilities, functions, and activities of this government? To what extent does it have the autonomy and independence to formulate and implement policies (from the provincial and central governments)? Can you provide examples of policies or programs initiated locally?
3. What is the scope of decision-making power held by the local government in areas such as education, health, and infrastructure? How do these decisions impact local development?
4. Can you share any innovative practices or policies developed at the local level that have had a significant positive impact on the community? How were these initiatives supported by or independent of higher government levels?
5. How is the annual budget for your local government determined? What are the key areas where these funds are allocated?
6. Can you elaborate on the primary sources of funding for your local government? How much do you rely on central and provincial government allocations versus locally generated revenues?
7. What mechanisms are in place to ensure the efficient and effective utilization of resources at the local level? Could you provide examples of successful projects funded through these mechanisms?
8. How does your local government ensure transparency and accountability in the management and utilization of resources? What systems or practices are in place to monitor and report financial activities?
9. What are the major challenges you face in managing resources from the province and central government? How do you address these challenges?

Economic Development

1. What are the main sources of income/major economic activities in this area? (Agriculture, Tourism, Industry, Services, etc.)
2. What are the key industries or businesses operating in this area?
3. What percentage of the population is employed in the formal sector, versus the informal sector?
4. What are the main barriers to economic development in this area? (lack of infrastructure, limited access to finance, skills gaps, etc.)
5. What initiatives has this local government taken to promote economic growth and employment?

External Assistance and Partnerships

1. What international assistance has this local government received in the past five years?
2. What partnerships does this local government have with NGOs, private sector, or other stakeholders?

3. What areas would benefit most from additional external support?

Infrastructure and Connectivity

1. What is the current state (%coverage) of infrastructure in this area? (Roads, electricity, water supply, sanitation, internet connectivity)
2. What infrastructure projects are currently underway or planned?
3. What are the main challenges in improving infrastructure in this area?
4. How does this local government prioritize infrastructure development projects?

Education and Skills Development

1. What is the literacy rate in this area?
2. What educational facilities are available (schools, colleges, vocational training centers, etc.)?
3. What are the main challenges in providing quality education in this area?
4. What programs are in place to improve skills development and vocational training?
5. How does this local government support access to education for marginalized groups?

Health and Well-being

1. What health facilities are available in this area? (Hospitals, clinics, health posts)
2. What are the main health issues affecting this population?
3. What programs are in place to address these health issues?
4. How does this local government ensure access to health services for all residents?
5. What are the main challenges in providing adequate health services?

Environmental Sustainability

1. What are the main environmental issues in this area? (Deforestation, water scarcity, pollution)
2. What initiatives has this local government taken to promote environmental sustainability?
3. How is this local government addressing the impacts of climate change?
4. What are the main challenges in implementing environmental policies?

Social Inclusion and Equity

1. What measures are in place to promote social inclusion and equity?
2. How does this local government support vulnerable and marginalized groups?
3. What are the main social inclusion challenges in this area?
4. What programs are in place to address gender inequality and promote women's empowerment?

Evaluation and Vision/Future Plans

1. How does your local government monitor and evaluate the progress of development initiatives in alignment with LDC graduation criteria? What indicators and data sources are used, and how are the data collected and analyzed?
2. What are the main goals and objectives of this local government for the next five years?
3. What strategies are in place to achieve these goals?

4. How does this local government plan to contribute to Nepal's graduation from LDC status?
5. What additional support or resources are needed to achieve these plans?

Interview Questions (Nepali)

आज मसँग भेट्नको लागि समय दिनुभएकोमा धन्यवाद।

म (अदिती उपाध्याय) द्वारा संघीय मामिला तथा सामान्य प्रशासन मन्त्रालयसँगको सहकार्यमा दायित्व नेपाल सार्वजनिक नीति फेलोसिपको रूपमा सञ्चालन गरिएको यो अनुसन्धान परियोजना स्थानीय सरकारका एकाइहरूको सुशासन, स्रोत व्यवस्थापन र आर्थिक बिकाशका सूचक हरु लाई LDC ग्रेजुएसनमा पङ्क्तिबद्ध गर्न सहयोग गर्ने बृहत् रूपरेखाको विकासमा केन्द्रित छ। नेपालले यो महत्वपूर्ण कोसेढुङ्गातर्फ संक्रमण गर्दा, स्थानीय सरकारहरूले सामना गर्ने वर्तमान संरचना, क्षमता र चुनौतीहरू बुझ्न महत्त्वपूर्ण छ। नेपालको राष्ट्रिय उद्देश्यमा प्रभावकारी रूपमा योगदान पुर्‍याउन स्थानीय सरकारहरूलाई सशक्त बनाउने, दिगो र समावेशी विकास सुनिश्चित गर्ने ढाँचा बनाउन तपाईको अन्तर्दृष्टि र अनुभवहरू अमूल्य हुनेछन्।

यो अन्तर्वार्ताको पूर्ण लम्बाइ 1 घण्टाको हुनेछ, जसलाई 1.5 घण्टासम्म विस्तार गर्ने सम्भावना छ। म तपाईको सहयोगप्रति आभारी छु र तपाईको बहुमूल्य बिचार हरु सहित को इनपुटको लागि तत्पर छु।

सामान्य
नाम:
प्रान्त:
जिल्ला:
मेट्रो/उपमेट्रो/नगरपालिका/ग्रामीण नगरपालिका:
जनसंख्या (पछिल्लो जनगणना):
सम्पर्क जानकारी:
प्रतिवादीको नाम:
स्थिति:
यस स्थितिमा समयको लम्बाइ:
फोन नम्बर:
इ - मेल ठेगाना:

सुशासन, संस्थागत क्षमता र स्वायत्तता

1. यो स्थानीय सरकारको संरचनालाई कसरी व्याख्या गर्नुहुन्छ ? यो कसरी गठन हुन्छ? प्रमुख निर्णय कसले र कसरी गर्छ? अरु कुन कुन सरकारी एकाइहरु संग र कसरी काम गर्दैछ?

2. यो सरकारको मुख्य जिम्मेवारी, काम र काम के हो ? नीति तर्जुमा र कार्यान्वयन गर्ने (प्रदेश र केन्द्र सरकारबाट) स्वायत्तता र स्वतन्त्रता कत्तिको छ ? स्थानीय रूपमा सुरु गरिएका नीति वा कार्यक्रमहरूको उदाहरण दिन सक्नुहुन्छ?

3. शिक्षा, स्वास्थ्य, पूर्वाधार जस्ता क्षेत्रमा स्थानीय सरकारको निर्णय गर्ने अधिकारको दायरा के छ? यी निर्णयहरूले स्थानीय विकासलाई कसरी असर गर्छ?

4. स्थानीय स्तरमा विकास भएका कुनै नवीन अभ्यास वा नीतिहरू साझा गर्न सक्नुहुन्छ जसले समुदायमा महत्त्वपूर्ण सकारात्मक प्रभाव पारेको छ? यी पहलहरूलाई उच्च सरकारी स्तरहरूबाट वा स्वतन्त्र रूपमा कसरी समर्थन गरियो?

5. तपाईंको स्थानीय सरकारको वार्षिक बजेट कसरी निर्धारण गरिन्छ? यी कोषहरू विनियोजन गरिएका मुख्य क्षेत्रहरू के हुन्?

6. के तपाइँ तपाइँको स्थानीय सरकार को लागी कोष को प्राथमिक स्रोतहरू को बारे मा विस्तृत गर्न सक्नुहुन्छ? स्थानीय तहबाट हुने राजस्वको तुलनामा केन्द्र र प्रदेश सरकारको विनियोजनमा कत्तिको भर पर्नुहुन्छ ?

7. स्थानीय तहमा स्रोतसाधनको प्रभावकारी उपयोग सुनिश्चित गर्न के कस्ता संयन्त्रहरू छन् ? के तपाइँ यी संयन्त्रहरू मार्फत वित्त पोषित सफल परियोजनाहरूको उदाहरणहरू दिन सक्नुहुन्छ?

8. तपाईंको स्थानीय सरकारले स्रोतको व्यवस्थापन र उपयोगमा पारदर्शिता र जवाफदेहीता कसरी सुनिश्चित गर्छ? वित्तीय गतिविधिहरूको अनुगमन र रिपोर्ट गर्न कुन प्रणाली वा अभ्यासहरू छन्?

9. प्रदेश र केन्द्र सरकारको स्रोत व्यवस्थापनमा मुख्य चुनौतीहरू के के छन् ? यी चुनौतीहरूलाई कसरी सम्बोधन गर्नुहुन्छ?

आर्थिक बिकास

1. यस क्षेत्रमा आम्दानीका मुख्य स्रोत/मुख्य आर्थिक गतिविधिहरू के के हुन्? (कृषि, पर्यटन, उद्योग, सेवा, आदि)

2. यस क्षेत्रमा सञ्चालित प्रमुख उद्योग वा व्यवसायहरू के के हुन्?

3. अनौपचारिक क्षेत्रको तुलनामा औपचारिक क्षेत्रमा कति प्रतिशत जनसंख्या कार्यरत छ?

4. यस क्षेत्रको आर्थिक विकासका मुख्य बाधाहरू के हुन्? (पूर्वाधारको अभाव, वित्तमा सीमित पहुँच, सीपको कमी, आदि)

5. यो स्थानीय सरकारले आर्थिक वृद्धि र रोजगारी प्रवर्द्धन गर्न के कस्ता पहल गरेको छ ?

बाह्य सहयोग र साझेदारी

1. विगत पाँच वर्षमा यस स्थानीय सरकारले के कस्ता अन्तर्राष्ट्रिय सहयोग प्राप्त गरेको छ?

2. यो स्थानीय सरकारको गैरसरकारी संस्था, निजी क्षेत्र वा अन्य सरोकारवालाहरूसँग के साझेदारी छ?

3. अतिरिक्त बाह्य सहयोगबाट कुन क्षेत्रले सबैभन्दा बढी फाइदा लिन सक्छ?

पूर्वाधार र कनेक्टिभिटी

1. यस क्षेत्रमा पूर्वाधारको हालको अवस्था (% कभरेज) कस्तो छ? (सडक, बिजुली, खानेपानी, सरसफाई, इन्टरनेट जडान)

2. हाल कस्ता पूर्वाधार आयोजनाहरू चलिरहेका छन् वा योजनाबद्ध छन्?

3. यस क्षेत्रमा पूर्वाधार सुधारका मुख्य चुनौतीहरू के के छन् ?
4. यो स्थानीय सरकारले पूर्वाधार विकास आयोजनालाई कसरी प्राथमिकतामा राखेको छ ?

शिक्षा र सीप विकास
1. यो क्षेत्रमा साक्षरता दर कति छ ?
2. कस्ता शैक्षिक सुविधाहरू उपलब्ध छन् (स्कूल, कलेज, व्यावसायिक तालिम केन्द्र, आदि)?
3. यस क्षेत्रमा गुणस्तरीय शिक्षा प्रदान गर्नका प्रमुख चुनौतीहरू के के छन् ?
4. सीप विकास र व्यावसायिक तालिममा सुधार गर्न कस्ता कार्यक्रमहरू छन् ?
5. यस स्थानीय सरकारले सीमान्तकृत समूहहरूको शिक्षामा पहुँचलाई कसरी सहयोग गर्छ?

स्वास्थ्य र कल्याण
1. यस क्षेत्रमा के कस्ता स्वास्थ्य सेवा उपलब्ध छन् ? (अस्पताल, क्लिनिक, स्वास्थ्य पोस्ट)
2. यस जनसंख्यालाई असर गर्ने मुख्य स्वास्थ्य समस्याहरू के हुन्?
3. यी स्वास्थ्य समस्याहरूलाई सम्बोधन गर्न के कार्यक्रमहरू छन्?
4. यो स्थानीय सरकारले सबै बासिन्दाको स्वास्थ्य सेवाको पहुँच कसरी सुनिश्चित गर्छ?
5. पर्याप्त स्वास्थ्य सेवा उपलब्ध गराउनका प्रमुख चुनौतीहरू के के छन् ?

वातावरण दीगोपना
1. यस क्षेत्रमा मुख्य वातावरणीय समस्याहरू के हुन्? (वन विनाश, पानी अभाव, प्रदूषण)
2. वातावरणीय दिगोपन प्रवर्द्धन गर्न यस स्थानीय सरकारले के पहल गरेको छ?
3. यो स्थानीय सरकारले जलवायु परिवर्तनको असरलाई कसरी सम्बोधन गरिरहेको छ ?
4. वातावरणीय नीति कार्यान्वयनका मुख्य चुनौतीहरू के के छन् ?

सामाजिक समावेशीकरण र समानता
1. सामाजिक समावेशीकरण र समानता प्रवर्द्धन गर्न के कस्ता उपायहरू छन्?
2. यो स्थानीय सरकारले कमजोर र सीमान्तकृत समूहलाई कसरी सहयोग गर्छ?
3. यस क्षेत्रमा सामाजिक समावेशीकरणका मुख्य चुनौतीहरू के के हुन्?
4. लैङ्गिक असमानतालाई सम्बोधन गर्न र महिला सशक्तिकरणलाई प्रवर्द्धन गर्न कस्ता कार्यक्रमहरू छन्?

मूल्याङ्कन र योजनाहरू
1. तपाईंको स्थानीय सरकारले एलडीसी स्नातक मापदण्डसँग पङ्क्तिबद्ध गरी विकास पहलहरूको प्रगतिलाई कसरी अनुगमन र मूल्याङ्कन गर्छ? कुन सूचकहरू र डेटा स्रोतहरू प्रयोग गरिन्छ, र कसरी डेटा सङ्कलन र विश्लेषण गरिन्छ?
2. आगामी पाँच वर्षका लागि यस स्थानीय सरकारको मुख्य लक्ष्य र उद्देश्य के छन् ?
3. यी लक्ष्यहरू हासिल गर्न के रणनीतिहरू छन्?
4. यो स्थानीय सरकारले नेपाललाई LDC स्थितिबाट उत्तीर्ण गर्न कसरी योगदान पुर्‍याउने योजना बनाएको छ?
5. यी योजनाहरू प्राप्त गर्नको लागि के अतिरिक्त समर्थन वा स्रोतहरू आवश्यक छ?

Policy Brief

Formulating A Graduation Framework for Local Government Units in Alignment with Nepal's Graduation from LDC Status

Introduction

Nepal's imminent graduation from the Least Developed Country (LDC) status by 2026 is a significant milestone marking a new chapter in its development journey. LDC graduation involves meeting two of three United Nations criteria: Income per capita, Human Assets, and Economic and Environmental Vulnerability. However, for this graduation to be effectively implemented and its outcomes to be fully realized, efforts will require more than merely meeting the predetermined international benchmarks.

Nepal's transition to a federal system of governance adds a layer of complexity that demands a nuanced approach, one that acknowledges and integrates its unique socio-political landscape. Unlike other countries set to graduate or recently graduated, Nepal's adoption of federalism in 2017 sets its context apart, and hence this dual transition requires a tailored approach to ensure meaningful graduation.

Executive Summary

Nepal's upcoming transition from Least Developed Country (LDC) status by 2026 underscores a pivotal moment in its development trajectory, necessitating an approach tailored to its unique socio-political context. This study assesses the challenges and opportunities in key areas such as governance, infrastructure, health, education, economic development, social inclusion, and environmental sustainability across six municipalities: Itahari, Dhankuta, Sangurigadhi, Dharan, Duhabi, and Budhiganga - in an attempt to localize LDC Graduation to Nepal's context through the inclusion of indicators relevant not just to the UN's graduation framework, but also to Nepal's broader political, economic and social contexts.

Thus, this analysis identifies gaps in policy implementation, resource management, and public awareness, offering actionable recommendations to enhance governance, improve infrastructure, strengthen health and education services, and foster economic and environmental sustainability. It emphasizes the need for refined local frameworks, increased investment, enhanced international support, and targeted strategies to align local practices with national development goals and ensure a successful transition out of LDC status.

Research Overview

This policy brief/study utilized qualitative data gathered through detailed case studies of 6 municipalities - Itahari, Dhankuta, Sangurigadhi, Dharan, Duhabi and Budhiganga.
Data sources included relevant reports, interviews with local officials, and analysis of policy documents related to governance, infrastructure, health services, education, economic development, and environmental sustainability.

Research Findings: Discussion and Analysis

Governance and Institutional Capacity: Local governance effectiveness in a federal structure is influenced by the level of autonomy in practice and jurisdictional clarity. Dhankuta faces challenges in exercising autonomy due to overlapping jurisdictions and central government interference. Dharan faces issues with coordination between the three levels of government. Itahari and Sangurigadhi show varying degrees of effectiveness in policy execution. Duhabi and Budhiganga also face challenges in service delivery due to unclear roles, limited capacity, and jurisdictional overlaps.

Infrastructure Development: Infrastructure development is a priority for all local governments, but is also constrained by budget limitations and lack of technical capacity. Dharan faces challenges in resource allocation and consensus building. Sangurigadhi and Dhankuta experience federal grant cuts that affect infrastructure projects, and Itahari relies on international support for upgradation of such projects. Duhabi also faces budgetary (grant) cuts, and the trickle down-effects of frequent government changes. In Budhiganga, challenges remain in ensuring drinking water access for all, and in maintaining existing infrastructure.

Health Services: Health service availability and quality vary across the municipalities, with common issues in resource management and lack of adequate infrastructure. Dharan struggles with a lack of skilled human resources. Sangurigadhi and Dhankuta also face challenges related to inadequate health infrastructure and human resources. Duhabi struggles with health service recruitment, and Budhiganga faces a lack of availability of 24-hr health clinics that are accessible to all.

Education and Skill Development: Educational quality and infrastructure are inconsistent across municipalities, with a common challenge being an inability to align education with labor market demands, and a large gap between private and public educational outcomes. Dharan needs better alignment of education with skill development. Dhankuta and Sangurigadhi face shortcomings in educational infrastructure and vocational training. Duhabi's educational sector is marked by stark disparities between public and private schools, and Budhiganga faces challenges of declining enrolment, shortage of qualified teachers, and inadequate infrastructure in its public schools.

Economic Development: Economic development is hindered by reliance on remittances and limited industrial growth across all municipalities. Itahari and Dharan have initiatives to boost local industries and tourism, while Dhankuta and Sangurigadhi need more support to develop their economic base through the tourism industry. Duhabi's economy relies heavily on agriculture and food processing but there exists a significant skills gap. Budhiganga's growth is impeded by a lack of technological capacity as well as inadequate development infrastructure.

Social Inclusion: Social inclusion efforts across municipalities face persistent challenges due to weak policy implementation and limited public awareness. Dhankuta struggles with the persistence

of social problems and a severe lack of awareness. Dharan and Duhabi have established targeted programs and gender-friendly budgets, yet face resource constraints and large gaps in access to education for marginalized communities. Budhiganga faces hurdles due to unclear laws and inadequate public understanding of rights.

Environmental Sustainability: Waste management and effects of climate change are common across the municipalities. Lack of effective waste segregation and inadequate fecal sludge management are local issues in Itahari, and Dhankuta faces seasonal drinking water shortages. Sangurigadhi struggles with occurrences of landslides, and Dharan has a lack of landfill sites for waste disposal. Duhabi grapples with industrial pollution and inadequate waste management. Budhiganga has a severe lack of public awareness and thus ineffective policy implementation. Local governments require greater support and policy focus, and more external support is required for waste management.

International Support and Partnerships: Dharan and Itahari benefit from various forms of international support, but require additional assistance for tourism and economic development. Dhankuta and Sangurigadhi also need more targeted support in the areas of entrepreneurship promotion, agricultural research, and tourism development. Duhabi requires more technical and financial support for waste management, and Budhiganga needs more support in improving educational quality and public health.

Conclusion and Recommendations

In conclusion, Nepal's journey towards LDC graduation by 2026 presents both significant opportunities and complex challenges. It demands a strategic approach that harmonizes international benchmarks with local realities. This study underscores the critical need for refined governance frameworks, enhanced infrastructure investment, and improved health and education services. Addressing the persistent gaps in social inclusion and environmental sustainability are also essential for a successful transition. Some policy recommendations based on the collected data and conducted analysis are:

- Develop clear frameworks delineating jurisdictional responsibilities, refine local governance structures, and strengthen local institutions to improve policy implementation and coordination between different levels of government.
- Increase investment in maintaining and upgrading existing infrastructure, with a focus on improving resource management and planning. Explore innovative financing mechanisms and public-private partnerships to address funding gaps and expedite infrastructure projects.
- Enhance health service delivery by investing in infrastructure and human resources. Implement programs to address both communicable and non-communicable diseases, and improve access to health services for marginalized communities.
- Reform education systems to better align with labor market needs. Invest in vocational and technical training programs, improve educational infrastructure in public schools, and support marginalized groups with more targeted programs and scholarships.
- Build capacity and awareness among local authorities and generate collaborative partnerships with NGOs and international organizations working on social inclusion.

- Integrate environmental sustainability into development plans. Implement comprehensive waste management systems, promote climate change adaptation measures, and localize SDG goals to address environmental challenges.
- Strengthen partnerships with international organizations and donors to secure targeted and contextualized support for key development areas. Develop strategies to leverage international assistance for tourism and economic growth.
- Foster economic diversification by supporting local industries and entrepreneurship. Develop strategies to attract investment and promote tourism, while providing skill development and training programs to enhance local employment opportunities.