

# **COMPETENCY OF LOCAL GOVERNMENT OFFICIALS AND ORGANIZATIONAL PERFORMANCE AT LOCAL LEVELS**

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Author

## ABSTRACT

The constitution of Nepal has delegated many state functions and powers to the local governments. Several studies have highlighted the importance of competency in fulfilling the mandates and accomplishing functions of the local governments. To have a better understanding of constitutional provisions and functions of local government, the officials from that government should be competent enough to fulfill the assigned roles and responsibilities. The question is: does competency enhancement of the officials enable them for better public sector performance at local level? This study seeks to answer this question by establishing links between competency and performance from 54 local governments, and draw lessons for other local governments as all of them aspire to fulfill demands of citizens through quality services. Step-wise regression model was run on the secondary data to study the relationship between the three proxies of performance and seven first and second level proxies of competency. The results hence proved that there is mixed relationship between the variables. The result of this study supported the prediction of significant positive relationship between local government institutional self-assessment value and number of laws enacted. Local government institutional self-assessment value and performance evaluation value were found to have significant negative relationship with BERUJU, whereas local government institutional self-assessment value and performance evaluation value were found to have insignificant relationship with the proportion of capital to total expenditure. Findings of this study tend to suggest that local government should not neglect the competency since there is positive link between competency and performance.

**Keywords:** Competency, capacity, performance, local government, local government officials

# Table of Contents

ACKNOWLEDGEMENTS	iii
ABSTRACT	iv
Table of contents	v
LIST OF TABLE	vi
LIST OF FIGURE	vi
LIST OF BOX	vi
CHAPTER I: INTRODUCTION	1
1.1 Background of the Study	1
1.2 Statement of the Problem	2
1.3 Rationale of the Study	4
1.4 Objectives of the Study	5
CHAPTER II: LITERATURE REVIEW	6
2.1 Competencies for Improving Local Governance	6
2.2 Competency of Civil Service	8
2.3 Competency of Elected Representatives	12
2.4 New Public Management and Competency Based Approaches	12
2.5 Capacity Building	14
CHAPTER III: METHODOLOGY	16
3.1 Research Design	16
3.2 Models	17
3.3 Operational Definition	18
3.4 Data and Its Sources	18
3.5 Variables and Conceptual Framework	19
3.6 Data Analysis	20
CHAPTER IV: RESULTS AND ANALYSIS	21
4.1 Background Information	21
4.2 Competency of the Local Government Officials	22
4.3 Descriptive Statistics	23
4.4 Test of Inter-correlation and Reliability	25
4.5 Regression Analysis	25
4.6 Conclusion	30
REFERENCES	31

## List of Table

Table 1: The quality of public administration rating of the countries from South Asian Region (1=low to 6=high)	3
Table 2: Differences between functional and competency-based approaches to HRM	13
Table 3: Study Area (List of local governments included in this study)	19
Table 4: Background characteristics of the study area	21
Table 5: Variables and their descriptive values	24
Table 6: Results of Multicollinearity	25
Table 7: Summary of hierarchical regression analysis for variables predicting number of laws enacted by the local government	27
Table 8: Summary of hierarchical regression analysis for variables predicting BERUJU	28
Table 9: Summary of hierarchical regression analysis for variables predicting capital expenditure	30

## List of Figure

Figure 1: Competency framework of Nepal's civil service	11
Figure 2: Research Design	17
Figure 3: Framework of the study (independent, intervening and dependent variables)	20

## List of Box

Box 1: Understanding of roles as per the constitutional mandate	22
Box 2: Exercising legislative power	23
Box 3: Enactment of law and BERUJU	24

# CHAPTER I

## INTRODUCTION

### 1.1 Background of the Study

The constitution of Nepal has delegated many state functions and powers to the local governments. The list of such functions and powers are listed in schedule 8 and 9 of the constitution. The constitutionally granted functions and powers are further elaborated in the local government operation act 2074. With this, local governments are responsible for managing administrative and development functions to achieve peace, good governance, justice and prosperity.

As per the mandates of the constitution and other laws, the local governments' functions can be classified mainly in five areas. They are: (a) economic development, (b) social development, (c) physical infrastructure development, (d) forest environment and disaster management, and (e) institutional development, service delivery and good governance. Mostly, local governments have formed separate committees, as envisioned in the local government operation act, to facilitate the overall process in order to accomplish the aforementioned functions.

The World Bank and the Overseas Development Administration of the United Kingdom of Great Britain and Northern Ireland (now the Department for International Development) agree that competence is one of the four major components of good governance and define it as an effective policymaking, implementation and service delivery. Likewise, United Nations Human Settlements Programme (2005) has defined competency for the elected leadership as knowledge, skills, understanding, and attitudes related with policymaking, institution building, and so on. Overall, competency is knowledge, skills, roles, self-concepts, values, traits and motives of an individual within the job domain that is required for superior performance as expected by the role and job position (Nepal Administrative Staff College (NASC), 2018). In a general way, competencies define a coherent set of skills, attitudes and knowledge that are expressed in observable behaviour and have predictive value for the effective performance of a function or a specific role (Federal Public Service in Belgium as cited in European Union, 2015).

According to the United Nations Committee of Experts on Public Administration, capacity development is the process by which individuals, organizations, institutions and societies develop abilities to perform functions, solve problems and set and achieve objectives (United Nations Committee of Experts on Public Administration (UNCEPA), 2006). Capacity-building activities include policy and legal frameworks, national institution building, human resource development, development of research and technology, development of infrastructure, enhancement of public awareness etc. (United Nations, 1992).

Capacity building is a long-term, continuing process, in which enabling environment is created with appropriate policy and legal frameworks, institutions are developed with all stakeholders' participation, and managerial systems are strengthened with competent human resources. Importantly, institutional level capacity building should involve modernizing existing institutions and supporting them in forming sound policies, organizational structures, and effective methods of management and revenue control (United Nations Committee of Experts on Public Administration (UNCEPA), 2006).

## 1.2 Statement of the Problem

Capacity is one of the major associated principles<sup>1</sup> as highlighted by the report on 'detailed work list<sup>2</sup> of the local level government and the concurrent powers of the federal as well as provincial and local level government under Schedule-5, Schedule- 6, Schedule-7, Schedule-8, and Schedule-9' which was approved by the Government of Nepal (Council of Ministers) on 2073 Magh 18 (Paudel & Sapkota, 2018). (National Forum of Parliamentarians on Population and Development (NFPPD), 2020) argues that due to human resource management issue there is lack of balanced competency in the federal set-up. With further elaboration, it states that in order to exercise federalism according to the constitution and the priorities of the people, political competency and administrative expertise need to be effectively combined. Importantly, building effective service delivery system with competency-oriented organizational structures, working culture and procedures is crucial in effective management of the human resources.

Several other studies (Sigdel, Adhikari, & Kharel, 2021); (The Asia Foundation Partnership on Subnational Governance in Nepal, 2017); (Paudel & Sapkota, 2018). (Sharma & Pant, Not Stated) (Acharya, 2018) (National Forum of Parliamentarians on Population and Development (NFPPD), 2020) (Ministry of Federal Affair and General Administration, 2020) highlighted the importance of capacity and competency in fulfilling the mandates and accomplishing functions of the local governments.

The competency doesn't translate into official leadership until it is used effectively and consistently in their respective roles and responsibilities. There are several roles and responsibilities that local government officials (elected and/or appointed) have to accomplish. For example, they have to draft the required policies as per the mandates provided by the constitution and laws, prepare development plan as per their roles, enact such policies and plan, collaborate and coordinate with other governments. Those officials, irrespective of their positions and responsibilities, should possess knowledge, skills and attitude to demonstrate professionalism in their decisions, actions and behaviors (Nepal Administrative Staff College (NASC), 2018) so that the roles and responsibilities are fulfilled competently. For this, they should understand their changing roles

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<sup>1</sup> The other associated principles are efficiency and subsidiarity; economies of scale; externalities or spill-over jurisdiction; equity and inclusion; overall economic stability; issues of national priorities and objectives; and collaboration, coordination, and co-existence.

<sup>2</sup> This detailed work list has been done for increasing trust in and effectiveness of service delivery; fixing clear responsibilities; ending instability, confusion, and uncertainties in the intergovernmental relations; assisting in the fiscal and human resources management by ensuring necessary administrative structure and legal basis to carry out their functions.



and responsibilities. Importantly, performance of the local government officials is determined by their behavior and attitude, quality of their performance and the results achieved by them.

The role of local government is considered vital in ensuring peace, good governance, justice and prosperity as envisioned by the constitution. After all, that’s why they are there. People expect improved service delivery and concrete plan towards holistic development from their government which is at their doorsteps. People expect their local officials (elected and appointed) to represent them in public decisions and deliberations, and also provide good leadership (United Nations Human Settlements Programme, 2005). This is only possible when the whole team of officials is competent and dedicated to the functions as per the spirit of the constitution and other existing laws. In other words, they should possess required competencies to perform effectively in their respective roles.

To have a better understanding of constitutional or legal provisions and functions of local government, the local level officials should be competent enough to fulfill the assigned roles and responsibilities. Knowing and doing are different. Many times, knowing only will not be sufficient to perform leadership roles within their jurisdiction. The basic idea is that competencies must be used to assume more public service responsibilities within the constituency so that citizens are made happy and satisfied. Equally important is the way of handling the entrusted power in a principled and responsible way. If all these things are reflected into their actions and behavior, then the officials are considered to be competent and hold the potentiality to change.

The constitution of Nepal provisions about making public administration clean, competent, impartial, accountable, transparent, and participatory. The World Bank (2021) has defined the quality of public administration as the extent to which civilian central government staff is structured to design and implement government policy and deliver services effectively. Remaining within this definition, it has published the country wise data in the name of ‘CPIA quality of public administration rating’ in the range of 1 to 6, where 1 is the the lowest rating value and 6 is the highest rating value.

**Table 1: The quality of public administration rating of the countries from South Asian Region (1=low to 6=high)**

Country Name	2005	2010	2015	2019
Afghanistan	NA	2.0	2.5	2.5
Bangladesh	3.0	3.0	3.0	2.5
Bhutan	4.0	4.0	4.0	4.0
India	3.5	3.5	NA	NA
Sri Lanka	3.0	3.0	3.0	3.5
Maldives	4.0	3.5	3.0	3.0
Nepal	3.0	3.0	3.0	2.5
Pakistan	3.5	3.5	3.5	3.0
World Average	3.01	3.01	2.91	2.87

The quality of public administration rating of Nepal in the recent years have been either decreased or remained constant. Nepal's value of 2.5 in the year 2019 is the lowest among her South Asian counterparts and even lower than the World average. Data suggest that the quality of public administration is not so encouraging in Nepal.

### 1.3 Rationale of the Study

As the sub-national governments are receiving constitutionally defined political structures and powers, they need to be more efficient and receptive to the demands of the citizens. This has extended the scope of the local governments. The challenges of local leadership has also increased in comparison to the challenges a few years ago. There is a greater need for better competencies and skills to apply in their basic parliamentary, executive and judiciary structures and functions. As highlighted by the United Nations Human Settlements Programme (2005), the basic competencies required for the local leadership may not have changed but the need for greater depth of understanding about these competencies and the skills to apply them had grown in the recent years.

There has been a profound shift in the understanding of what constitutes good governance and effective elected leadership over the past decade or so. Issues of equity, inclusion, subsidiarity, civic engagement, accountability, transparency, and the old standards of effectiveness and efficiency, have gained new significance, understanding, and importance as elected leadership mandates and criteria for measuring governance performance (United Nations Human Settlements Programme, 2005).

Nepal Administrative Staff College (2018) states that provision of quality services largely depends on the skills and motivation of those who provide these services and/or oversee the delivery of the services; and the improved motivation and effectiveness can only deliver better services to the citizens. It further explains that innovation in public service is imperative to deliver services efficiently and gain public trust. It requires a set of skills that allows questioning and ability to see opportunities beyond the usual practice of government business.

Sigdel, Adhikari, & Kharel (2021) discover that although local governments are having several challenges in fulfilling their roles and functions competently, certain level of capacity does exist. Following the laws and provisions, they have formed several committees including public service delivery and capacity development committee to support the overall governance process. Nevertheless, as the federal arrangement is still evolving, there are still some capacity gaps in accomplishing roles and functions. Nepal Administrative Staff College (2018) in its study while defining the competency framework of the civil service of Nepal recommended to elaborate the competencies required in officials across different positions - executive, managerial and operational. In the same line, The Asia Foundation Partnership on Subnational Governance in Nepal (2017) suggests to conduct in-depth study to diagnose the level of capacity of the officials to fulfil their mandates and to enter into and contest ideas in the policy arena. In a different note, Democracy Resource Center Nepal (2020) argues that local governments have steadily expanded

their roles and given an encouraging message that they have initiated new efforts and have the required capacity to work by developing plans and programs and creating laws, even though, there have been arguments that local governments should not be given authority over since they lack the capacity to work in the sector.

Competency development, therefore, is an integrated effort for educating officials, making them skillful and efficient and delivering effective organizational performance. That allows the local government to appear eagerly to take advantages and to have a planned effort in the effective and efficient public service design and delivery rather than creating opportunities in a discrete and ad hoc basis. It also contributes to the larger goal of local government initiatives by making them aware about the role of competency in organizational performance.

This study will explore the role of competency in the overall organizational performance for the local governments in the changed governance context and their capacity in performing the defined roles and functions. From this effort of competency and performance assessment, governments will be aware about the importance of capacity in their policy environment and will also be aware about the required knowledge, skills and competencies for their human resources. This will be effective in mapping institutional competencies and implementing institutional development initiatives.

On the aforementioned background, this study has been proposed to examine the relationship between competency and organizational performance. This study is required to gain a clear understanding on the determinants of local governments' organizational performance. It also provides a status of the governance and local governments' policy environment. It tries to examine elected and appointed officials' performances based on the context of public sector governance.

#### **1.4 Objectives of the Study**

The main objective of this study is to examine the relationship between competency and organizational performance. Some specific objectives of the study are as follows:

- a) To describe the level of competency of the local government officials in preparing and delivering plans related to their roles and functions;
- b) To analyze whether competency will be a determining factor in defining the key priority areas of the local governments;
- c) To diagnose the relationship between competency and organizational performance at local levels.

# LITERATURE REVIEW

### 2.1 Competencies for Improving Local Governance

Representation and leadership are the core roles and responsibilities of the elected officials. They must represent their constituents and they must provide leadership in their representation. Both of these roles are complex and demanding. In order to fulfill these core roles and responsibilities, the elected leaders must be knowledgeable and skilled in the following competencies: communicating, facilitating, using power, decision making, policy making, enabling, negotiating, financing, overseeing, and institution building. These competencies must be exercised within the principles of good governance as defined by international standards. These principles establish the context within which each of the competency skills should be applied. Talking about the knowledge and skills required, some are much more personal, such as the communicating and facilitating competencies. Others, i.e. the policy making, decision-making, and enabling competencies, are related directly to the collective actions of elected official and his/her elected colleagues as representatives of the community. The overseeing, financing, and institution building competencies are associated with their responsibilities to local government organization as an operating institution. Using power and negotiating are both personal as well as collective governing competencies. And, the representation and leadership roles and competencies fit into all these somewhat arbitrary categories (United Nations Human Settlements Programme, 2005).

While the competence of local government is limited to their jurisdictions, and they have less levers to act on corruption other than in the Municipality/Rural Municipality and ward offices, it is noteworthy that people put greater confidence on local governments, than on the central government, in controlling corruption (Dhungana, Pokharel, Sigdel, Dahal, & Upadhyaya, 2018). The Good Governance (Management and Operation) Act 2008 states that officials authorized to make decision shall take decision within the time stipulated by prevailing laws. An official who fails to perform the work within a stipulated time with malicious intention to evade the responsibility or does not attain the achievement as per work performance indicator, he/she may be admonished by the senior authority. In case there is no improvement in the conduct and activities of the official even after the admonition, departmental action shall be taken against such an official pursuant to the prevailing law on the grounds of incompetency (Pokharel, Subedi, Adhikari, Adhikari, & Gupta, 2018).

New efforts towards building governance capacity is to be compatible with not only the needs of all-round socio-economic development of the country but also to comply with emerging thrusts of the good governance, like rule of law, inclusiveness and wider participation, accountability and integrity, service orientation, responsiveness, and compliance to the principles of human rights, etc. (Sharma & Pant, Not Stated).

The competency framework for local government conceived by the Local Government Staff Commission for Northern Ireland has focused on 4 competence groups which contain 14 sets of behaviours for the employees working at various levels. They are 1) how to provide leadership and direction (i. setting direction, ii. leadership, and iii. managing performance); 2) how to manage ourselves (iv. managing work, v. developing capacity, and vi. communicating with impact); 3) how to work with others (vii. collaborating in a political environment, viii. influencing outcome, ix. meeting customer needs, and x. respect for diversity); and 4) how to move forward (xi. problem solving and decision making, xii. managing change, xiii. achieving results, and xiv. continuously improving services). The framework has been envisaged as an integral component to joining up all the processes across the lifecycle of the employee within local government (The Local Government Staff Commission for Northern Ireland, Not Stated).

There is growing consensus that the quality of urban governance is the single most important factor for the eradication of poverty and for prosperous cities (United Nations Human Settlements Programme, 2005). Local authorities construct, operate and maintain economic, social and environmental infrastructure, oversee planning processes, establish local environmental policies and regulations, and assist in implementing national and subnational environmental policies. As the level of governance closest to the people, they play a vital role in educating, mobilizing and responding to the public to promote sustainable development (United Nations, 1992).

As such, the relevant question for the officials of local government is whether they are developing their competency to lead and govern the local government under federal government system of Nepal. Elected officials require the skills not only to undertake their responsibilities for service provision and project development, but also to enter and contest ideas in the policy arena (The Asia Foundation Partnership on Subnational Governance in Nepal, 2017).

To what extent, do higher levels of government delegate tasks and concede competences without paying much attention to the capacities of local government to act? Carrying out of the given tasks by local authorities in their own interest is a competence called initiation. Formal existence of constitutional or legal means protects local autonomy against the violation of the principles of the right of existence, and helps decide upon the territorial boundaries and to be competent for the free exercise of the powers in the provision of public tasks. Local policy autonomy consists of two components: policy scope and effective political discretion. The former denotes the range of functions for which local government is responsible, and the latter points to the amount of decision-making competences that local councils have over those functions. Analysis of policy autonomy shows that the local authorities are responsible for the specific tasks such as education, transport, zoning and so on, and the type of decisions they may make regarding these tasks. These seven dimensions measure the local autonomy (Ladner, et al., 2019) are:

- 1) Political discretion: the formal distribution of power and the effective decision-making competences with respect to services delivery (= institutional depth + effective political discretion)

- 2) Financial autonomy: the financial resources available locally and the possibility to decide on their sources (= fiscal autonomy + financial self-reliance + borrowing autonomy)
- 3) Non-interference: the extent of liberty granted by higher levels of government in their control (= financial transfer system + administrative supervision)
- 4) Policy scope: the scope of services for which local governments are responsible (= policy scope)
- 5) Legal autonomy: the legal status and protection of local governments (= legal protection)
- 6) Organisational autonomy: the free organisation of local political arenas and administration (= organisational autonomy)
- 7) Access: the degree of influence of local governments on political decisions at higher levels of government (= central or regional access)

On structural reform, the Constitution of Nepal federalized the governance system with more autonomy to local governments to decide and deliver public services, respecting the needs of people. This autonomy is expected to leverage the service diversity and contextualization including improvements under citizen oversights. Alongside, there are initiatives to define organizational structure, prepare new laws and procedures so as to improve public service delivery. On non-structural reform measures, there are initiatives to improve competency of service providers through training and improve service environment by providing effective service facilities (National Planning Commission, 2017 as cited in Pokharel, Subedi, Adhikari, Adhikari, & Gupta, 2018).

## 2.2 Competency of Civil Service

Competency, in the context of Canada's Core Public Administration, is the skills, abilities and characteristics that an employee applies in performing his/her work and that are observable as behaviours or actions. The Public Service of Canada uses the term "competency profile" rather than a competency model for a description of proficiency levels and behaviours required for a specific job or jobs. Using the Public Service Values and Ethics as its foundation of leadership, the Key Leadership Competencies Profile contains a model with four generic competencies, two of them having sub-competencies: 1. Values and Ethics, 2. Strategic Thinking (with the 2 sub-competencies: Analysis and Ideas) 3. Engagement and 4. Management Excellence (with the 3 sub-competencies: Action Management, People Management, and Financial Management). The Public Service of Canada has focused on Competency-Based Management (CBM). CBM and the Key Leadership Competencies (KLC) Profile have proven to be useful tools for promoting excellence and ensuring some consistency across the public service, within organizations, in HR activities and in other enabling corporate functions. Behaviour-based tools have been most helpful when articulating, in more concrete terms, expectations regarding values & ethics, excellence and people engagement within the federal public service workplace (Forgues-Savage & Wong, 2010).

Implementation of Competency-Based Management (CBM) is the systematic process of determining the competencies needed to achieve the results of an organization and applying these competencies in one or more human resource functions. There are certain conditions (key success factors) that are considered necessary for the process to be successful. The Canadian Public Service has identified 5 key steps for the integrated planning of human resources and business. They are: (1) determining organizational business goals; (2) analyzing the organizational environment to see if there is the right mix of skills and people to meet current and future needs of the organization; (3) assessing the gaps or surplus in the organization's workforce, i.e. what is missing or what is no longer required from human resource perspective in order for the organization to achieve its goals; (4) setting priorities and taking action, i.e. initiating strategies to close the gap and help get quantity and quality of the resources required; and (5) reviewing, monitoring and measuring whether efforts were successful (Forgues-Savage & Wong, 2010).

Malaysian public service started to use competency based human resource practices at the end of year 2002 as the response to increase the level of service quality. In Malaysian public service, out of six competency-based human resource practices, only five practices are implemented. They are recruitment and selection, training and development, career development, performance management and reward. Competency-based recruitment and selection is defined by Malaysian public service as 'the extent of screening methods that are used to select a small number of strong candidates from a large group of applicants quickly and efficiently'. Competency-based recruitment and selection start with the identification of the competencies needed by an organization to achieve its goals, missions and objectives which are known as selection competency template. Some competencies that are important for service provision in the public sector in order to enhance service quality are emotional intelligence, customer service orientation, interpersonal communication and team player skills (Azmi, 2010). Some measures should be taken to increase the level of the practices in order to achieve the goal of their implementation that is to increase the level of service quality. For example, competency-based reward, that is currently in practice, should be used to reward employees' potential to perform in future and their current level of competencies in fulfilling specific job tasks. This will motivate them to work harder and perform especially in delivering quality services to the customers. Furthermore, every public organization should be given the authority to select and recruit employees according to the competencies needed which are vital for their organizations. Thus, quality services will be consistently provided to the public and this will assure their satisfaction and loyalty to the government.

Since the 1990s, more and more European countries have introduced competency frameworks at the central or decentralised levels, describing those skills, attitudes, behaviours and abilities that are key for achieving organisational goals (European Union, 2015).

The public sector needs civil servants with the right skills to address increasingly complex problems. Competency management helps governments clarify the abilities (including skills, knowledge and behaviours) needed for a given position, and creates a standard against which effective employee performance is measured. Integrating competencies into a framework, that is used to select, develop and promote civil servants, allows human resources management

(HRM) to develop strategic workforce planning, and also facilitates employees to develop their career plans. Competency management is a high priority in six of the nine SEA countries surveyed (Indonesia, Lao PDR, Malaysia, the Philippines, Singapore and Thailand), and a lower priority in Brunei Darussalam, Cambodia and Vietnam . All countries also have a specific competency framework for senior managers, and eight countries (all except the Philippines) have a framework for civil servants. As countries adopt competency management approaches, in recognition that both hard and soft skills are crucial to civil service performance, a key question is whether civil services can map and develop the skills needed in their central governments. In SEA and OECD countries, the arrangements to promote learning for the central public administration vary widely. Embedding learning in the culture and values of the public service goes beyond the existence of competency frameworks or training programmes, requiring employee competency development to be a core responsibility of public managers. Yet data suggests that workforce development is still among the lowest priorities for senior civil servants in SEA and OECD countries (OECD/ADB, 2019).

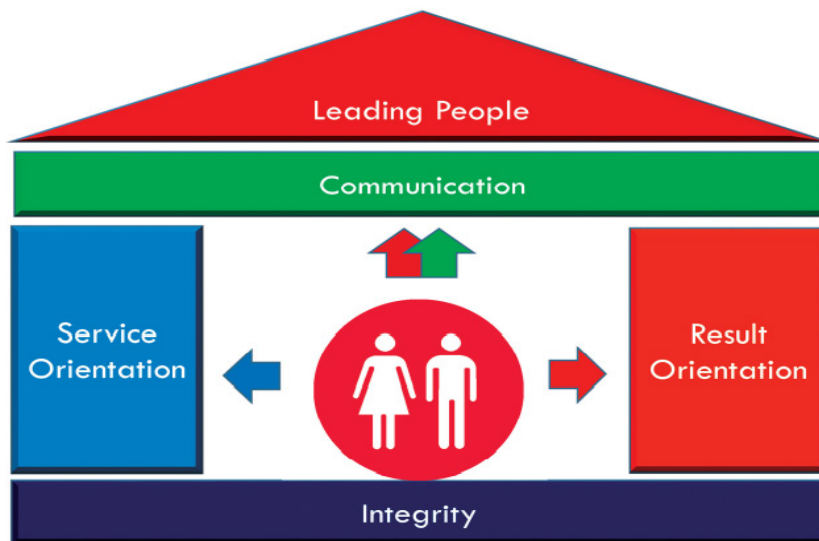
Nepal Administrative Staff College (2018) states that the common roles of civil service include governance activities, ranging from administrative support, logistics management, maintaining internal security and peace, managing resources and promoting coordination with all stakeholders. Among them, coordinating and facilitating roles between political parties and public are considered as their enhanced roles in the new governance system. Involvement in the preparation of annual plan, program and budget is also an important activity for them to satisfy the needs of people and elected representatives, which is a difficult process in relation to resource constraints and delivery capacity. In today's technologically advanced world, it is imperative to have a technically sound workforce for efficiency and convenience in designing the plans and delivery services. All officials are expected to have sound proficiency in computer skills and operating softwares. They encourage innovation to simplify service processes but stress on the continuation of courtesy with the citizens. Similarly, team building, ability to collaborate and coordinate, encourage consensual working modality by mitigating conflict, take informed decisions even at difficult times are few qualities that elected representatives seek in civil servants. An ideal civil servant for them is a person who considers the country's benefits before taking any decision, overcomes pre-occupied mindset in the process of providing service, has a comprehensive understanding of context of work and bridges the gap between political leaders and stakeholders. Civil servants and people's representatives should be regarded as complementary forces for nation building and mutual trust between them is a need for development and prosperity. One of the important characteristics of an ideal civil servant is their interest and ability to understand the citizens they are serving. They have to be proactive in making necessary decisions that help in achieving results, which are beneficial to the citizens. Therefore, self-directed and honest civil servants are ideal for the elected representatives.

Knowledge, skills and attitude/behaviour are the required competencies of civil servants to perform their roles effectively and efficiently. Officials regard that knowledge of the constitution and its provisions is the most important aspect for the citizens in the changed context. In



subnational governments, officials highlighted the need for knowledge of the law-making processes and legislative management procedures (e.g. managing meetings of parliaments) required for executing implementation framework of federalism at all levels. Similarly, in the recent year, public financial management and public procurement are regarded as the main areas of work for government officials. Likewise, in the skills areas, it is stated that a wide range of conceptual, technical and human skills including context analysis skills, language (e.g. English, local languages) and computer skills (digital competency) and maintaining balance in political and bureaucratic relationship are the required competencies for them to effectively fulfill their job. They also emphasized on skills such as preparing policy notes, proposals and memos as integral skills of decision-making and policy management. Civil servants believe that one should have honesty and right attitude in order to be a good professional. Holding positive attitude and integrity is the most important requirement in a civil servant. They iterate the observations which state that civil servants are competent in terms of educational qualification and technical knowhow but they fail to fulfill their commitments to their profession. It is also important for them to build entrepreneurial attributes - risk taking, value for money and innovativeness – in order to deliver results for the citizens’ welfare. The guiding philosophy for civil servants is to be responsive towards citizens and their needs and serve with utmost courtesy. They stressed on establishing a value-based civil service and emphasized on the importance of gaining spiritual intelligence that encourages introspection on their lives. This would create self-awareness in them and help in discovering, understanding and managing their purpose as a civil servant. Similarly, developing social etiquettes and professional demeanor will also help them to present the best of themselves (Nepal Administrative Staff College (NASC), 2018).

*Figure 1: Competency framework of Nepal’s civil service*



Source: Nepal Administrative Staff College, 2018

### 2.3 Competency of Elected Representatives

People's representatives elected through historic election at the federal, province and local level have an enormous responsibility to develop a system of governance as envisioned by the constitution. Similarly, they need to set performance standards for civil service and provide effective leadership to make their vision a reality. Economic development of Nepal has gained momentum after the political transformation. They are focused on fulfilling expectations of people and their commitments made during election. People's representatives have emphasized and committed to the nation's sustainable development in terms of economy, environment and ethno-culture. Repeated commitments have been observed in environmental consciousness and special attention is given to women and children in the development processes. The locally elected officials are expected to ensure impartial enforcement of laws and protect the weaker section of the society (Nepal Administrative Staff College (NASC), 2018).

Sigdel, Adhikari, & Kharel (2021) claim that the locally elected representatives in the selected local governments are familiar with both their executive and new legislative roles. However, they mostly focus on their executive functions to address immediate developmental needs and the concerns of their constituents. Elected officials face more pressure to address the immediate needs of the public and fulfill their developmental functions at the local level. This has reduced focus on their role as local lawmakers which is an essential feature granted by the Constitution to promote local government autonomy. They are facing both internal and external challenges in executing their authority. Internal challenges include the elected representatives' limited capacity, in terms of technical knowledge, to make laws. This demands more investment in building their capacity to effectively exercise local legislative authority and practice deliberative democracy. External challenges include the lack of progress on federal and provincial laws required to provide clarity to local governments on their respective areas, limits, and processes. This has a direct impact on their ability to make local level laws. Local governments are facing difficulties in drafting their legislation. The local officials are aware of understanding and upholding legislative needs. Local governments have formed local legislation committees to facilitate the making of local laws. Further, there is an apparent variance in the understanding of autonomy across local governments.

### 2.4 New Public Management and Competency Based Approaches

New Public Management (NPM) aims towards a more professional and result-oriented management of staff's performance and development through the setting of clear objectives. According to this HR concept, more strategic workforce planning becomes crucial: its first and foremost aim is that the right number of people with the right competencies are in place to deliver the organisational strategies. The whole new public management can be described as a control cycle starting from public requirements and leading to results and evaluation (European Union, 2015).

The competency based approach selects and promotes staff according to the required know-how, skills and attitudes, and aims at a maximum use of human potential. In knowledge-based societies, the continuous investment in people’s skills at all levels becomes a prerequisite for maintaining and raising productivity. Managing the competency of public service staff is important because competency management is considered a means to convert a traditional bureaucracy into a modern and flexible organisation with a common understanding of the behaviour required to achieve the organisation’s objectives. The competency based approach concept has already been introduced by all of the European countries. It was first introduced in countries such as the United Kingdom, Sweden and the Netherlands, which have mostly been influenced by New Public Management ideas for their public service reform. In many countries such as Ireland, Belgium and the United Kingdom, competency management has been introduced as a useful tool to strengthen performance and strategic management. Competency management can contribute to enhancing organisational performance in many respects, such as through a more horizontally integrated HRM approach by linking selection, evaluation, training and development, as well as a stronger vertical integration or alignment of people’s competencies with the organisational mission and vision (European Union, 2015).

There are certain differences between functional and competency based approaches to human resource management. They are presented in Table 2.

**Table 2: Differences between functional and competency-based approaches to HRM**

Functional approach	Competency approach
Job description <ul style="list-style-type: none"> <li>• What is done?</li> <li>• Cluster of core tasks and functional requirements (knowledge, skills, responsibility)</li> </ul>	Competency profile <ul style="list-style-type: none"> <li>• What is done, why and how?</li> <li>• Cluster of core tasks and competency requirements (knowledge, skills, personality, attitude, values and norms, incentives)</li> </ul>
Selection <ul style="list-style-type: none"> <li>• How is the person?</li> <li>• Selection in order to realise a fit between the function and the individual</li> <li>• Selection in order to fill a vacancy</li> <li>• Selection criteria based on the current function</li> <li>• Selection criteria focusing on knowledge, personality, and attitude</li> </ul>	Selection <ul style="list-style-type: none"> <li>• How does the person function?</li> <li>• Selection in order to realise a fit between the individual and the organization</li> <li>• Selection in order to sustain the growth and development of an organisation in the long term</li> <li>• Selection criteria based on the future</li> <li>• Selection criteria: knowledge, personality, and attitude, but also skills, values, and behaviour</li> </ul>
Development <ul style="list-style-type: none"> <li>• Development of knowledge</li> <li>• Aimed at hierarchical promotion</li> <li>• With a view to raising job skills</li> </ul>	Development <ul style="list-style-type: none"> <li>• Development of knowledge, ability, and willing</li> <li>• Aimed at horizontal mobility</li> <li>• Aimed at the maximum use of human potential</li> <li>• With a view to developing skills and behaviour</li> </ul>

Functional approach	Competency approach
Appraisal <ul style="list-style-type: none"> <li>• Focus on functioning in the job</li> <li>• Focus on dedication</li> </ul>	Appraisal <ul style="list-style-type: none"> <li>• Focus on functioning in the job, performance, results, and potential</li> <li>• Focus on behaviour</li> </ul>
Reward <ul style="list-style-type: none"> <li>• Pay according to the job</li> <li>• The relative weight of the function determines the wage</li> <li>• Focus on responsibility, knowledge and seniority</li> </ul>	Reward <ul style="list-style-type: none"> <li>• Pay according to work</li> <li>• The required competencies for an organisation determine the wage</li> <li>• Focus on output</li> </ul>

Source: op de Beeck, S. & Hondeghe, A. (2010) as cited in European Union, 2015

## 2.5 Capacity Building

Apart from the capacity-building of several public agencies for federalization, decentralization, transition management, etc., this component will have to include: a) building human resource capacity of administrative and developmental institutions operating in public sector through different means; b) supporting aspiring women and members of socially excluded groups for civil service entry examinations and development of in-service capacity building; and c) capacity-building of lead agencies like MoGA, PSC and OPMCM for administrative federalization. Some innovative measures like execution of HRD plan in civil service with development of staff data base and inventory of service seekers and administrative outreach for them, will also be considered. Likewise, design and execution of sectoral transition management plan for major sectoral ministries for re-organizing existing administrative set-ups in line with the needs of state restructuring will have to take place with stocktaking of the existing human and physical resources. Capacity development of newly created organizations at federal, provincial and local levels will also need to be included in this component. (Sharma & Pant, Not Stated)

Business associations worry that local governments will not have sufficient capacity to provide effective decentralized services including the capacity for construction and maintenance of roads, highways, and irrigation. However, there are cases where sectoral ministries have promoted decentralization and local government capacity building for service delivery in their sector, so they need not automatically be presumed to be hostile or indifferent to local government. Systems and capacity typically need to be developed over time, and other factors may evolve during this process. Given weak local government capacity, the political environment following the recently instituted multiparty elections, and the reluctance of central ministries to cede power, there is little chance that major devolution of expenditure decisions will happen any time soon. Despite having been held in check for decades, the long-standing local institutions and human resource capacity provided a critical building block for stronger political, fiscal, and administrative decentralization characterized by greater local powers and autonomy.

Development partners working in fragile and conflict-affected countries need to pay particular attention to how the politics of decentralization is playing out in overall efforts to build a stable state while beginning to enhance the delivery of basic public services (including security) in the context of severe capacity constraints. Central governments and agencies often argue for their own bureaucratic interests that greater decentralization is not possible owing to limited capacity or accountability at the subnational level. However, if greater devolution is seen as a desirable objective, development partners could also work in a concerted fashion to strengthen subnational capacity as a precursor to this objective (Eaton, Kaiser, & Smoke, 2010).

# METHODOLOGY

## 3.1 Research Design

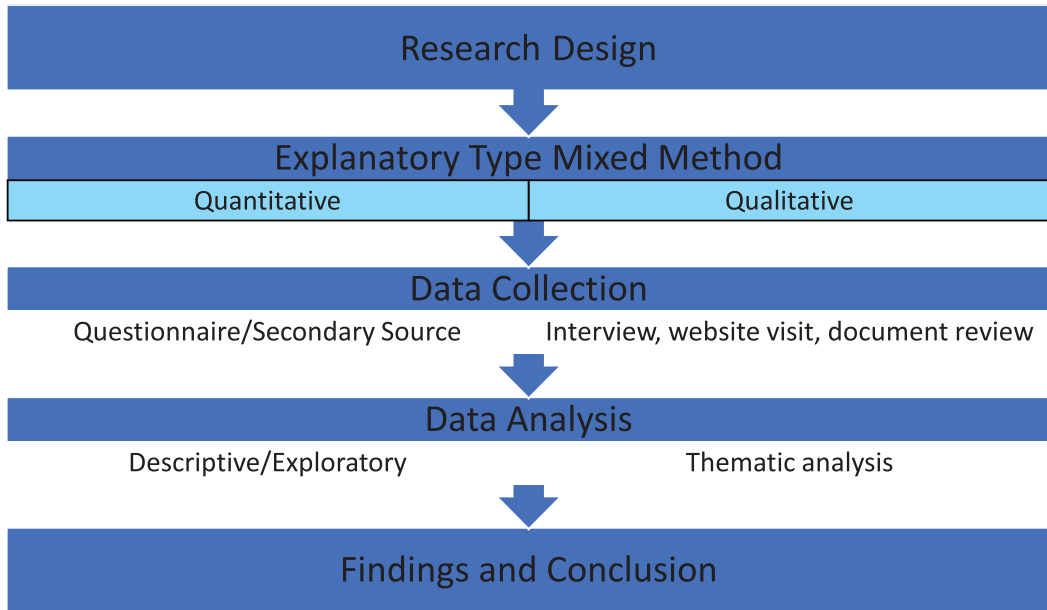
This study employed the mixed method design which is the class of research where the researcher mixes or combines quantitative and qualitative research techniques, methods, approaches, concepts or language into a single study (Johnson & Onwuegbuzie, 2004). Mixed methods research work can help develop rich insights into various phenomena of interest that cannot be fully understood using only a quantitative or a qualitative method (Venkatesh, Brown, & Bala, 2013). The key characteristic of mixed methods research is the sequential or concurrent combination of quantitative and qualitative data collection methods, analysis and presentation within a single research inquiry. In the recent years, remarkable number of publications are based on mixed methods (Small, 2011) because mixed method design has potentiality to provide detailed and comprehensive data in order to achieve the research objectives and answer the research questions<sup>1</sup>.

Creswell and Clark (2007 as cited in Venkatesh, Brown, & Bala, 2013) suggested four major types of mixed methods designs: 1) triangulation (i.e., merge qualitative and quantitative data to understand a research problem); 2) embedded (i.e., use either qualitative or quantitative data to answer a research question within a largely quantitative or qualitative study); 3) explanatory (i.e., use qualitative data to help explain or elaborate quantitative results); and 4) exploratory (i.e., collect quantitative data to test and explain a relationship found in qualitative data). This study employed the explanatory type of mixed methods design by using qualitative data to help explain or elaborate quantitative results. This method was preferred to obtain a clearer picture from the quantitative data, and then to use the qualitative data to provide better understanding and explanation of the study in question.

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<sup>1</sup> <https://core.ac.uk/download/159185726.pdf>

Figure 2: Research Design



Source: Author, 2021

### 3.2 Models

Laws enacted =  $\beta_0 + \beta_1$  local government institutional self assessment value +  $\beta_2$  performance evaluation value +  $\beta_3$  type of local government (mun=1) +  $\beta_4$  attention paid to all the five major functions (yes=1) +  $\beta_5$  number of acquired wards +  $\beta_6$  population +  $\beta_7$  area +  $\epsilon$  ..... (1)

$BERUJU = \beta_0 + \beta_1$  local government institutional self assessment value +  $\beta_2$  performance evaluation value +  $\beta_3$  type of local government (mun=1) +  $\beta_4$  attention paid to all the five major functions (yes=1) +  $\beta_5$  number of acquired wards +  $\beta_6$  population +  $\beta_7$  area +  $\epsilon$  ..... (2)

Capital expenditure =  $\beta_0 + \beta_1$  local government institutional self assessment value +  $\beta_2$  performance evaluation value +  $\beta_3$  type of local government (mun=1) +  $\beta_4$  attention paid to all the five major functions (yes=1) +  $\beta_5$  number of acquired wards +  $\beta_6$  population +  $\beta_7$  area +  $\epsilon$  ..... (3)

Where,

$\beta_0, \beta_1, \beta_2, \beta_3, \beta_4, \beta_5, \beta_6, \beta_7$  and  $\epsilon$  are regression parameters

Type of local government and attention paid to all the five major functions are dummy variables

### 3.3 Operational Definitions

**Local government officials:** Elected as well as selected officials from the local government.

**Competency:** Capacity of the local government officials in enabling the public sector governance as well as policy environment at the local level. In this study, competency has been assessed through its two major proxies - local government institutional self-assessment value (in percent) and performance evaluation value (in percent).

**Organizational performance:** There are three proxies of organizational performance. They are: 1) number of laws enacted (up to Shrawan 2078) regarding the constitutional mandates of local government and made available publicly through its website, 2) proportion of *BERUJU* to total audited amount (in percent) F.Y. 2076/77), and 3) proportion of capital to total expenditure (in percent, F.Y. 2076/77).

### 3.4 Data and Its Sources

This study firstly collected quantitative data from the 54 local governments. Table 3 shows the total sampling unit and the areas of the study. Later on, qualitative data were collected on the topics that were particularly tallied to and recognized by the quantitative findings and the qualitative data were used for further explanation and discussion purposes. The qualitative information was gathered from the officials of local government (elected as well as selected). Nevertheless, the main focus was on the quantitative approach.

One of the data sources for this study was the perception-based data of the survey done by the Provincial and Local Governance Support Programme (PLGSP). The survey was conducted using multi-stage random sampling drawing samples from 18 districts and 54 local governments. The survey provided data on three different elements: a) service recipients' experiences of public service provided by the local government; b) competency of elected representatives at local government; and c) participation of members, i.e. LG executive council members including women and marginalized community in LG affair. There were hundreds of questions asked in the PLGSP survey. Out of those several questions, data and information related with the competency and capacity were used. This study used the perception-based data related with the competency of elected representatives at local governments to prepare and deliver local development plans and responsibilities. Specifically, data about attention paid to and level of competency regarding all five major functions of the local government from the PLGSP survey were used.

Another data source for this study was the website of the Ministry of Federal Affairs & General Administration, the Government of Nepal. Researcher visited the <https://www.mofaga.gov.np/> website and collected information on a number of policies/laws drafted by the local government and made available publicly through its website, total population of the local government, area (in sq. km) and number of wards acquired<sup>2</sup>. Likewise, <https://lisa.mofaga.gov.np/home> was used to collect information regarding local government institutional self-assessment value.

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<sup>2</sup> Information about the total number of wards and its formation details are available in MOFAGA's <https://sthaniya.gov.np/gis/> website.



Furthermore, the annual report of the Office of the Auditor General for the year 2078 BS was used for the data related to the local government institutional self-assessment value, proportion of BERUJU to total audited amount (in percent, F.Y. 2076/77), and proportion of capital to total expenditure (in percent, F.Y. 2076/77).

Lastly, performance evaluation value published by the National Natural Resources and Fiscal Commission, Government of Nepal and published through [https://nnrfc.gov.np/uploads/resources/2022-03-13/final\\_kasamu1.pdf](https://nnrfc.gov.np/uploads/resources/2022-03-13/final_kasamu1.pdf) was also used.

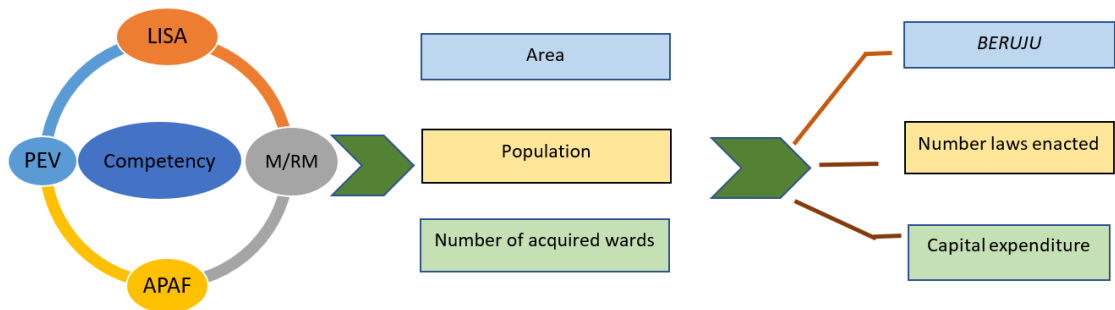
**Table 3: Study Area (List of local governments included in this study)**

Bardibas Municipality	Gharpajhong village municipality	Nechasalyan village municipality
Baudikali village municipality	Godavari Municipality	Pancheshwor village municipality
Beni Municipality	Ilam Municipality	Paterwa Sugauli village municipality
Bhajani Municipality	Inaruwa Municipality	Pyuthan Municipality
Bhaktapur Municipality	Jaleshwar Municipality	Raghuganga village municipality
Bharatpur Municipal Corporation	Jaya Prithvi Municipality	Ratnanagar Municipality
Bhimeshwar Municipality	Kaika village municipality	Rong village municipality
Birgunj Municipal Corporation	Kapilvastu Municipality	Sharda Municipality
Buddhabhumi Municipality	Kawasoti Municipality	Siddha Kumakh village municipality
Changunarayan Municipality	Koshi village municipality	Solududhkunda Municipality
Chulachuli village municipality	Lo-Ghekar Damodarkund village municipality	Tamakoshi village municipality
Darma village municipality	Madhyapur Thimi Municipality	Thalara village municipality
Dasharathchanda Municipality	Madi Municipality	Thasang village municipality
Dhangadhi Sub-metropolis	Mahottari village municipality	Thuli Bheri Municipality
Dharan Sub-metropolis	Malika village municipality	Vigu village municipality
Dhobini village municipality	Mandavi village municipality	Vinayi Triveni village municipality
Dogadakedar village municipality	Mapya Dudhkoshi village municipality	Yasodhara village municipality
Durgathali village municipality	Mudkechula village municipality	
Gaumukhi village municipality		

### 3.5 Variables and Conceptual Framework

Three categories of variables – dependent, independent and intervening – were used to achieve the study objectives. Dependent variables in this study were the number of laws enacted, BERUJU, and capital expenditure. Independent variables in this study were local government institutional self-assessment value (LISA), performance evaluation value (PEV), type of local government (M/RM, municipality=1) and attention paid to all the five major functions (APAF, yes=1). Finally, list of intervening variables included in this study were number of acquired wards, population and area (sq. km). Figure 3 presents the proposed relationship between variables.

Figure 3: Framework of the study (independent, intervening and dependent variables)



### 3.6 Data Analysis

Providing detailed and comprehensive data along with rigorous interpretation of data was crucial in the mixed method of research. Descriptive and exploratory data analysis techniques as well as thematic analysis were used to inquire the central research question and to accomplish the research purpose. Along with the quantitative data analysis by using SPSS, this study discovered and described the causes and consequences of having or lacking competency in the overall organizational performance of the local governments.

## RESULTS AND ANALYSIS

This research intended to use one of the variables from the Provincial and Local Governance Support Programme (PLGSP) baseline survey. One of the major constructs measured by the survey was related with the competency of local government chief and his/her team to deliver the mandates envisioned by the constitution of Nepal. As stated in the methodology section, the PLGSP baseline survey was conducted using multi-stage random sampling drawing samples from 18 districts and 54 local governments. Since the survey was conducted with rigorous design and methods, this study used the same 54 local governments as its study area to address and achieve the study objectives.

### 4.1 Background Information

Table 4 illustrates the background characteristics of the study area. Out of the total 54 local governments, 51.9 percent are the rural municipalities and 48.1% are the municipalities. No major provincial differences are noticed regarding the inclusion of local governments by provinces. In the case of geographical region, two-fifth of the local governments are from the Terai region.

*Table 4: Background characteristics of the study area*

	Frequency	Percentage
Type of local government		
Rural	28	51.9
Urban	26	48.1
Province		
Province 1	9	16.7
Madhesh	6	11.1
Bagmati	9	16.7
Gandaki	9	16.7
Lumbini	6	11.1
Karnali	6	11.1
Sudurpashchim	9	16.7
Geographical region		
Mountain	16	29.6
Hill	16	29.6
Terai	22	40.8
Total	54	100.0

## 4.2 Competency of the Local Government Officials

This study gives insights into the capacity of the local government officials in preparing and delivering plans related to their roles and functions. Despite some issues and challenges in practicing legislative authority, local governments have understood that they have to work on all the mandates as envisioned by the constitution and laws. Almost all the interviewed local government officials are found to be aware (fully and partially) on the mandates/responsibilities of local government as per the Constitution and laws. As per the mandates of the constitution and other laws, the local governments' functions are classified mainly in five areas. They are: a) economic development, b) social development, c) physical infrastructure development, d) forest environment and disaster management, and e) institutional development, service delivery and good governance. Local governments also have formed separate committees, as envisioned in the local government operation act, to facilitate the overall process.

### Box 1: Understanding of roles as per the constitutional mandate

Level of knowledge about the constitutional mandates has increased significantly. Noticeable differences have been observed in my level of knowledge after four and half years of the election. Self-study, working experience and training/workshops have enhanced my knowledge on the mandates/responsibilities of local government. I am quite clear on my roles and responsibilities. I have always tried to ensure that the governance and effective service delivery are in place. Moreover, I am quite clear that I have a wider variety of roles ranging from making and implementing development plans to making policies and laws, providing good leadership to people, ensuring social justice, mobilizing resources and generating revenue.

-Mayor, Municipality

My main roles as a vice chairperson of my rural municipality are monitoring and evaluation; and social justice, whereas main roles of the chairperson of my municipality are making and implementing development plan; and making policies and laws.

Vice Chairperson, Rural Municipality

It has been discovered that local governments have given attention to all the five functions. Relatively, high attention has been paid to the physical and social development sector and low attention to forest, environment and disaster management. Some of the reasons behind less attention being paid are found to be 'due to the priority given to other sectors than forest, environment and disaster' and not having adequate human resources and knowledge/skills to work in this sector'.

### 4.3 Descriptive Statistics

Table 5 explains summary statistics regarding the variables used in this study. It reveals that there are great discrepancies in statistics across the municipalities. The average number of policies and laws enacted by the 54 local governments is 26.98. The standard deviation is almost equal to the mean value, indicating that the summary of differences of each observation from the mean value is 19.50. The range of the number of policies and laws enacted is 2 to 96 (or 94 as a single number). It suggests that though the local governments have power to legislate local laws, some of them have enacted only a few local laws and policies.

#### Box 2: Exercising legislative power

Qualitative interviews with five key actors, including 2 chief executive officers and 3 elected officials from the local governments where very few laws were enacted, revealed that it's important for local governments to develop their capacity to draft their own laws. Trainings and workshops have helped them making aware about their roles in law making. Nevertheless, many pertinent questions regarding the exercise of legislative power were discovered. Do the federal government deploy chief executive officer on time, attend their respective offices and facilitate the legislative procedures? Are the legislative assemblies and judicial committees cooperative and functional? Do the elected leaders coordinate with other locally elected representatives comprising village/municipal assemblies in the overall legislative procedures? In particular, do the elected leaders have capacity to exercise the overall law-making authority and procedures? Meanwhile, the five key actors interviewed hinted towards many constraints despite being optimistic for future.

Likewise, Table 5 suggests that the average proportion of BERUJU to total audited amount is 4.69 percent. The range of the *BERUJU* is .12 to 17.94 (or 17.82 as a single number). The standard deviation of this *BERUJU* is 4.41 percent indicating that there is a considerable spread in *BERUJU* across local governments. In the case of proportion of capital to total expenditure of local governments, the average value is 33.52 percent with the standard deviation of 8.76 percent. There are several reasons behind low capital expenditure. The major reasons are due to improper selection of programs and projects, low level of team competency, and inadequate skilled and technical manpower (Office of the Auditor General, 2078).

### Box 3: Enactment of law and *BERUJU*

Some of the local governments have failed to enact laws related with the powers vested on them. This has emerged as an opportunity to most of the local governments but also as a challenge in our local government. Enactment of law is the only way to institutionalize the powers conferred by the constitution and to reduce the amount of *BERUJU*. However, completing the cycle of planning, budgeting and implementation without laws have soared the *BERUJU*. Generally, *BERUJU* increases when expenses are made without enacting laws and producing documents as required by the laws.

-Account assistant (*LEKHAPAL*)

Similarly, table 5 shows that the average local government institutional self-assessment value is 58.44 with 14.83 percent standard deviation. The range of the local government institutional self-assessment value is 26 to 86 percent (or 60 as a single number). In the case of performance evaluation, the average value is 56.90 percent with 9.88 percent standard deviation. The range of the performance evaluation value is 39.16 to 80.97 percent (or 41.81 as a single number).

**Table 5: Variables and their descriptive values**

Measure	Count	Minimum	Maximum	Mean	Standard Deviation
Number of laws enacted (up to Shrawan 2078)	54	2	96	26.98	19.50
Proportion of <i>BERUJU</i> to total audited amount (in percent, F.Y. 2076/77) <sup>3</sup>	53	.12	17.94	4.69	4.41
Proportion of capital to total expenditure (in percent, F.Y. 2076/77) <sup>4</sup>	53	18	63	33.52	8.76
Local Government Institutional Self-Assessment Value (in percent)	54	26	86	58.44	14.83
Performance evaluation value (in percent)	54	39.16	80.97	56.90	9.88
Type of local government (municipality=1)	NA				
Attention paid to all the five major functions <sup>5</sup> of LG (yes = 1)	NA				
Number of acquired wards	54	0	11	5.09	2.98
Population	54	1423	280502	45145.07	52555.22
Area (Sq. KM)	54	7	1344	201.93	212.03

<sup>3</sup> Office of the Auditor General, 2078

<sup>4</sup> Office of the Auditor General, 2078

<sup>5</sup> Field survey, 2021 (PLGSP Baseline Survey)

Analyzing descriptive statistics alone is not sufficient to examine the relationship between competency and performance. Thus, in order to investigate whether competency has an impact on performance, it is necessary to supplement descriptive statistics with a bivariate and multivariate analysis.

#### 4.4 Test of Inter-correlation and Reliability

An assessment was carried out to see whether multicollinearity existed between the independent variables (see Table 6). Test of multicollinearity is an initial step in any multiple regression analysis to see if inter-correlation exists between variables. It is tested to be sure that no adverse effect exists in estimated coefficients. Through the analysis of correlation coefficient and variance inflation factor (VIF), we can evaluate the level of multicollinearity. The correlation coefficient values are less than or equal to .70 and VIF values were found ranging from 1.02 to 2.29. Therefore, it can be claimed that there is no likelihood of collinearity in the data set used by this study. If the VIF values are below 10, then we can claim that there is not any evidence of multicollinearity (Adhikari, 2014).

**Table 6: Results of Multicollinearity**

VIF and Correlation Coefficients	D1	D2	D3	D4	D5
<b>D1:</b> Number of laws enacted (1.29)	1	-.06	.01	.42**	-.06
<b>D2:</b> Proportion of <i>BERUJU</i> to total audited amount (2.29)		1	-.13	-.49**	-.70**
<b>D3:</b> Proportion of capital to total expenditure (1.02)			1	.09	.10
<b>D4:</b> Local government institutional self-assessment value (1.43)				1	.32*
<b>D5:</b> Performance evaluation value (1.9)					1

Note. Value in the parenthesis is VIF value. \*\*  $p < .01$ . \*  $p < .05$ . N = 53/54.

#### 4.5 Regression Analysis

The analysis of the properties of multiple regression encouraged for further analysis. This study used a three-stage hierarchical multiple regression analysis to test the relationship between/among variables by creating three separate blocks. Generally, variables found to be important in predicting the impact were entered into the first block. Then, the other predictor variables were entered into the second block and the third block. In the second block, dummy variables having categorical values were entered. Dummy variable is one that takes the value 0 or 1 to indicate absence or presence of impact in the model. In the third block, other intervening variables were entered to statistically control the effect of those variables. Local government institutional self-assessment value and performance evaluation value have been expected to be major predictors. That is why, they were entered into the first block. Two dummy variables, type of local government (municipality=1) and attention paid to all the five major functions of LG (yes = 1), were entered into the second block. Variables entered into the third blocks were number of acquired wards, area (sq. km) and the total population of the selected local governments.

There are three dependent variables in this study, that is why, three separate models were formed and run. Summary results for the three separate dependent variables have been presented in Table 7, 8 and 9. Table 7 considers the number of laws enacted as a dependent variable; the table 8 considers proportion of BERUJU to total audited amount as a dependent variable; and the table 9 considers proportion of capital to total expenditure as a dependent variable. Same sets of independent variables have been used in all the three models.

Table 7 presents the summary results of three-stage hierarchical multiple regression where number of laws enacted was considered as a dependent variable. Model 1 refers to the first-stage in the hierarchy when local government institutional self-assessment value and performance evaluation value were used as predictors. Model 2 refers to the second-stage in the hierarchy where type of local government (municipality=1) and attention paid to all the five major functions of LG (yes = 1) were used as predictors. Model 3 refers to the third-stage in the hierarchy where number of acquired wards, area (sq. km) and total population of the selected local governments were used as predictors. The hierarchical multiple regression revealed that at stage one, local government institutional self-assessment value and performance evaluation value explain 22% of the variation in the number of laws enacted by the local government and the  $R^2$  value is significant. Introducing type of local government (municipality=1) and attention paid to all the five major functions of LG (yes = 1) at stage two explained an additional 4% variation in the number of laws enacted by the local government but the  $R^2$  value becomes insignificant. Incorporating the number of acquired wards, area (sq. km) and total population at stage three explained an additional 9% variation in number of laws enacted by the local government and the  $R^2$  value is significant. Coming to Model 3, the  $R^2$  value of .35 suggests that independent variables, including intervening variables, explain 35% of the variation in number of laws enacted by the local government.

Two out of seven variables (Table 7, Model 3) had significant impact on the number of laws enacted by the local government. The positive for local government institutional self-assessment value (.35) and population (.36) signify that they have positive relationship with number of laws enacted by the local government. However, performance evaluation value was found to be insignificant in predicting number of laws enacted. Nevertheless, local government institutional self-assessment value was found to be significant in predicting the number of laws enacted by the local government.



**Table 7: Summary of hierarchical regression analysis for variables predicting number of laws enacted by the local government**

Variable	b	t	R <sup>2</sup>	ΔR <sup>2</sup>
<b>Model 1</b>			<b>.22***</b>	
Local government institutional self-assessment value (in percent)	0.64	.49***	3.71***	
Performance evaluation value (in percent)	-0.42	-.21	-1.63	
<b>Model 2</b>			<b>.26</b>	<b>.04</b>
Local government institutional self-assessment value (in percent)	0.55	.42***	2.99***	
Performance evaluation value (in percent)	-0.37	-.19	-1.43	
Type of local government (Municipality=1)	7.12	.18	1.39	
Attention paid to all the five major functions of LG (Yes = 1)	-5.07	-.13	-1.05	
<b>Model 3</b>			<b>.35*</b>	<b>.09</b>
Local government institutional self-assessment value (in percent)	0.46	.35**	2.43**	
Performance evaluation value (in percent)	-0.26	-.13	-0.96	
Type of local government (Municipality=1)	1.52	.04	0.27	
Attention paid to all the five major functions of LG (Yes = 1)	-5.44	-.14	-1.15	
Number of acquired wards	0.27	.04	0.31	
Population	0.00	.36*	2.46*	
Area (Sq. KM)	-0.00	-.02	-0.13	

Note. N = 54. \*p < .10, \*\*p < .05, \*\*\*p < .01. DV = Number of laws enacted by the local government

Table 8 presents the summary results of three-stage hierarchical multiple regression where *BERUJU* was considered as a dependent variable. Model 1 refers to the first-stage in the hierarchy when local government institutional self-assessment value and performance evaluation value were used as predictors. Model 2 refers to the second-stage in the hierarchy where type of local government (municipality=1) and attention paid to all the five major functions of LG (yes = 1)

were used as predictors. Model 3 refers to the third-stage in the hierarchy where the number of acquired wards, area (sq. km) and total population of the selected local governments were used as predictors. The hierarchical multiple regression revealed that at stage one, local government institutional self-assessment value and performance evaluation value explain 56% of the variation in the *BERUJU* and the  $R^2$  value is significant. Introducing type of local government (municipality=1) and attention paid to all the five major functions of LG (yes = 1) at stage two explain an additional 1% variation in *BERUJU* but the  $R^2$  value becomes insignificant. Incorporating number of acquired wards, area (sq. km) and total population at stage three do not explain additional variation in *BERUJU* and the  $R^2$  value is still insignificant. Referring Model 1, the  $R^2$  value of .56 suggests that independent variables, including intervening variables, explain 56% of the variation in *BERUJU*.

**Table 8: Summary of hierarchical regression analysis for variables predicting *BERUJU***

Variable	<i>b</i>	<i>t</i>	$R^2$	$\Delta R^2$
<b>Model 1</b>			<b>.56***</b>	
Local government institutional self-assessment value (in percent)	-0.09	-.30***	-3.02***	
Performance evaluation value (in percent)	-0.27	-.60***	-6.09***	
<b>Model 2</b>			<b>.57</b>	<b>.01</b>
Local government institutional self-assessment value (in percent)	-0.10	-.34***	-3.03***	
Performance evaluation value (in percent)	-0.26	-.58***	-5.69***	
Type of local government (Municipality=1)	0.72	.08	0.78	
Attention paid to all the five major functions of LG (Yes = 1)	0.08	.01	0.09	
<b>Model 3</b>			<b>.57</b>	<b>.00</b>
Local government institutional self-assessment value (in percent)	-0.10	-.34***	-2.86***	
Performance evaluation value (in percent)	-0.26	-.59***	-5.17***	
Type of local government (Municipality=1)	0.68	.08	0.59	
Attention paid to all the five major functions of LG (Yes = 1)	0.07	.01	0.08	
Number of acquired wards	-0.07	-.04	-0.40	
Population	-0.00	-.02	-0.17	
Area (Sq. KM)	0.00	.01	0.11	

Note. N = 54. \*p < .10, \*\*p < .05, \*\*\*p < .01. DV = *BERUJU*

Two out of seven variables (Table 7, Model 1, 2 and 3) had significant impact on *BERUJU*. The negative for local government institutional self-assessment value (-.34) and performance evaluation value (.59) signify that they have negative relationship with *BERUJU*. However, all others variables were found to be insignificant in predicting *BERUJU*.

Table 9 presents the summary results of three-stage hierarchical multiple regression where proportion of capital to total expenditure was considered as a dependent variable. Model 1 refers to the first-stage in the hierarchy when local government institutional self-assessment value and performance evaluation value were used as predictors. Model 2 refers to the second-stage in the hierarchy where type of local government (municipality=1) and attention paid to all the five major functions of LG (yes = 1) were used as predictors. Model 3 refers to the third-stage in the hierarchy where the number of acquired wards, area (sq. km) and total population of the selected local government were used as predictors. The hierarchical multiple regression revealed that at stage one, local government institutional self-assessment value and performance evaluation value explain only one percent of the variation in the proportion of capital to total expenditure done by the local government but the  $R^2$  value is insignificant. Introducing type of local government (municipality=1) and attention paid to all the five major functions of LG (yes = 1) at stage two explained an additional two percent variation in proportion of capital to total expenditure and the  $R^2$  value is still insignificant. Incorporating the number of acquired wards, area (sq. km) and total population at stage three explains an additional 31% variation in proportion of capital to total expenditure but the  $R^2$  value is insignificant. Referring to Model 3, the  $R^2$  value of .34 suggests that independent variables, including intervening variables, explains 34% of the variation in the proportion of capital to total expenditure done by the local government.

Three out of seven variables (Table 9, Model 3) had significant impact on proportion of capital to total expenditure. However, competency related independent variables (i.e. local government institutional self-assessment value and performance evaluation value) were found to be insignificant. The variable named type of local government (municipality=1) has a significant negative value. However, area (sq. km) and total population were found to be significant and positive.

**Table 9: Summary of hierarchical regression analysis for variables predicting capital expenditure**

Variable	<i>b</i>	<i>t</i>	<i>R</i> <sup>2</sup>	$\Delta R^2$
<b>Model 1</b>			<b>.01</b>	
Local government institutional self-assessment value (in percent)	0.04	.06	0.41	
Performance evaluation value (in percent)	0.07	.08	0.55	
<b>Model 2</b>			<b>.03</b>	<b>.02</b>
Local government institutional self-assessment value (in percent)	0.05	.09	0.52	
Performance evaluation value (in percent)	0.05	.06	0.40	
Type of local government (Municipality=1)	-1.06	-.06	-0.38	
Attention paid to all the five major functions of LG (Yes = 1)	-1.60	-.09	-0.63	
<b>Model 3</b>			<b>.34</b>	<b>.31</b>
Local government institutional self-assessment value (in percent)	0.04	.07	0.46	
Performance evaluation value (in percent)	-0.05	-.06	-0.40	
Type of local government (Municipality=1)	-5.09	-.29*	-1.80*	
Attention paid to all the five major functions of LG (Yes = 1)	-0.96	-.05	-0.44	
Number of acquired wards	-0.65	-.21	-1.55	
Population	0.00	.35**	2.31**	
Area (Sq. KM)	0.02	0.53***	4.05***	

Note. N = 54. \*p < .10, \*\*p < .05, \*\*\*p < .01. DV = Proportion of capital to total expenditure

## 4.6 Conclusion

The aim of this study was to examine the relationship between competency and organizational performance of local governments. This study used local government institutional self-assessment value (in percent) and performance evaluation value (in percent) as the proxies of competency. Similarly, number of laws enacted, proportion of *BERUJU* to total audited amount and proportion of capital to total expenditure were considered as the proxies of organizational performance. The result of this study supported the prediction of significant positive relationship between local government institutional self-assessment value and number of laws enacted. Local government institutional self-assessment value and performance evaluation value were found to have significant negative relationship with *BERUJU*. Whereas, local government institutional self-assessment value and performance evaluation value were found to have insignificant relationship with the proportion of capital to total expenditure. Findings of this study tend to suggest that local government should not neglect the competency since there is positive link between competency and performance.

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