



Government of Nepal
Provincial and Local Governance Strengthening Programme
(PLGSP)

Karnali Province Capacity Needs Assessment, Partnership Mapping Findings, Best Practice Options and Potential TA Deployments

Provincial Consultation Note
June 2025

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ABOUT THIS NOTE

This working note is an interim output of the broader PLGSP Partnership Mapping and Capacity Assessment exercise. It is intended exclusively to support engagement with Karnali provincial authorities in identifying and prioritizing core capacity needs over the next 4–5 years.

The final national report will consolidate findings from provincial and local governments into a comprehensive strategic assessment. This will enable the identification of both cross-cutting institutional challenges and those specific to individual PLGs, forming the basis for targeted and scalable capacity development interventions.

Based on the findings, the analysis proposes two technical assistance (TA) positions to be taken forward under the Provincial and Local Governance Strengthening Programme (PLGSP).

1. INTRODUCTION

This document provides a summary of results emerging from fieldwork, institutional analysis, and key informant interviews conducted across Karnali Province to assess core capacity gaps and partnership options in governance, public financial management, and service delivery under Nepal’s federal framework. It identifies a long list of 54 capacity gaps emerging from the survey work to be reduced into a provincial short list based on provincial government prioritization, while also mapping existing partnerships, identifying areas of strategic misalignment and opportunity, and distilling best practices that can be scaled to improve provincial-local coordination.

The report is merely provided as input to shortlisting priority actions by provincial authorities, and it does not provide a detailed institutional ecosystem analysis, as institutional issues (capacities, partnerships, etc.) will only be covered in the final partnership mapping and capacity assessment report.

Based on the findings, the analysis proposes two technical assistance (TA) positions—focused on public financial/local revenue generation management and digital governance—to be taken forward under the Provincial and Local Governance Strengthening Programme (PLGSP).

2. PROVINCIAL GOVERNANCE PROFILE

Karnali Province is Nepal’s largest province by area but the least populated, located in the northwestern part of the country. It encompasses ten districts: Dailekh, Dolpa, Humla, Jajarkot, Jumla, Kalikot, Mugu, Rukum West, Salyan, and Surkhet (the provincial capital). The province is characterized by rugged terrain, high mountains, and remote settlements, with much of its population residing in rural and hard-to-reach areas.

Karnali has a population of approximately 1.6 million (2021 census), with a predominantly young demographic profile. The population is ethnically diverse, including groups such as Chhetri, Thakuri, Dalits, Magars, and various indigenous communities. Literacy rates and human development indicators are among the lowest in the country, reflecting limited access to quality education and healthcare.

The provincial economy is primarily subsistence-based, driven by agriculture, livestock, and remittances. Due to its remoteness and lack of infrastructure, Karnali has low market integration and limited private sector activity. Food insecurity, high outmigration, and underemployment are persistent challenges. However, the province holds significant potential in eco-tourism, herbal medicine, hydropower, and high-value agriculture.

Karnali represents the most structurally disadvantaged province in Nepal’s federal system. As such, it is both a testing ground and a priority for federal equity-driven development policies. The transition to federalism has raised hopes for more localized governance and tailored service delivery. However, weak institutional capacity, limited fiscal resources, and poor connectivity continue to hinder its development prospects. Strengthening provincial governance and intergovernmental coordination is critical to ensure Karnali’s inclusion in Nepal’s broader growth and state-building trajectory.

Karnali Province operates within the federal democratic republican system established by the Constitution of Nepal 2015. The provincial government is organized into three main organs of government: executive, legislative, and judicial.

- **Executive Branch:** The Provincial Head (Governor) serves as the ceremonial head of the province (*Article 164*), while the Chief Minister leads the provincial government (*Article 168*). The Chief Minister heads the Provincial Cabinet (*Article 168(9)*)—the executive council—which includes ministers responsible for various portfolios such as Physical Infrastructure Development, Economic Affairs, and Social Development (*Article 168(9) and Article 171*).

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- **Legislative** The Karnali Provincial Assembly is a unicameral legislative body composed of 40 members—24 elected through the first-past-the-post (FPTP) electoral system and 16 through proportional representation (PR), in accordance with Article 176 of the Constitution of Nepal. The Assembly has a five-year term, unless dissolved earlier under conditions specified in the Constitution (*Article 195*).
- **Judicial Branch:** The Surkhet High Court, established under Article 139 of the Constitution of Nepal, serves as the highest judicial authority in Karnali Province. It exercises jurisdiction over the province, oversees the administration of justice, and ensures the protection and enforcement of the rule of law.
- **Administrative Structure:** Karnali Province comprises ten districts—Dailekh, Dolpa, Humla, Jajarkot, Jumla, Kalikot, Mugu, Rukum West, Salyan, and Surkhet. These districts are subdivided into local government units, including 25 municipalities and 54 rural municipalities, established in accordance with Schedule 8 and Article 56(4) of the Constitution of Nepal. Each local government operates with administrative and fiscal autonomy to deliver public services, implement development programs, and govern in response to local priorities. Importantly, while the province is composed of ten districts, districts themselves are not administrative units of the provincial government. Instead, Chief District Officers (CDOs), appointed under federal law, function as representatives of the federal government, and report to the Ministry of Home Affairs at the center—not to the provincial administration.
- **Fiscal Structure:** Under Nepal’s federal constitutional framework—primarily Article 57, Article 60, and the Intergovernmental Fiscal Arrangement Act (2017)—the division of fiscal authority is clearly delineated across Schedules 5, 6, 8, and 9 of the Constitution. Karnali Province has the power to levy its own taxes, including agricultural income tax, vehicle tax, entertainment tax, and service charges, as outlined in Schedule 6. While property tax falls under local government jurisdiction (Schedule 8), the province receives fiscal transfers from the federal government, including equalization, conditional, and special grants, as well as a share of national revenue based on a formula recommended by the National Natural Resources and Fiscal Commission (Article 60). These resources support the province’s administrative functions, infrastructure, and development programs. Table 1 provides the structure of sub-national fiscal assignments.

Table 1. PROVINCIAL, LOCAL GOVERNMENT AND SHARED FISCAL ASSIGNMENTS	
Provincial Fiscal Assignments	
Tax Type	Details / Notes
<i>Vehicle Tax</i>	Includes registration, ownership transfer, and annual renewal of vehicles.
<i>Entertainment Tax</i>	Applied to cinema halls, events, shows, and other commercial entertainment.
<i>Advertisement Tax</i>	On advertisements displayed in public spaces, billboards, etc.
<i>Agricultural Income Tax</i>	Provinces may impose this on larger-scale farming activities (non-subsistence).
<i>Tourism Fee / Tax</i>	Includes trekking permits, entry fees, and related provincial tourism charges.
<i>Service Charges / Royalties</i>	For the use of provincial services, licenses, and natural resources (e.g., forests).
<i>Provincial Property Tax (if any)</i>	Rarely imposed; often overlaps with local government mandates.
Local Government Fiscal Assignments	
<i>House and Land Tax (Property Tax)</i>	Imposed annually based on land and building valuations.
<i>Business Tax / License Fee</i>	For operating commercial entities within local jurisdictions.
<i>Rental Tax</i>	On rental income from properties (usually residential or commercial leases).
<i>Advertisement Tax</i>	For ads displayed in local public areas (can overlap with provinces).

<i>Vehicle Entry Tax</i>	On commercial vehicles entering local territory, often for goods transport.
<i>Market Tax / Haat Bazaar Tax</i>	Fees on vendors or marketplaces within local boundaries.
<i>Entertainment Tax</i>	Events, local fairs, movie halls (may overlap with provincial taxes).
<i>Service Fee / Local Royalties</i>	For use of community services (e.g., water, waste management).
<i>Heritage / Culture Fee</i>	For visiting temples, monuments, etc. under municipal control.
<i>Tourism Fees (local level)</i>	Entry or facility use charges (e.g., for local trekking routes or home stays).
Shared Taxes Across Tiers of Government	
Value Added Tax (VAT)	Collected by federal government, shared with provinces/local.
Excise Duty (on local goods/services)	Shared between federal and subnational levels.
Natural Resource Royalties	Revenue from hydropower, forests, mines shared as per formula.

Source: Constitution of Nepal (2015) and Devkota, K., L., (2020)

This multi-level governance system enables Karnali Province to respond effectively to regional priorities while aligning with national strategies and constitutional provisions.

3. NOTE PURPOSE

This Note serves to consolidate key findings from the capacity gap assessment, partnership mapping, and field-based identification of scalable best practices across Karnali Province under the Provincial and Local Governance Strengthening Programme (PLGSP). Its purpose is threefold:

- **Diagnose Provincial Capacity Gaps:** The Note provides an evidence-based overview of institutional, organizational, and systemic deficits across planning, fiscal management, digital governance, and service delivery functions. Drawing on structured interviews, administrative reviews, and local government diagnostics, it outlines 54 capacity gaps as a long list) requiring prioritization by provincial authorities.
- **Map Strategic Partnerships:** It identifies current and emerging partnerships with development actors—including INGOs, bilateral programs, and UN agencies—and evaluates their alignment with PLGSP objectives. The mapping highlights potential synergies, innovation channels, and duplication risks, offering a roadmap for integrated development cooperation.
- **Inform Future Technical Assistance Deployment:** Based on the assessment, the Note proposes targeted technical assistance (TA) placements and models for scaling best practices. It emphasizes high-impact, cross-cutting roles—particularly in public financial management, digital governance, and inter-governmental coordination—that can unlock reform momentum and strengthen federalism in practice.

By aligning institutional analysis with practical entry points, the Note will inform future PLGSP support, donor coordination, and provincial strategic planning processes—helping ensure governance in Karnali Province is inclusive, accountable, and resilient.

4. CLARIFYING INSTITUTIONAL GAPS

While the primary aim of this Note is to consolidate a comprehensive list of capacity needs across sectors and governance functions, based on field study results, several overarching institutional themes emerged during provincial consultations. These warrant a brief mention to inform future planning and support.

- **Functional role clarifications:** There is still ambiguity in Functional Assignment. Although the Constitution outlines the exclusive and concurrent powers for different levels of government. There is a lack of clarity in defining these responsibilities, leading to inefficiencies and conflicts between the provincial and local government, mainly in the area of revenue sharing, and managing functional services like health, and education.
- **Provincial Assembly's Legislative Role:** The Provincial Assembly's potential remains underutilized, particularly concerning the volume of legislation required to operationalize provincial mandates. Capacity gaps in legislative drafting, public consultation, and alignment with federal frameworks are evident. Strengthening legislative capacities within the Assembly Secretariat and strengthening linkages with sectoral ministries could address these challenges.
- **Intergovernmental Relations (IGR):** The Provincial Coordination Council (PCC) in Karnali Province serves as a vital platform for fostering collaboration between the provincial and local governments. Chaired by the Honorable Chief Minister, the PCC, and established under the Federal, Provincial, and Local Level (Coordination and Interrelation) Act, 2020, the PCC aims to enhance cooperative federalism by facilitating dialogue, resolving disputes, and aligning development priorities across different tiers of government. The PCC is chaired by the Chief Minister of Karnali Province and includes key stakeholders such as: (i) provincial ministers (ii) Members of the Provincial Assembly (iii) Chiefs and deputy chiefs of local governments (iv) Representatives from District Coordination Committees and, (v) senior provincial bureaucrats . This inclusive structure ensures that diverse perspectives are considered in decision-making processes. Convened at least twice a year to review and coordinate development plans and policies, address intergovernmental disputes and jurisdictional ambiguities, monitor the implementation of provincial and local government programs and facilitate capacity-building initiatives for local government, enhancing the capacities of the PCC is critical to inter-governmental coordination.
- **Inclusivity in Decision-Making:** Despite the mainstreaming of GESI principles in law, practical mechanisms to ensure the participation of women, youth, Dalits, Janajatis, and persons with disabilities in planning, budgeting processes and implementation capacities are limited. Institutionalizing participatory social accountability tools such as community scorecards and Ward Citizen Forums can enhance inclusivity. Support in the implementation and monitoring process.
- **Law-Making Process:** The legislative process faces constraints due to procedural ambiguities and limited legal drafting capacity. Supporting procedural reforms and digitizing legislative workflows, drawing on models piloted by organizations like UNDP, can streamline law-making.

Cross-Cutting Importance of GESI and Social Inclusion

The integration of Gender Equality and Social Inclusion (GESI) serves as a foundational, reflecting PLGSP's commitment to structural transformation and inclusive governance. Strengthening GESI is both a strategic opportunity and a necessity. A more comprehensive and systematic analysis is picked up on the main assessment report to understand how institutional capacities—or the lack thereof—affect historically marginalized groups including women, Dalits, Indigenous Peoples, Madhesis, persons with disabilities etc. Embedding this lens is essential to expose entrenched power imbalances and to articulate the program's ambition to disrupt the status quo.

These observations, while not expanding the current mandate, provide a light-touch diagnostic to guide future Phase II support under PLGSP and related programs. These issues will be developed in the full final consolidated national partnership mapping and capacity assessment report. They highlight priority

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areas for deeper inquiry and investment to enable provinces to fully realize their constitutional functions within Nepal's federal system, helping to rationalize and harmonize.

5. CAPACITY ASSESSMENT RESULTS

The Capacity Assessment is a key component of the Provincial and Local Governance Strengthening Programme (PLGSP) in Nepal. This assessment evaluates the institutional, organizational, and individual capacities of provincial and local governments (PLGs) to ensure they function effectively within the federal governance framework. By identifying strengths, shortcomings, and capacity needs, the assessment provides a data-driven foundation for designing targeted interventions that enhance governance performance and service delivery addressing those identified capacity needs.

This exercise examines governance structures, human resources, policy implementation, financial management, and service delivery mechanisms across the seven provinces and selected local governments. It identifies systemic, institutional, and individual-level challenges, ensuring that PLGSP's support aligns with the specific needs of each province and municipality. The assessment also contributes to the development of capacity-building strategies, informing PLGSP's technical assistance (TA) deployment, staffing recommendations, and training priorities.

By establishing a baseline for future capacity-building efforts, this assessment supports provincial and local governments in strengthening governance mechanisms, enhancing coordination, and providing more inclusive and effective public services. It ensures that PLGSP interventions align with the long-term goal of transforming the province into a functional, accountable, and resilient entity. This transformation is in line with the province's priority focus areas outlined in the Second Five-Year Plan, including (a) physical infrastructure and improved connectivity, (b) innovations to boost productivity and employment, (c) industry, tourism, and environmental sustainability, (d) human resource and social development, and (e) digital infrastructure and good governance (Second Five-Year Plan, Karnali, p. 22). Additionally, the plan incorporates a project bank concept and a medium-term expenditure framework, which, together with the annual policy, program, and budget processes, provide a structured approach to achieving the Karnali development goals.

Summary of Capacity Needs Assessment Findings- Karnali Province

The capacity challenges faced by Karnali Province reflect systemic constraints across the entire public sector management spectrum. While federalism has expanded institutional mandates, translating these into coordinated planning, effective fiscal management, and efficient service delivery remains a significant challenge. Fragmentation between federal, provincial, and local levels undermines strategic coherence.

Karnali Province is one of the largest provinces in Nepal by land area, covering approximately 21.6%, of which 38.5 % is covered by forest areas of the country's total territory. About 38.5% of the province is forested, home to a rich biodiversity of rare herbs and Non-Timber Forest Products (NTFPs). The physiography ranges from 180 m to 7,348 m. In 2022, Karnali Province had an HDI of 0.575, placing it in 7th place among the provinces in Nepal, compared to the National HDI value of 0.601. The province has an estimated hydropower potential of 18,000 MW, and minerals and precious stones have also been identified as potential resources. The provincial economy is primarily driven by the service sector (60.5%), followed by agriculture (29.4%) and industry (10.1%). Key service sectors include tourism, business, health, education, and financial institutions. However, the province faces significant socio-economic challenges, with a Poverty Index of 26.69% and a Multi-Dimensional Poverty Index (MDI) of 39.5%, much higher than the national MDI of 17.40%. More than 50 % of the population resides in the municipalities. 49 languages are spoken in the province reflecting the cultural diversity of the province. The average literacy rate is 76.1 with a youth literacy of 93.8. the neonatal mortality rate is 26 per thousand live births, the infant mortality rate is 36, with maternal mortality in the province is 172 per 1000, and 40 % of children under the age of 5 are stunted, indicating social, cultural, and geophysical challenges of the province. This highlights the deep disparities within the province (Second Five-Year Plan, pp. 8-9). Additionally, Karnali is located in a high-risk disaster and earthquake zone, posing major challenges to infrastructure resilience and emergency response capabilities. The financial strain on the province continues to grow,

driven by rising costs in post-disaster management and infrastructure restoration, which increases fiscal risk and hinders long-term sustainable development (SDG Baseline Report of Karnali Province. 2020).¹

This summary, presented in Table 1 below, outlines a comprehensive list for provincial prioritization, based on the needs identified through provincial and local government efforts. The key focus areas are as follows:

- ***Office of the Chief Minister and Council of Ministers (OCMCM)***: OCMCM must upgrade its "Action Room" and Project Information Management System (PIMS) to enable real-time project tracking, data validation, and coordination across ministries. This includes strengthening data governance, cybersecurity protocols, and interoperability with local systems. A Technical Advisor (TA) with expertise in Public Financial Management (PFM) and private sector engagement should be embedded at the Provincial Ministry of Economic Affairs, working in close coordination with the OCMCM to enhance monitoring, policy coherence, and execution capacity.
- ***Provincial Planning Commission (PPC)***: The PPC requires technical support to institutionalize the Provincial Project Bank, ensuring that strategic projects are systematically selected, appraised, and aligned with development priorities. Deployment of Technical Advisors with strong backgrounds in data analytics, economic modeling, and policy research will strengthen the commission's capacity to support evidence-based planning, link projects to Medium-Term Expenditure Framework (MTEF), and ensure integration with federal and local planning systems.
- ***Provincial Public Service Commission (PSC)***. PSC lacks modern tools and infrastructure for efficient, transparent, and merit-based recruitment processes. To address this, a comprehensive digital upgrade package should be implemented, including advanced e-recruitment platforms, automated scoring systems (OMR) for objective evaluation, digitized applicant tracking systems, and the establishment of fully equipped computer labs for online testing. Strengthening institutional capacity to ensure adherence to Merit-Based Recruitment (MBR) principles and developing a mechanism for periodic performance audits will ensure transparency and fairness in recruitment processes across the province.
- ***Karnali Province Training Academy (KPTA)***: KPTA requires a procedural guideline to operationalize its legal mandate effectively, especially for addressing entry-level job induction, in-service training programs, and targeted outreach to remote municipalities using a mobile service provision model. Quality assurance protocols for training delivery, and a mechanism for providing policy feedback through research and training evaluations, must be established. Strengthening institutional linkage and formalizing a coordination platform between KPTA and the PSC is essential to align human resource development strategies, particularly for newly recruited staff at both the provincial and local levels.
- ***Functioning of the Province Development Action Committee (PDAC)***: Regular meetings of the PDAC are crucial for ensuring that development policies and plans are effectively executed at the provincial level, aligning with national priorities and addressing issues that cannot be resolved at the Ministerial level. These meetings should help guarantee the efficient allocation of resources and promote collaboration with effective inter-ministerial coordination as well as with local governments. Although, the regular meetings of the Provincial Coordination Council (PCC) have helped identify key intergovernmental issues, establishing Provincial Coordination Council (PCC) liaising office at OCMCM could be used for coordinating the activities of the provincial and local governments, in various areas like planning, developing regulatory frameworks, revenue collection, etc, thus serving as a focal institutional mechanism to

¹ https://un.org.np/sites/default/files/doc_publication/2020-12/UNDP-NP-SDG-Baseline-Report-Karnali-Eng.pdf

coordinate with the Local Government. The Provincial Coordination Council's member secretary serves as a focal person of contact in the liaising office at OCMCM, led by the Good Governance unit in the province. (Second PCC decision).

- **Post-Legislative Policy Scrutiny:** Post-legislative policy review is essential to ensure that laws and policies function as intended after enactment. Many provincial policies follow federal templates, so conducting policy audits is vital to assess their effectiveness, transparency, accountability, and public engagement. There is a pressing need for post-legislative policy scrutiny, effective implementation, and sustainability of policies, plans, and activities. Strengthening integrated sectoral planning, capacity building in revenue generation, tax administration, and improving resource utilization are critical areas of focus. Additionally, enhancing capacity for effective budget allocations and reinforcing fiscal discipline are essential for long-term development. Furthermore, advancing technology-based administrative and public service delivery systems, while addressing human resource and digital infrastructure gaps, is vital to maintaining reform momentum. Key sectors like social protection, employment creation, local economic development, climate, disaster risk management, and innovation are often approached in a fragmented manner, with inconsistent or limited resourcing, hindering their full potential.

- **Planning Fragmentation and Underdeveloped Inter-Governmental Coherence:** There are persistent challenges in harmonizing planning and budgeting processes across government tiers. However, Karnali Province is making strides in building a Data Inventory for provincial projects, fostering a more strategic approach to development and decision-making. With 281 projects already submitted, 223 in development, and 58 in the planning stage within the Provincial Project Bank, the introduction of Procedural Guidelines for Project Selection and Project Bank Management Standards (2081) provides a solid foundation. Despite the rollout of a software-based Project Bank, the lack of digital connectivity between the provincial and local governments limits coordination. Capacity-building support in spatial planning, digital mapping, and project identification is needed at the local government level to ensure better alignment between provincial and local planning.

- **Literacy challenges:** A localized approach, using accredited Local Resource Persons as mobile clinic teams to address geographic and literacy challenges, is proposed. Collaboration with MUAN and NARMIN could help address planning coherence. Additionally, although the Province has a Planning Guideline (2075), the guideline lacks the interlinkages between the provincial, federal, and local level planning process in contrast to 14 step planning process that was practiced before federalization but used a consistent system of forwarding “bigger projects” beyond own capacity to higher level on a priority basis. The top-down approach of the planning calendar that completes the planning process by the Federal government, followed by the provincial and Local government hinders the development space to accommodate projects and plans that are of larger scale and beyond financial capacity at the local level. Although the annual development plans are shared by the federal government, with the provincial and local governments, a manual process is followed to check the duplication of projects and plans by those municipalities and provinces that are conscious but most of them fail to check the projects resulting in duplication of projects. Therefore, there is a need to review the whole planning process to effectively conclude the planning process at the LG level first, followed by the PG and Federal Government. Otherwise, developing minimum standards and online systems and processes to check the overlapping and duplication issues.

- **Policy Implementation Challenge:** Despite the high level of commitment demonstrated by elected representatives and a strong sense of ownership among public service staff, many of whom are native to the province, the implementation of development plans remains slow with limited efficiency and effectiveness. For instance, the lack of awareness regarding the planning and budgeting among the elected representatives

processes has led to inefficiencies in development efforts, overshadowing other critical aspects of need-based planning in the province. More capacity building, orientation, and sensitization are needed for the elected representatives starting from the ward level to the provincial council level to translate their commitment to good governance practices. A clear mechanism of capacity building through LDTA could be an option to systematically provide such orientations, policy updates, and guidance to the elected representatives. However, the mobile-based capacity enhancement, using a pool of “accredited resource persons modality needs to be developed to address similar challenges of the local elected representatives that are located remotely.

- ***Underutilized Exclusive Rights in Agriculture and Revenue Domains:*** Karnali: The province’s economy is dependent on external finance including federal grants, development aids, and some other sources like revenue sharing. Limited own source resources (OSR) such as agriculture income tax, which is exclusive to the province. Due to low revenue generation, Karnali Province heavily relies on federal grants and revenue-sharing mechanisms. Since the province is positioned to promote itself as an “organic production” hub. “Green Economy is its priority. Emphasis is placed on policies, market development, and access to organic products, in collaboration with institutions like ICIMOD, ASDP, and LI-BIRD for research, training, and capacity building. The Karnali Province Agriculture Development Strategy (KADS) provides a framework for achieving its organic mission. However, exclusive mandates in agriculture and certain revenue areas are underleveraged due to the lack of fiscal potential studies. There is a need for research on revenue capacity and expenditure needs, along with developing a digital system for local revenue estimation. Conducting studies to identify areas for private-sector investment and public-private partnership (PPP) opportunities is also essential.
- ***Budgeting Systems and Equitable Allocations:*** The provincial budgeting system requires a review to ensure equitable allocations, considering geographical proximity and revenue potential. The allocation based on factors like expenditure needs, revenue generation capacity, and human development indicators for the distribution of equalization grants is not an equitable approach to Karnali Province as they have limited OSR capacity. Funding cuts in the third installment due to a decrease in federal revenue shortfalls also affected the development plans last year, also in Karnali. Moreover, the formula on revenue sharing with 50 % weightage on the population is disproportionately affecting revenue sharing income as well. These situations demand either to review of the grant allocations formula to make the grant allocations more equitable and exercise Constitutional Rights to generate more revenues. There is also a need to develop a system of segregated data about the earnings of the provincial government from their OSR and revenue sharing from the Local Government. An improved equalization grant allocation formula and Key Performance Indicators for conditional grant mechanisms in coordination with the National Natural Resource and Fiscal Commission (NNRFC) and National Planning Commission (NPC) at the federal level are necessary. Creating an environment to link with provincial policy priority or national commitments like SDG for conditional grants, following Transparent project selection criteria and efficient use of capital expenditures will optimize available resources.
- ***Budget Unrealism and Strengthening Fiscal Futures:*** Budget formulation is disconnected from realistic forecasts, requiring capacity building in budget tracking, especially for gender, SDG, and climate-linked spending. Additionally, strengthening public financial management (PFM) systems, such as SuTRA, CGAS, RMIS, PAMs, and internal audits, alongside e-GP systems, using a “clinic” approach in coordination with provincial DTCO and PPMO for e-GP, will enhance transparency, efficiency, and accountability in revenue management, asset management, and public procurement.

- ***Strengthening Internal Control Systems:*** There is a need to strengthen fiscal discipline to reduce fiduciary risks, especially regarding disallowable audit issues. Addressing arrears and developing a results-based financing system are crucial steps to improving financial discipline. An integrated accountability system should be established through an Audit Response and Tracking Mechanism (ARTM) within the Provincial Treasury, linking it to local audit units. This will help track disallowable expenditures, categorize audit issues, and set response deadlines. A standardized Grievance Redress Mechanism (GRM) should be implemented across municipalities, utilizing a shared digital platform with escalation protocols and feedback loops. Monitoring both ARTM and GRM through a provincial dashboard will ensure transparency and responsiveness.
 - ***Climate-Resilient Sectoral and Infrastructure Planning Capacity Needs:*** Core service delivery sectors, particularly infrastructure, suffer from fragmented planning, duplication of efforts, and limited cross-governmental coordination. Planning is often reactive rather than strategic, hindered by inadequate data use and institutional capacity constraints. To address this, a system should be developed to monitor the alignment of annual plans with the Medium-Term Expenditure Framework (MTEF) and the Provincial Project Bank, following the guiding principles of the Second Five-Year Plan.
 - ***Capacity Constraints in Innovation, Local Economic Development (LED), and Employment Creation:*** LED strategies remain fragmented and need to be strengthened. Innovations in local economic development, particularly for community and remittance investments in productive sectors, could expand the provincial revenue base and elevate the subsistence economy. Structured approaches to revenue-enhancing programs and promoting private sector engagement are critical for long-term economic resilience.
 - ***Justice, Social Protection, and Inclusion Mechanisms:*** There is a low public awareness of local justice mechanisms. Recommendations include training legal facilitators, conducting public outreach campaigns through FM and digital platforms, and improving digital literacy. Budget provisions for women, children, and disadvantaged groups should be incorporated, with the development of a digital platform to host all regulatory frameworks accessible to both provincial and local governments in coordination with the Ministry of Legal and Constitutional Affairs.
 - ***Fragmented Digital Systems and Knowledge Platforms:*** Despite significant investments in digital tools under PLGSP, many platforms, such as PIMS, have become non-functional, with limited data integration and poor system interoperability. Ministries lack real-time monitoring and centralize digital infrastructure. Operationalizing systems such as Government Integrated Office Management System (GIOMS), and Integrated Document Management System (IDMC), and establishing a digital interface at the provincial level to connect with local governments for access to regulatory frameworks is crucial. A comprehensive provincial digital reform strategy is needed, with a focus on platform interoperability, digital literacy, and the province-wide adoption of performance-linked digital tools.
- Institutional Needs in Innovation Systems:*** Innovation remains institutionally unanchored, lacking dedicated mechanisms or funding for innovation-led service delivery or governance improvements. This is an area requiring future strategic focus to foster a culture of innovation within provincial governance.

Summary of Individual Capacity Needs Assessment Findings- Karnali Province

- **Capacity Constraints among Elected Representatives:** A major gap in developing a strong institutional mechanism for implementing federalism at both the provincial and local levels is the limited capacity of elected representatives. Given the geographical challenges, low economic development, and low literacy at the local level, a mobile clinic model is proposed to enhance capacity-building efforts.
- **Staff motivation and capacity building needs:** various technical areas of capacity building is identified and listed in the table below.

Table 2 provides a list of actions to be considered by provincial authorities in their prioritization process, ideally down to the priority 10-15 actions to be targeted by the PLGSP program over the next 4-5 years.

Guide for Provincial Capacity Grading:

This capacity needs assessment uses a 1 to 5 scale to grade capacities, in line with the UNDP Capacity Assessment Framework, where:

- 1 = Very low capacity / urgent need
- 2 = Low capacity / significant need
- 3 = Moderate capacity / some need
- 4 = Good capacity / limited need
- 5 = Strong capacity / no need

This 5-point scale is favored for its simplicity, consistency across sectors, and ease of stakeholder comprehension during self-assessments or facilitated workshops. However, in the table below, in addition to an assessment of capacities for each of the 54 identified issues, the final selection is based on largely likely impact to support a more effective federal system, based on rates-of-return on investment and value-for-money.

Table 2 below has identified the long list of capacity needs based on key informant interviews and focus group discussions. The final shortlisting will be undertaken by the provincial authorities, ranking each of the capacity needs based on the ranking outline above.

Table 2. LONG LIST OF CD NEEDS & RECOMMENDATIONS FOR PRIORITIZATION		
Capacity Needs	Recommendations	
Issue Common Across All Provinces		
1.1.	<i>Intergovernmental coordination</i> across the three tiers of government is limited, with the provincial government facing significant capacity constraints, and the unbundling exercise needs to be embedded in each sector service delivery model.	To address the challenges of limited intergovernmental coordination and provincial under-capacitation, sector-specific Shared Service Agreements (SSAs) should be established, based on agreements between federal, provincial, and local representatives. These SSAs will allocate responsibilities according to actual capacity, integrate coordination within sectoral frameworks and budgets, and align with ongoing efforts to streamline functions. A national Shared Services Support Cell (SSSC) could provide backstopping for the implementation of these agreements.
1.2	<i>Coordination challenges limit strategic coherence</i> , Vertical coherence between federal, provincial, and local levels remains weak. Planning and budgeting processes are not harmonized, digital systems are non-integrated, and data flows are inconsistent or dysfunctional. Provincial capacities to operationalize exclusive mandates are constrained by the lack of sector-embedded coordination mechanisms and interoperable tools. This undermines service delivery, delays reforms, and leads to duplication of efforts.	<i>Institutionalize sector-specific Intergovernmental Coordination Units (ICUs)</i> with clear mandates to align federal, provincial, and local planning. These units could be supported by a province-wide interoperable digital platform enabling shared data access, synchronized project management, and real-time fiscal tracking. Formalized Shared Service Agreements (SSAs) and a provincial-level Shared Services Support Cell (SSSC) could be deployed to standardize tools, offer technical backstopping, and coordinate with digital governance partners to ensure sustainable, cross-tier collaboration. As per the PPC decision, A Provincial Coordination Council (PCC) liaising office at OCMCM is also in planning. There is also a need for locating these units within the provincial development Ministries such as PPC, OCMCM or MoEA.
1.3	<i>Decreasing Equalization Grant and increasing conditional grant.</i> The rising share of conditional grants over equalization grants risks limiting provincial autonomy and flexibility. Provincial governments lack localized tools and procedures to comply with updated CS grant allocation guidelines.	The decreasing share of Equalization Grants and the increasing reliance on conditional grants pose a risk to provincial autonomy and flexibility. To address this, a review of the Fiscal Equalization Grant Allocation Formula should reviewed for reconsidering the revenue potential criteria as many remotely located municipalities have limitations on revenue generation. coordinate with the NNRFC. Additionally, there is a need to advocate for condition-linked conditional grant allocation mechanisms to allow Provinces priorities the spending as per the national and provincial priorities. Furthermore, operational guidelines for Complimentary and Special (CS) grants should be designed and implemented to suit the provincial context, alongside the development of an online system for monitoring and reporting.
1.4	Limited use of existing Public Financial Management (PFM) software and insufficient capacity to effectively implement PAMS, RIMS, and e-GP systems hinder efficient financial management, transparency, and procurement processes at the provincial and local levels.	A comprehensive capacity development program is required across key technical roles within Karnali Province to improve governance and service delivery outcomes. For IT officers, the focus should be on enhancing digital infrastructure and user competency through targeted training in networking, Geographic Information Systems (GIS), data visualization, and demand-driven modules tailored to provincial needs. Such initiatives will not only improve digital literacy but also strengthen data-driven decision-making and digital governance systems across provincial and local governments. For engineers and finance/administrative staff, a more integrated training approach is essential. Engineers require hands-on training in electronic government procurement (e-GP), particularly in

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Capacity Needs	Recommendations	
		coordination with PPMO and e-bidding protocols, as well as capacity to manage complex infrastructure projects covering roads, water, and public construction. Complementary training in building codes and technical compliance is equally critical. Finance and administrative personnel need structured training on public policy formulation, procurement standards, internal control systems (ICS), and critical PFM tools such as SuTRA, VERS, PAMS, audit processes, and PLMBIS. This must be done in collaboration with DTCO, FCGO, and PPMO to ensure alignment with national systems and to enable effective fiscal management at the provincial level.
1.5	Duplication of infrastructure plans across government levels needs rationalizing and harmonizing.	Create a digital infrastructure planning platform accessible to LGs and PGs to avoid duplication; include LG-level mapping.
1.6	Provincial governments lack structured, tech-enabled coordination units , reducing efficiency and alignment with federal systems.	Support the rollout of provincial-level action centers based on the Prime Minister’s Office model, with full technical implementation support.
1.7	Multiple, incompatible software platforms exist across PG and LG levels, limiting data integration.	Develop a Provincial Level Data Bank with a unified digital platform to harmonize provincial and local level systems.
1.8	System outages and website stagnation occurred after TA support ended with PLGSP’s closure.	Revitalize and maintain Line Ministries’ websites with technical TA support. Coordinate with respective Ministries. And DOIT/ MoICT
1.9	Low digital literacy among users reduces the uptake of e-governance tools and systems.	Low digital literacy among users limits the adoption and effective use of e-governance tools and systems. To address this, digital literacy should be promoted through best-practice learning methods specifically tailored to the needs of demand-side users, ensuring accessibility and enhancing user engagement with e-governance platforms.
1.10	Provincial governments lack localized tools and procedures to comply with updated CS grant allocation guidelines .	Design and implement operational CS grant guidelines customized to the provincial context. Additionally, develop an online system for monitoring and reporting CG grant calls at the provincial level, ensuring coordination with DoIT to facilitate effective tracking and compliance.
1.11	Provincial staff have limited understanding of how to use the NPC’s online project bank system effectively, including Project Bank Guidelines and Localization.	Support effective uptake and integration of existing NPB and NPBMIS systems by building LG capacity, simplifying user interfaces, and piloting applied use cases to improve project planning and ownership. Provide structured training for spending unit staff on the project bank platform and CS grant operations, coordinated with NPC and PPC.
1.12	The use of the NPC/MoFAGA planning process remains underutilized, limiting its effectiveness in driving comprehensive and coordinated development planning across levels of government.	Enhance the application of existing NPC/MoFAGA planning guidelines by developing a practical project identification tool and providing targeted support to improve their use during provincial planning. This approach should incorporate lessons learned from Karnali to ensure greater effectiveness and alignment with local needs.

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Capacity Needs	Recommendations	
1.13	Weak policy coherence between federal, provincial, and local government levels	Update Periodic Plans and MTEF to align with the 16th Five Year Plan and second periodic plan of Karnali province; deliver online capacity building on Mobile Team Expert Service for MTEF formulation. Develop and implement a provincial Policy Coherence Framework to align plans, budgets, and sectoral priorities, supported by coordination mechanisms and integrated planning tools.
1.14	Poor data integration and siloed IT systems hinder coordination across federal, provincial, and local levels.	Support integrated data centers (IDMC/GIDC) to centralize and streamline multi-level coordination. IT-based infrastructure in PLGS
1.15	The lack of user training and technical expertise delays the effective implementation and utilization of the GIOMS system within ministries, hindering operational efficiency and data-driven decision-making.	Provide targeted capacity-building initiatives for the Government Integrated Office Management System (GIOMS) and Integrated Document Management System (IDMC), focusing on enhancing user skills and technical understanding to ensure effective system utilization across ministries.
Non-Functional Systems Initiated at the Federal Level		
1.16	Lack of post-legislative scrutiny and policy audits for provincial regulatory frameworks.	Conduct post-legislative scrutiny and policy audits for provincial regulatory frameworks and develop a Province Statistics Act to strengthen data management and analysis.
1.17	The absence of legal and structural data security protocols affects safe data handling and inter-system coherence.	Assist the Provincial Government in formulating a Provincial Data Protection and Coherence Act to establish comprehensive legal and structural protocols for secure data handling and ensure seamless integration across systems.
1.18	Key public sector data is outsourced to private firms, with weak oversight and major data migration challenges.	Support GIOMS rollout through coordination with MoCIT, aligned with the 2022 Electronic System Directive.
1.19	The current Equalization Grant formula lacks precision and fails to address provincial fiscal disparities effectively. The formula on X sharing with 50 % weightage on the population is disproportionately affecting revenue sharing income as well.	Provide TA to review and revise the Equalization Grant, on revenue generation criteria in the formula to enhance equity and fiscal balance, coordinating with NNRFC. Exercise Constitutional Rights to generate more revenues.
1.20	The rising share of conditional grants over equalization grants risks limiting provincial autonomy and flexibility.	Develop Key Performance Indicator-based conditional grant allocation systems, with TA support and inclusive consultation, thus creating an environment to link with provincial policy priority or national commitments like SDG, National Adaptation Plan of Action (NAP), Provincial Agriculture Strategy plan (PADS)
1.21	The prior PLGSP-supported online monitoring tools are inactive due to a lack of follow-up support.	Develop real-time “ Action Monitoring ” tools, procure IT logistics, and ensure on-call vendor support. Proper handover of the system with documents, operational manuals, and credentials Accountability of the focal person of any system
1.22	Suboptimal utilization of LISA, FRA, and LED results limits the effective allocation of rewards and incentives to local governments, hindering their	Advocate for integrating LISA, FRA, and LED results into the local government grant systems, ensuring that performance outcomes are directly linked to funding incentives. Provide technical assistance to establish robust and effective assessment mechanisms and build the

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Capacity Needs		Recommendations
	performance and development outcomes.	capacity of District Coordination Committees (DCC) to implement and manage these processes effectively.
C. Provincial-Specific Issues		
1.23	Gaps in policy and mechanisms hinder effective inter-provincial and inter-municipality cooperation, limiting collaborative efforts and coordinated development across regions.	To enhance inter-provincial and inter-municipality cooperation, develop a comprehensive policy framework and coordination mechanisms focused on areas of common interest, such as climate change, disaster management, local economic development, and revenue sharing. Establish a digital platform to host all regulatory frameworks, ensuring easy access for both provincial and local governments. This platform should be developed in coordination with the Provincial Planning Commission (PPC) and the Ministry of Internal Affairs and Law. Additionally, provide technical assistance and logistical support for digital data backup, alongside IT mentorship and advisory services at the provincial level, establishing an IT advisory group to guide the development of digital systems and infrastructure.
1.D4	Weak internal governance structures hinder efficient decision-making and accountability.	Provide technical assistance (TA) to develop a digital platform that hosts cabinet decisions, enabling real-time monitoring and follow-up. Additionally, implement TA to upload monthly staff meeting minutes and track decisions through the online platform, ensuring transparency and accountability in governance.
Public Service Commission and KPTA		
1.25	The Provincial Public Service Commission lacks the necessary modern tools and infrastructure to ensure efficient, transparent, and merit-based recruitment processes.	Implement a comprehensive digital upgrade package that includes advanced recruitment software, automated scoring systems (such as OMR) for tracking Merit-Based Recruitment (MBR) results, and fully equipped computer labs to enhance the efficiency, transparency, and effectiveness of the recruitment process.
1.26	Poor coordination among the Provincial Public Service Commission (PPSC), Karnali Province Training Academy (KPTA), and OCMCM hinders a unified approach to human resource development at both the provincial and local government levels.	Establish a formal coordination platform among the Provincial Public Service Commission (PPSC), KPTA, and OCMCM to align efforts on the O&M study and the filling of vacant public service positions across ministries, local governments, and KPTA. This platform will ensure the quality of job entry and in-service training, while also developing standardized systems for the operation of sectoral training centers to enhance workforce development and capacity building.
1.27	The Karnali Province Training Academy (KPTA) lacks an effective staff structure and training management systems, hindering its capacity to fulfill its mandate in workforce development and public service training.	Fulfill staffing needs at KPTA by conducting an O&M study and submitting recruitment requests to the Provincial Public Service Commission (PPSC) for approval. Strengthen the capacity building of KPTA staff through targeted training programs. Replicate the Training Management Information System (TMIS) from Gandaki Province Training Academy (GPTA) to streamline training operations. Additionally, adopt the best practice of the Procurement Clinic, a mentoring service provided by a group of two HR specialists, to assist local governments (LGs) in procurement processes.

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Table 2. LONG LIST OF CD NEEDS & RECOMMENDATIONS FOR PRIORITIZATION		
Capacity Needs	Recommendations	
1.28	The province <i>lacks structured induction training programs</i> for newly recruited civil servants, affecting their readiness and performance.	With KPTA design and adapt existing similar courses in NASC and other provinces and deploy online, modular pre-service induction programs in partnership with sectoral training institutes. Technical Backstopping support from NASC in standardizing curriculum. Establish an online learning platform at KPTA and provide learning resource materials through online
1.29	Promoting digital literacy at the local level, especially in geographically remote areas, remains a significant challenge.	<p>Replicate and scale up successful learning models from international initiatives such as International IDEA, Triveni’s learning experiences, GIZ’s digital literacy programs, and EUSIF’s simulation models. These models can be tailored to local contexts, addressing the specific challenges faced by remote areas and ensuring broader access to digital literacy training.</p> <p>Develop Mobile accredited HR pool of resource persons to cater the needs of the local government in developing PP, METEF, with the leadership of LG , cost sharing from KPTA and quality assurance from PPC to possible extent</p>
1.30	Limited awareness and understanding of royalty and revenue-sharing mechanisms hinder effective implementation and optimal utilization at local and provincial levels.	Establish a sustained intergovernmental information and coordination mechanism focused on royalty and revenue sharing, supported by periodic capacity-building initiatives, simplified legal guidance, and the integration of revenue provisions into routine Local Government (LG) and Provincial Government (PG) planning and budgeting cycles. Conduct a province-wide study to assess and recommend the revenue potential and expenditure demands, providing crucial insights for fiscal policy and budgeting. Additionally, support the institutionalization of the Revenue Implementation Plan at the LG level and develop facilities for online and mobile-based revenue payment systems to enhance accessibility and efficiency.
1.31	The absence of an integrated staff inventory system limits effective workforce planning, redeployment, and capacity analysis, leading to inefficiencies in human resource management.	Roll out a centralized Integrated Public Service Management Information System (IPSMIS) at the provincial level, ensuring seamless coordination with the Federal Public Service Commission (PSC) through real-time staffing data that is linked to planning and budgeting systems. Support the implementation of the Personal Information System (PIS) at the Department of Provincial Personal Records (Civil) to centralize and manage employee data effectively. Additionally, introduce an e-service platform to enable employees to access personal details and implement an online "Sheet Roll" registration system at the Department of Provincial Personal Records, streamlining the management of staff records and improving operational efficiency.
Strategic Planning and Policy Coherence		
1.32	Inadequate economic analysis during planning limits the accuracy and effectiveness of provincial-level development strategies.	Provide technical assistance in economic data analytics and applied policy research to enhance the accuracy of provincial-level planning. This support will leverage the annual Economic Survey by the Ministry of Finance and the analytical outputs from Nepal Rastra Bank, translating national-level insights into actionable recommendations for PLG planning. Capacity-building efforts will focus on equipping the Provincial Planning Commission (PPC) with the skills to interpret, localize, and apply economic data, fostering

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Capacity Needs		Recommendations
		evidence-based policy formulation and improving decision-making processes at the provincial level.
1.33	Weak institutional systems for project selection and prioritization limit the effectiveness and alignment of development initiatives across provincial and local governments.	Develop and implement Project Bank software and project screening standards. Provide targeted training on the operationalization of the Project Bank at both the Provincial Government (PG) and Local Government (LG) levels. Offer support for localizing these systems for LGs with limited access to technical human resources and internet services. Additionally, develop a comprehensive Monitoring and Evaluation (M&E) Framework and Procedural Guidelines, ensuring their rollout across all relevant levels to enhance project tracking, performance evaluation, and accountability.
1.34	Weak monitoring mechanisms for policy alliances hinder effective tracking and alignment of planned expenditures across multiple levels of government.	Support in the implementation of Karnali M& E Framework to ensure alignment with Medium Term Expenditure Framework (MTEF) of the province, data portal, integrating an API from DoIT to efficiently organize planned expenditures over multiple years. The portal should enable seamless data exchange between federal, provincial, and local levels, ensuring better coordination, transparency, and alignment of financial resources with policy goals. This system will enhance the monitoring and management of policy alliances, improving overall fiscal planning and accountability. Support in the implementation of social accountability tools and its monitoring and reporting.
1.35	The lack of a structured system for policy feedback hinders effective governance and adaptive policy-making.	Strengthen the existing Provincial Information Management System (PIMS) to facilitate a more robust policy feedback system. Deliver technical assistance and GIS training as part of a broader initiative to institutionalize spatial planning within provincial governance frameworks. This will involve developing standard operating procedures, integrating GIS into planning workflows, and building the capacity of technical staff and planning units to effectively manage and utilize spatial data for evidence-based decision-making, ultimately improving the responsiveness and adaptability of policies.
1.36	Insufficient capacity for spatial planning at the provincial and local levels hinders effective land use, resource management, and infrastructure development.	Provide targeted capacity-building support for spatial planning by offering specialized training in GIS tools, data analysis, and spatial decision-making processes. Develop training programs tailored to the needs of provincial and local planning units, focusing on integrating spatial planning into existing governance frameworks. Additionally, offers technical assistance to improve the use of spatial data in planning workflows and ensures that staff are equipped to manage and apply this data for sustainable development and evidence-based decision-making.
1.37	There is a need for digitizing local resource information to enhance efficient management and decision-making at the local level.	Support the development of a system of segregated data about the earnings of the provincial government from their OSR and revenue sharing from local governments to improve local resource tracking. This will facilitate better planning, resource allocation, and management by creating a centralized, accessible platform for revenue data that enhances decision-making and ensures sustainable use of local resources.

Table 2. LONG LIST OF CD NEEDS & RECOMMENDATIONS FOR PRIORITIZATION		
Capacity Needs		Recommendations
Public Finance Management		
1.39	Budgetary planning often involves overestimations and unrealistic allocations, and there is a need for enhanced reporting on climate and SDG goals.	Develop clear budget formulation procedures and guidelines to ensure more accurate and realistic budget allocations. Establish budget tagging procedures in coordination with PEFA and the Ministry of Finance (MoF) to align financial resources with strategic priorities. Create budget tracking guidelines that integrate climate and SDG goals and build the capacity of Provincial and Local Governments (PG and LG) to effectively track expenditures and report on results, ensuring accountability and alignment with sustainability objectives.
1.40	Audit Issues: Need for strengthening internal auditing	Support LGs with tools and training to systematically document and manage audit-relevant information. Enhance the capacity of internal control system (ICS) in LGs by developing ICS guidelines.
1.41	Procurement and e-bidding capacity-building needs	Coordinate with PPMO to design and deliver tailored capacity building for procurement systems, including e-bidding.
1.42	Weak fiscal discipline increases fiduciary risks, leading to disallowable audit issues, revenue leakage, and inefficiencies in financial management.	Develop a system to enforce fiscal discipline, focusing on reducing fiduciary risks by addressing disallowable audit issues and controlling revenue leakage across responsible agencies. Strengthen arrears settlement processes and engage experienced retired government officials with audit expertise to provide guidance and support. Additionally, establish a results-based financing system to link financial resources with measurable outcomes, promoting accountability, efficiency, and improved fiscal management.
Sectoral Development and Economic Development		
1.43	Limited access to health services, particularly in remote districts, hinders timely and effective healthcare delivery.	Provide technical assistance (TA) to support the government's efforts to scale up the telemedicine system in districts with medical officers, including those currently piloting in Humla, Jajarkot, Mugu, and Kalikot. Coordinate closely with the Ministry of Health and Chaya Nepal NGO to expand and refine telemedicine services. Additionally, offers public health clinical training to enhance the skills of local health practitioners, improving the quality of care and increasing access to healthcare services in underserved areas.
1.44	Limited access to education, especially in remote areas, and challenges in integrating digital tools into the education system.	Develop digital learning courses for schools to increase access to quality education, particularly in underserved areas. Introduce a system for virtual monitoring of schools to track progress, ensure accountability, and improve management. Provide capacity building for teachers on using digital tools effectively in the classroom. Institutionalize the use of electronic signatures for administrative processes to streamline operations. Additionally, implement targeted interventions for children with special educational needs, ensuring inclusivity and access to specialized resources.
1.45	Limited scalability of agriculture-based best practices and the impact of climate change on agricultural planning.	Upscale the agricultural incubation model to foster innovation and support local farmers in adopting modern practices. Research the impact of climate change on agriculture, particularly the shifting snow line, to inform future agricultural planning and adaptation strategies. Provide technical assistance (TA) to develop a Tourism Master Plan in selected municipalities on a cost-sharing basis, integrating agricultural tourism into local development plans and enhancing the economic resilience of farming communities.

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Capacity Needs		Recommendations
1.46	Limited revenue generation due to underdeveloped tourism promotion.	Promote tourism through targeted marketing, infrastructure development, and partnerships with local businesses to expand revenue streams and attract more visitors.
1.47	Inefficiencies in infrastructure planning due to lack of centralized data and coordination.	Digitize Municipal-level transport, road, and infrastructure master plans, along with Provincial-level infrastructure master plans. Create a common platform for Provincial Governments (PG) and Local Governments (LGs) to access and manage infrastructure data, ensuring better coordination, transparency, and informed decision-making.
1.48	Limited promotion of activities that contribute to a green economy while also providing immediate benefits to the local economy.	Develop a comprehensive mechanism to promote the green economy by creating an integrated Local Economic Development (LED) plan. This plan should combine various skills and employment-related activities at the local level, such as the PMEP, MED programs, and the Women and Social Development Unit at the municipality level. Additionally, develop policies and mechanisms to improve the expenditure capacity of individuals, fostering sustainable economic growth while contributing to environmental preservation.
1.49	Complexity in accessing health service data hinders timely and efficient healthcare delivery.	Develop an online Health Information System (HIS) that provides access to personal medical data, prescriptions, and reports. Learning from the successful model used in Biratnagar Municipality to streamline health data access and improve service delivery.
Service Delivery and Inclusion		
1.50	Unmet social protection measures for children and women in Budgetary Planning	Provide TA to develop mandatory budget cap provisions for women, children, and disadvantaged groups in planning and budgeting processes to streamline and mainstream.
1.51	The capacity of Judicial Committee members and Awareness remains low, with limited public engagement and visibility.	Train community mediators and launch public outreach using FM radio and digital platforms to disseminate justice-related information.
1.52	Slow progress in improving public service delivery hampers efficiency and accessibility.	Review and replicate successful digital and automated public service delivery mechanisms, drawing on the experiences of Dullu, Panchapuri, and Chaujahari. Implement a One-Stop Service (OSS) model based on a cost-sharing approach, such as the one in Birendranagar Municipality. Upscale best practices in online grievance handling, inspired by Gurans Palika, and replicate the door-to-door service for social security funds for senior citizens, following the model used in Gandaki, to enhance service access and responsiveness.
Civilian Oversight		
1.53	Limited capacity of elected representatives and council members in effectively overseeing governance and public service delivery.	Conduct targeted capacity-building sessions for elected representatives and council members focusing on key areas such as (i) revenue sharing provisions and the roles of local governments (LGs), (ii) project identification and planning processes, (iii) the integration of social, gender, and climate considerations into planning, (iv) the concept and use of the Project Bank, and (v) exposure visits and short executive learning programs on

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Capacity Needs		Recommendations
		governance and development policy. Institutionalize regular exposure visits and interactive executive sessions to further strengthen governance knowledge and policy development capabilities.
1.54	Insufficient capacity building for ward members to effectively address policy and governance challenges at the local level.	Provide targeted training for ward members on various policy and governance issues, ensuring they are equipped to handle local development needs. Apply learning beyond training approaches (CoP, MT) to enhance their capability. Coordinate with NARMIN and MUAN to enhance training programs, share best practices, and strengthen the capacity of ward members to engage in effective governance and policy implementation.

A summary of high priority action as intimated above is provided in Figure 1 below.

6. PARTNERSHIP MAPPING RESULTS

This section presents findings from the initial provincial-level mapping in Karnali Province, highlighting how key development partners are supporting reforms related to federalism. The examples emphasize thematic alignment, opportunities for coordination, and potential overlaps with PLGSP interventions. They illustrate how a range of actors—from those promoting youth engagement to those advancing civic oversight and inclusive planning—are contributing to and reinforcing PLGSP’s objectives.

Key Takeaways

- **Comprehensive Partner Mapping:** Over 20 key international, federal, and civil society partners were mapped, identifying current and planned activities in governance, fiscal reform, social inclusion, and infrastructure.
- **Thematic Expertise Identified:** Notable thematic strengths include fiscal federalism (MoF/NNRFC), gender and inclusion (UN Women, ALN), digital governance (MoICT/DoIT), youth civic engagement (Helvetas/PROYEL), and evidence-based planning (Asia Foundation/SNGP).
- **Avoiding Duplication:** Coordination mechanisms—such as joint planning sessions, shared learning hubs, and harmonized training curricula—are proposed to reduce duplication, increase synergy, and ensure resource alignment with PLGSP outcomes.
- **Best Practices for Scaling:** Tools like the CivActs model (ALN), Good Governance Schools (Helvetas), and evidence-driven project banks (MoF/TAF) offer replicable models for other provinces.

A final consolidated national partnership matrix will build on this mapping to align interventions with the full PLGSP framework and enhance multi-tier federal collaboration. This section is split into Priority Program Examples (three detailed examples provided) and a table of all other Karnali province partnership options to be explored in the final report.

5.1 EXAMPLE PARTNERSHIP OPPORTUNITIES

Section 5.1 summarizes three illustrative cases that are particularly relevant to PLGSP activities in Karnali Province: (i) The Asia Foundation/DFAT, (ii) People in Need in partnership with Accountability Lab and the EU, and (iii) Helvetas Nepal/EU, UNICEF/ILO/UNFPA/UN Women-EWPN project funded by EU and Local Infrastructure Support Programme (LISP) implemented by DT Global and funded by FCDO/BEK. These examples are presented as indicative cases and will be further expanded in the final main report, which will detail key federal, provincial, and local partners of relevance to PLGSP.

NEPAL SUBNATIONAL GOVERNANCE PROGRAMME (SNGP) – PHASE II

SNGP is a flagship governance program funded by Australia’s DFAT and implemented by The Asia Foundation in partnership with the Government of Nepal. Now in its second phase, it applies an adaptive, politically informed approach through a “coalition of influence” uniting government, civil society, and experts. Aligned with PLGSP, it focuses on five outcomes: intergovernmental coordination, inclusive evidence-based policy (especially in health), subnational economic policy, equitable service delivery, and climate integration in provincial and local planning.

- **Presence in Karnali:** Under Phase II, the Programme facilitated structured policy dialogues and supported evidence-based planning processes in the Karnali provincial government and selected municipalities. Thematic areas included public health governance, economic recovery, and data-driven service delivery planning. SNGP also invested in cross-provincial learning

initiatives, with Karnali’s youth actively participating in the national Youth Sounding Board—an advisory mechanism that shapes the program’s youth engagement and civic leadership strategy. The programme has expanded its footprint to all 79 local governments in Karnali, with efforts underway to deepen engagement in remote and underserved municipalities to ensure no unit is left behind in the federal transition.

- **Key Activities & Alignment with PLGSP:** SNGP’s core interventions align closely with its EOPOs and complement PLGSP’s priorities. These include support to intergovernmental coordination platforms and mediation mechanisms to resolve functional overlaps between provincial and local authorities, addressing. The programme provides technical assistance to provincial ministries for evidence-based policymaking and assists municipalities in using disaggregated data for planning and budgeting—advancing PLGSP Outcome 2 on inclusive and accountable institutions. It also offers capacity-building to elected officials and municipal staff, focusing on participatory planning and gender- and equity-sensitive service delivery, aligned with PLGSP Outcome 3.

For instance, SNGP facilitated policy labs in Karnali that supported local governments in developing public health service delivery frameworks using community consultations and baseline data. These initiatives reflect PLGSP’s focus on quality and citizen-responsive services. The program also supports gender equality and climate resilience mainstreaming in annual plans and budgeting processes. A distinguishing feature of SNGP’s approach is its grants to local civil society organizations and research institutions, which are mentored to conduct studies, test innovations, and enhance civic oversight in governance.

- **Innovations and Lessons:** SNGP is recognized for its adaptive programming approach, modeled on principles of problem-driven iterative adaptation. The programme continuously adapts its interventions based on learning and local political dynamics. One innovation is the establishment of Provincial Policy and Research Centers, developed in coordination with provincial institutions like the Provincial Center for Good Governance, which generate policy-relevant evidence. In Karnali, this has helped anchor provincial strategies in localized data and research.
- A key lesson emerging from SNGP’s work in Karnali is the importance of neutral facilitation in intergovernmental coordination. For example, when supporting dialogues between provincial ministries and local governments on functional assignments, SNGP employed academic institutions and TAF facilitators as neutral conveners, increasing trust and mutual understanding. The program has also piloted participatory planning tools—such as community scorecards, public hearings, and grievance redress platforms—now embedded in the annual planning cycle of several municipalities. These tools have improved the responsiveness and transparency of local development plans. The program’s mid-term review highlights significant progress in gender-responsive budgeting. In several Karnali municipalities, SNGP supported the development of budgets that earmark resources for women, Dalits, and persons with disabilities, thereby advancing inclusive governance through practice rather than principle.
- **Potential Duplication or Synergy with PLGSP:** While both SNGP and PLGSP work toward strengthening subnational governance, they operate with complementary mandates. PLGSP is a government-led Programme focused on formal systems, institutional frameworks, and capacity building through mechanisms like LISA, while SNGP is nimbler and more experimental, working across themes like public health, economic policy, and climate integration.

Coordination between the two programs is critical, especially in areas such as training and institutional development. In Karnali, SNGP works through platforms like the Karnali Province Training Academy (KPTA), which was established under PLGSP, to deliver capacity support. SNGP’s contribution has included co-developing curricula for the Provincial Center for Good Governance, particularly on

inclusive planning, rather than duplicating training efforts. Risks of overlap are currently mitigated through ongoing coordination between DFAT, TAF, MoFAGA, and PLGSP’s donor group. This collaboration ensures that the strengths of each program are leveraged while minimizing redundancies in a resource-constrained environment.

Table 3. THE ASIA FOUNDATION / DFAT – PLGSP OPTIONS					
Name of Partner Project/Initiative Name(s)	Best Practices Identified	Potential Areas for Synergy with PLGSP	Overlap/Duplication Risks	Entry Points for PLGSP Engagement	Coordination Mechanisms Proposed
Subnational Governance Programme (SNGP)	Use of adaptive programming; facilitation of policy labs for provincial-local dialogue; establishment of Karnali Province Training Academy; mainstreaming of GESI and climate considerations into provincial/local planning; inclusive planning tools like community scorecards.	Support in building intergovernmental coordination mechanisms; collaboration on inclusive and evidence-based local planning processes; alignment on GESI and climate resilience in governance frameworks.	Possible redundancy in provincial/local capacity building trainings; thematic overlap in GESI and planning support could result in duplicated sessions if uncoordinated.	Partner with SNGP on evidence generation and dissemination through KPTA; integrate inclusive and data-driven approaches into PLGSP training modules; jointly convene policy forums for local governments.	Quarterly joint planning and reflection workshops; shared development of training curricula; establishment of a joint learning hub at the provincial level integrating both PLGSP and SNGP resources.

ACCELERATING CIVIL SOCIETY’S ROLE IN SECURING EDUCATION FOR ALL (ACCESS)

The EU-funded ACCESS program (2024–2027) strengthens education governance at provincial and local levels in Nepal. Led by People in Need with ALN, NCE Nepal, and NDWA, it promotes accountability and inclusive education within Nepal’s federal system. In Karnali, ACCESS operates in 12 local units, supporting CSOs to work with governments on the School Education Sector Plan. In March 2025, it convened provincial forums in Karnali and Dhangadhi to address education disparities and strengthen local governance structures like municipal education committees.

- **Key Activities & Alignment with PLGSP:** ACCESS focuses on building the capacity of local CSOs to monitor education services, facilitate community consultations, and advocate for school improvements. While many of its activities extend beyond PLGSP's scope, ACCESS complements PLGSP by convening multi-stakeholder dialogues with local governments to review education plans, collecting citizen feedback through surveys and civic forums, and working with local authorities to incorporate these insights into annual education plans and budgets. These efforts align with PLGSP's Outcome 3, which emphasizes increased citizen and civil society involvement in local decision-making and service delivery oversight.
- **Innovations and Lessons:** ACCESS introduces ALN’s CivActs (Citizen Helpdesk) model to the education sector at the local level. This model creates a feedback loop where community volunteers gather real-time information on issues such as teacher absenteeism or lack of textbooks. ALN then disseminates civic issue bulletins to inform both citizens and officials, facilitating dialogues to address these challenges. This approach has proven effective in other sectors for bridging information gaps and is expected to enhance responsiveness from local governments in education. Early lessons highlight the importance of engaging existing local structures, such as School Management Committees, as allies in accountability efforts. In several target municipalities in Karnali, civil society input through ACCESS forums has already led to policy changes.
- **Duplication/Overlap or Synergy with PLGSP:** While PLGSP does not specifically focus on the education sector, ACCESS occupies a complementary niche with minimal risk of

duplication. ACCESS supports PLGSP by demonstrating how local governments can be made more accountable and inclusive within the education sector. A strong potential synergy exists in the area of Gender Equality and Social Inclusion (GESI), as PLGSP encourages local governments to develop GESI strategies, and ACCESS provides concrete content by ensuring local education plans are gender- and inclusion-responsive. Additionally, ACCESS’s model of civic engagement can inform PLGSP’s citizen engagement frameworks, such as Ward Citizen Forums and mandated public hearings. By partnering with provincial authorities, like the Provincial Education Directorate, for dialogues, ACCESS also strengthens provincial-local linkages in the education sector, aligning with PLGSP's objectives across all sectors.

Table 4. PEOPLE IN NEED / ACCOUNTABILITY LAB NEPAL / EU / PLGSP OPTIONS					
Project/Initiative Name(s)	Best Practices Identified	Potential Areas for Synergy with PLGSP	Overlap/Duplication Risks	Entry Points for PLGSP Engagement	Coordination Mechanisms Proposed
ACCESS – Accelerating Civil Society’s Role in Securing Education for All	CivActs model for closing feedback loops between citizens and authorities; grassroots data collection and dissemination via civic bulletins; direct engagement with school management committees; mobilizing youth and mothers’ groups to track education service delivery; inclusive education policy advocacy.	Strengthen civic engagement frameworks under PLGSP using ACCESS’s citizen monitoring tools; apply inclusive planning and budgeting methods to other local service sectors beyond education.	Low risk; however, PLGSP and ACCESS may independently organize citizen engagement activities or GESI audits without harmonization if not well coordinated.	Adopt CivActs or similar community monitoring tools in PLGSP municipalities; incorporate ACCESS’s CSO capacity development content into KPTA training materials; facilitate joint citizen forums for integrated planning feedback.	Establish an inter-agency civic engagement working group under PLGSP; coordinate community-level feedback sessions with local education units; invite ACCESS consortium members to PLGSP provincial consultations.

PROMOTION OF YOUTH ENGAGEMENT IN LOCAL GOVERNANCE (PROYEL)

While PROYEL has phased out as of March 20025, the project qwas dedicated to empowering youth to participate in local governance processes. Funded by the European Union and co-funded/implemented by Helvetas Nepal, PROYEL works through local NGO partners to activate youth groups and institutionalize their engagement with municipal authorities. The project emerged in the post-federalism context to address the gap in youth voice in local decision-making. PROYEL’s approach involves forming and strengthening Youth Panels at the palika (municipality) level and linking them with local government planning processes.

- **Presence in Karnali:** PROYEL is active in multiple provinces, notably Sudurpaschim, Karnali, and Madhesh. In Karnali, the project has engaged youth in 8 local government units in Surkhet, Dailekh, Jajarkot, Kalikot, and Salyan, including Birendranagar Municipality, where a Youth Panel was formed and supported to liaise with the municipality in development planning. Helvetas reports indicate that youth from at least one municipality per target district are involved.
- **Key Activities & Alignment with PLGSP:** Key activities under PROYEL include forming Youth Panels at the municipal level and training them on local governance (roles and processes of municipalities); facilitating the involvement of these youth groups in the annual planning and budgeting cycle of local governments (e.g., helping youth prepare and submit priority lists to the Ward offices); running Good Governance Schools for youth (similar concept to civic education sessions) to raise awareness on governance, rights, and accountability (this approach mirrors the Good Governance School model used by other NGOs in the province); and

implementing small youth-led projects to address community issues (with matching funds from municipalities as a way to foster cooperation).

These activities align with PLGSP outcome 3, which seeks to enhance the capacity of elected representatives and civil servants and their responsiveness to citizens - in this case, young citizens. By empowering youth to interface with local officials, PROYEL helps make local governments more accountable and attuned to youth needs (youth-friendly budgeting is one result). It also indirectly supports outcome 2 (inclusive institutions) by institutionalizing youth participation in decision-making, hence broadening inclusion. For example, a municipality that, due to PROYEL, now consults its Youth Panel when formulating its annual development plan is moving towards a more inclusive governance model, as advocated by PLGSP.

- ***Innovations and Lessons:*** demonstrates an innovative model of structured youth engagement in governance. The creation of formal "Youth Spaces" within government planning (for example in the creation of a Youth Desk or officially Youth Panel in some municipalities) is illustrative. This is a departure from treating youth as mere beneficiaries, but instead as stakeholders in governance.

Another lesson emerging from PROYEL's implementation is the importance of mentorship: the project pairs Youth Panels with mentors (often local NGO workers or more experienced community leaders) to navigate bureaucratic processes, which has proven effective in building youth confidence and ensuring continuity even when local governments initially hesitated to listen.

- ***Duplication or Synergy with PLGSP:*** PLGSP includes GESI and citizen engagement as cross-cutting issues but does not have a dedicated youth-focused intervention and as such, PROYEL largely complements PLGSP. The only area of potential overlap might be general governance training as both PLGSP and PROYEL conduct trainings/orientations on governance principles (PLGSP for elected reps and officials, PROYEL for youth and community groups). Nonetheless, because the target audiences differ, this is more complementary than duplicative. In fact, PROYEL's youth engagement mechanisms could be incorporated into official practice (a synergy opportunity). As Karnali's Provincial Government is drafting a youth policy on 2024, PROYEL's on-groundwork gives life to such policies, supporting PLGSP's broader aim of policy implementation.

Table 5. HELVETAS NEPAL / EU / PLGSP OPTIONS					
Project/Initiative Name(s)	Best Practices Identified	Potential Areas for Synergy with PLGSP	Overlap/Duplication Risks	Entry Points for PLGSP Engagement	Coordination Mechanisms Proposed
PROYEL – Promotion of Youth Engagement in Local Governance	Institutionalization of Youth Panels in municipal governance processes; creation of youth-inclusive planning forums; implementation of Good Governance Schools for youth civic education; small-scale youth-led local development projects co-funded by municipalities.	Build structured youth engagement frameworks into PLGSP's civic participation pillar; support the replication of youth-led consultative processes across PLGSP municipalities.	Minor overlap in foundational governance training content between PLGSP and PROYEL, especially if targeted to new ward members and youth groups without differentiation.	Promote youth engagement as a formal part of the planning process; use PROYEL's model to create youth consultation spaces within PLGSP municipalities; co-brand Good Governance Schools under PLGSP's capacity building component.	Joint events at ward/municipality level for youth-municipal dialogues; coordination through provincial youth desks and KPTA; co-hosting youth policy review sessions.

5.2 OTHER KARNALI PROVINCE PARTNERSHIP OPTIONS

Table 6 below offers a synthesized overview of key partnership opportunities relevant to the program, serving as a foundational input for the forthcoming main report. It captures essential details on each partner—including project names, thematic focus areas, and implementing organizations—with an emphasis on initiatives already active in the province. Each entry is designed to highlight an illustrative project, its current implementation status, and its practical relevance to subnational governance. Additionally, the table assesses alignment with PLGSP outcomes, showcases innovative delivery models, identifies best practices with strong potential for replication or scaling, and flags any risks of overlap with existing interventions. This format is intended to support more strategic engagement, improve coordination among actors, and ensure that partnerships contribute meaningfully to PLGSP’s overall goals.

Table 6. KARNALI PROVINCE PARTNERSHIP OPTIONS

#	Partner Name	Thematic Area	Partner Organization(s)	Illustrative Project	Implementation in Karnali	Linkage with PLGSP	Innovation	Best Practice for Scaling	Risk of Duplication
Federal Institutions									
	Ministry of Finance (MoF)	PFM and Fiscal Management	.	Nepal Disaster Resilience DPC + Cat DDO (Ongoing) Budget support operation to enhance disaster resilience through fiscal instruments and policy reforms		Fiscal framework alignment	Contingent financing for disaster resilience	Budget tagging for resilience expenditure	Moderate – requires PLGSP policy sync
	Ministry of Women, Children, Senior Citizens Development (MoWCSC)	Health, Education, and Nutrition		WFP School Meal Programme Mid-day meal program targeting ECD to Grade 6 in rural districts, nutrition-linked with education outcomes.		Indirectly via service delivery	systems Nutrition on education service integration	School-based food security systems	Low – strong operational structure
	Ministry of Physical Infrastructure Transport (MoPIT)	Infrastructure Planning and Management		Infrastructure Project Bank and Planning (In Development) Development of centralized digital platform for managing and tracking all infrastructure projects with planning alignment.		Overlaps in infrastructure planning at local level	Web-based infrastructure project bank	Multi-tier digital project tracking systems	Moderate – needs harmonization with federal tools
	Ministry of Agriculture Livestock Development (MoALD)	Agriculture and Livelihoods		Digital Agriculture and Irrigation Development Promotion of agri-infrastructure, apps, and digital systems for crop monitoring and service delivery.		Indirectly via service delivery	App-based service delivery to farmers	Public-private extension and irrigation tech	Moderate – overlaps with federal schemes
	Public Service Commissions (PSC)	Human Resources and Recruitment		Provincial Civil Service Reform Support to merit-based recruitment and training for provincial civil service		Coordination on HR policy and training	Unified provincial recruitment standards	Integrated HR systems between PG and LGs	Low – clear mandate

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				cadres in line with federal guidelines.					
	European Union	Federalism, Education, and Nutrition		Support to Federalism and MSNP Phase III Sector Budget Support to strengthen federal structures and improve service delivery in education and nutrition through MSNP.		Aligned on federalism and decentralization	Budget support linked to performance in federal reforms	Multi-sector budget support with joint indicators	Low – embedded in government systems
	DFAT	Subnational Governance		Subnational Governance Programme (SNGP) Phase II Supports local governance strengthening, planning, budgeting, and intergovernmental coordination.		Complements programming at the local level	Inter-governmental fiscal alignment	Joint planning and budgeting units with LGs	Moderate – overlaps if not coordinated with PLGSP
	Norwegian Government	Education, Gender, food and nutrition security	UNDP, SAHAS	Support to School Education Sector Plan (SESP) Contributes to inclusive, quality education with a focus on girls' education and federalism support. Energy to food project		Sectoral but aligned with decentralized delivery Integrated Periodic Plans (PPs)	Gender-responsive school financing Climate Smart Entrepreneurship	Education budget tagging for equity Climate Investment Plan for Agriculture Sector	Low – in JFA mechanism moderate duplication in DRRM and CCA policy frameworks
	Swiss Development Cooperation (SDC)	Revenue and PFM Reform		Revenue Administration Support (RAS III) Support to subnational revenue and fiscal reform, including tax systems and PFM strengthening.		Links on PFM systems	Subnational tax system digitization	integrated tax and financial systems across levels	Moderate risk if uncoordinated with MoFAGA
	World Bank	Disaster Resilience, PFM, Infrastructure		Disaster Resilience DPC + Cat DDO / ACCESS Budget and infrastructure projects focused on disaster resilience, connectivity, and fiscal management.		Overlaps in fiscal space and infrastructure policy	Contingent financing + regional transport link	Cat DDO as fiscal buffer model for provinces	Moderate— requires strategic sync

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	Asian Development Bank (ADB)	PFM, Infrastructure, Trade		PFM & Customs Reform / Public Investment Management Supports implementation of devolved PFM systems, logistics/customs reforms, and public investment performance improvement.		Overlaps on PFM and planning	Customs and investment reform at SNG level	Performance-linked investment implementation TA	Moderate – with other PFM projects
	UNDP	Governance, Justice, Preparedness		Access to Justice / SUPER / Parliament Support Multiple streams including legal empowerment, disaster preparedness (SUPER), grievance systems and provincial assembly support.		Governance, demand-based enterprises, Legal aid, Earthquake preparedness, institutional capacity	Integrated governance and justice model	Link grievance redress to digital governance	Low – strong alignment with PLGSP
	UNICEF	Child Rights, Nutrition, WASH, Education		Suaahara II / Child-Centric Programming Multi-sectoral programming supporting health, education, WASH and child protection through local governance. Empowerment Women Prosperous Nepal (EWPN) funded by EU		Linkage through decentralized service delivery	Child-focused integrated governance services	WASH + Education + Nutrition convergence	Low – fits service delivery model
	UN Women	Gender Equality and Social Inclusion (GESI)		Gender Responsive Governance and Budgeting Support GESI integration in governance, budgeting, and local planning processes.		GESI mainstreaming	Gender budgeting in provincial systems	Institutionalized GESI focal points with budget power	Low— complementary to PLGSP GESI strategy

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	International Organization for Migration (IOM)	Disaster Risk and Migration Governance		SIKAI – Institutional Knowledge for DRM Strengthening DRM capacity at the local/provincial level through institutional knowledge systems.		Overlaps on disaster response systems	Localized DRM data and coordination systems	Provincial disaster platforms	Moderate – overlaps with MoHA DRR roles
	World Food Programme (WFP)	Food Security, Education, Nutrition		School Feeding Programme (Food for Education) Food distribution, nutrition education, and capacity building for schools in rural Karnali.		Indirectly supports MoSD delivery	Integrated nutrition and education delivery	Food-for-education linked to local agriculture	Low – institutionalized via MoSD
	FAO	Agriculture and Food Systems		Agri-Food System Resilience Projects Capacity development for local governments in agriculture, including value chain, policy support, and data systems.		Relevant to MoA systems at local level	Food systems and value chain governance	Provincial agri-data systems + PPP platforms	Moderate – risk with parallel MoA initiatives
	WHO	Health governance policies, NCD and EPI	PGs, LGs	Provincial Health policies, NCD, EPI		Low-Relevant to MoSD with PGs, LGs service delivery	Health system governance,	Provincial service delivery on non-communicadiseases, Expanded programme on immunization	Low– risk parallel with MoSD initiatives
	ILO	Climate change, information economy, Child labor	MoSD, SAHAS	Climate strategy, community engagement and economic sustainability		Medium-CCA policies, community engagement	Climate governance	integrated approach Community engagement	Low-risk MoSD, LGs
Provincial Institutions in Karnali Province									
	Karnali Province Training Academy (KPTA)	Training and Capacity Building	LGs, PG of Karnali	Cluster-Based Training & Curriculum Development KPTA provides training to local officials, partners with academic institutions and central training agencies to develop	All the LGs and , PG Karnali	Strong- linkage given delivery of PLGSP through training modules	Demand-based, decentralized training modules	Inter-provincial training community of practice	Low – fills clear niche in the training landscape

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				curriculum and deliver provincial training					
	Ministry of Economic Affairs and Planning (MoEAP)	Economic Policy and Investment		Provincial Economic Development Planning (Planned) Supports economic planning, budget formulation, and provincial investment forums for resource mobilization.		Link to PFM, Coordinates on planning systems	Public-private investment forums	Joint venture-based financing of provincial growth hubs	Low – tailored to provincial strategy
	Ministry of Social Development (MoSD)	Health, Education, Nutrition, Sports		Social security, social Inclusion, WFP School Meal Programme Mid-day meal program targeting ECD to Grade 6 in rural districts, nutrition linked with education outcomes.		Indirectly via service delivery systems	Nutrition education service integration	School-based food security systems, disability inclusions	Low—strong operational structure
	Ministry of Physical Infrastructure and Urban Development (MoPIUD)	Infrastructure Planning and Management		Infrastructure Project Bank and Planning (In Development) Development of a centralized digital platform for managing and tracking all infrastructure projects with planning alignment.		Overlaps in infrastructure planning at local level	Web-based infrastructure project bank	Multi-tier digital project tracking systems	Moderate – needs harmonization with federal tools
	Ministry of Land Management, Agriculture and Cooperatives (MoLMAC)	Agriculture and Livelihoods		Digital Agriculture and Irrigation Development Promotion of agri-infrastructure, apps, and digital systems for crop monitoring and service delivery.		Indirectly via service delivery	App-based service delivery to farmers	Public-private extension and irrigation tech	Moderate – overlaps with federal schemes
	Provincial Public Service Commissions (PPSC)	Human Resources and Recruitment		Provincial Civil Service Reform Support to merit-based recruitment and training for provincial civil service cadre in line with federal guidelines.		Coordination on HR policy and training	Unified provincial recruitment standards	Integrated HR systems between PG and LGs	Low – clear mandate

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Bilateral/Multilateral Development Partners in Karnali Province									
	UNDP/SUPER II	Urban Preparedness, Earthquake Response	LGs	Strengthening Urban and Earthquake Preparedness	Birendranagar Municipality	Strong with local government	Integrated disaster management	Community engagement, training	Low-PLGSP clear mandate work with LGs, PG
	UNDP/Parliament Support II	Legislative Oversight	Karnali Provincial Assembly	Enhanced legislative scrutiny	Karnali Province	Closely coordination with provincial government	Improvement in legislative processes	Workshops for assembly members	Low-PLGSP clear mandate work with PG
	UNDP/RERAS	Renewable Energy, Agriculture	LGs	Resilient Agri-food systems	Rukum West, Jajarkot, Mugu, Jumla	Strong-Coordination and collaboration with local governments	Green technologies, ICT in agriculture	Cooperative development, infrastructure improvement	Medium requires coordination with other dev.partners
	UNDP/Access to Justice	Legal Aid, Judicial Reform	LGs	Improving Access to Justice through Reforms	10 Districts of Karnali	Moderately-Linked with justice departments, LGs	Legal awareness campaigns, free legal aid	Judicial capacity building	Low-workwith LGs, KPTA
	UNICEF Protection	Child Protection	LGs	Child protection systems strengthening	Jajarkot, West Rukum	Low-Support from UNICEF,	Psycho-social support, abuse prevention	Training for caregivers, community workshops	Low-Align with MoSD, LGs
	UNICEF Education	Education Recovery	LGs	Education response and recovery support program	Earthquake-affected areas	Low-Support from UNICEF	Educational materials, recovery support	Rebuilding schools, teacher training	Low-closely with LGS, MoSD
	UNICEF WASH	Water, Sanitation and Hygiene	LGs	WASH response and recovery	Jajarkot, West Rukum	Low-Support from UNICEF	WASH infrastructure rebuilding	Cluster strengthening, community training	Low-clear mandate, work with LGs
	WHO	Health System Strengthening	WHO, local health	Health services enhancement	10 Districts of Karnali	Low-Direct linkage with	NCD/Mental Health Training,	Health facility rebuilding,	Medium-work with Health

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			departme nts			health ministries	Disease Surveillance	service restoration	institutions, MoHP, MoSD
	IOM-SIKAI	Community Development, Training	IOM, local governm ent	Capacity building and infrastructure development	Gurbhakot, Mahabu	Moderate- Coordination with local governments	Training programs, community development	Infrastructure and training programs	Low-Enaged with LGs, DEOC, allign DRM
	WFP-SAFE	Food Security, Nutrition	local communi ties	Strengthening Resilience of Assets & Food Security	Jajarkot, Rukum West	Low-Direct support from WFP	Food assistance for asset creation	Community asset building, nutritional support	Low-work with NPC, MoGL in the FG level, MoSD
Non-Governmental Organizations Operating in Karnali Province									
	AHF Nepal	Health, HIV/AIDS	Province Hospital Surkhet	HIV prevention, treatment at ART clinics	Surkhet	Indirectly with MoSD-Strong with MoHP	Use of antiretroviral therapy	Community- based health service delivery	Low-focussed on PLWHA
	BlinkNow Foundation	Education, Livelihood, Health	Kopila Valley Sewa Samaj	Education Program for Needy Children	Surkhet	Low- Coordination with MOSD, linkage with LGs	School and community integrated approach	Inclusion of vulnerable groups in education	Medium focus on livelihood activities
	CARE Nepal	Adolescent Health	SAC Nepal	USAID Adolescent Reproductive Health	Surkhet, Salyan	Low-Direct with MoSD/MoHP	Integration of health services into schools	Community health worker training programs	Low-focus ASRH activities
	Good Neighbors International Nepal	Education, Child Protection	None	Child Protection Program	Mugu	Indirect with social sectors	Child rights awareness programs	Engagement with local communities and schools	Low-focus children rights
	Handicap International	Disability Services, Rehabilitation	NFDN, NGMC	Physical Rehabilitation Activity	All districts of Karnali	Low- partnership with local governments	Disability inclusive practices	Rehabilitation services expansion	Low - engagement on disable
	Helvetas Nepal	WASH, Livelihood	SAC, SOSEC, HRDC,	Integrated Water Resource Management Program (IWRMP)	Multiple districts in Karnali	Partially- alignment with LGs, UNDP	Sustainable water management practices	Training and capacity building for local stakeholders	Low-LGs involvement

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			HUREN DEC			project/programs			
	Ipas Nepal	SRHR, Climate Change, Gender Justice	DHO, L NGs	Safe Abortion and Climate Change Adaptation Program	Dailekh, Salyan, Jajarkot, Rukum-West	Moderate-Supports MoSD/MoHP goals, UNDP programs	Community engagement and education	Expansion of reproductive health services	Medium-focus on CCA
	Mission East	CCA, Livelihood, Education	KIRDA RC, WWS, HEAD	Karnali Inclusive Development Program	Humla, Kalikot	Low-Collaboration with local NGOs	Inclusive development strategies	Community-based project implementation	Low-community engagement
	One Heart World Wide	Maternal and Neonatal Health	DDS- Salyan, RSDC- Rukum West, WEC- Dolpa	Strengthening Maternal Neonatal Health Services	Salyan, Rukum West, Dolpa, Kalikot, Dailekh	Low-Strong with MoHP	Local health system strengthening	Collaboration with local governments for healthcare	Low-work to align Health sector programs
	Plan International Nepal	Protection, Child Rights	CAD and PACE Jumla	Girls Standing Strong (GSS)-Jumla	Jumla, Kalikot	Low-Direct with Social Development Ministry	Child protection initiatives	Local NGO partnerships for child advocacy	Low-close coordination with MoSD, LGs
	Save the Children	Child Poverty, Education, Health	Everest Club, HRDC, etc.	Multiple projects including PAUNCH-CSSP	Multiple locations in Karnali	Low-Strong with MoSD	Integrated child development programs	Multi-sectoral collaboration for child welfare	Medium-requires aligning with MoSD, PPC with LGs
	Street Child of Nepal (SCoN)	Education	Aasaman Nepal	Build the Basics (BtB)	Surkhet, Salyan	Low-School and community focus	Basic education improvement strategies	School infrastructure development	Low-align LGs, program

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	The Asia Foundation	Governance, Policy	Sahakar mi Samaj & Others	Subnational Governance Program	Karnali Province	Strong-Direct with MOFAGA, PG, LGs, PLGSP	Policy improvement and governance reforms	Scalable governance models	Low-coordination with KPPC, PG, MOFAGA
	The Lutheran World Federation Nepal	Livelihood, Nutrition, DRR/CCA	SAC Nepal Surkhet	SEEMPI	Surkhet	Moderate-Indirect with MOLMAC, MoITFE	Integrated community development programs	Multi-sectoral resilience building	Low-community engagement
	United to Mission to Nepal (UMN)	Education, Health, Community Empowerment	KCDC & GSS	Mugu Integrated Project (MIP)	Mugu	Low-Partnership with MoEST/MoSD	Community empowerment strategies	Leveraging local resources for education and health	Low-LGs involvement,

7. BEST PRACTICES FOR SCALING

Table 7 summarizes possible best practices derived from the identified partnership options in the Karnali Province mapping. These practices are organized by thematic areas and are designed to support sustainable, inclusive, and coordinated local development efforts. These can be integrated into the PLGSP program.

Table 7. BEST PRACTICES IDENTIFIED FROM THE FIELD	
<i>Thematic Area</i>	<i>Upgraded Best Practice for Scaling</i>
<i>Inter-Governmental Coordination</i>	Establish formal Shared Services Agreements (SSAs) supported by Intergovernmental Coordination Units (ICUs) and digital platforms to align service delivery mandates and budgets.
<i>Infrastructure</i>	Co-develop multi-stakeholder infrastructure platforms for joint planning and funding, integrating LG-PG-INGO resources with real-time tracking.
<i>Health and Education</i>	Adopt cross-jurisdictional shared health and education service delivery models with pooled investment and shared digital platforms for outreach and monitoring.
<i>Economic Development</i>	Institutionalize inter-municipal economic zones and business incubation hubs jointly managed by PG and LGs to drive SME growth.
<i>Disaster Risk Management</i>	Operationalize three-tier DRM coordination platforms involving PG, LGs, and NDRRMA with integrated contingency planning and budget tagging.
<i>Environmental Sustainability</i>	Co-implement climate-smart community-based projects with shared environmental performance indicators and citizen reporting tools.
<i>Capacity Building</i>	Expand province-led, cluster-based modular training through KPTA, with demand-driven course design and digital learning options.
<i>Provincial OCMCM Action Centers</i>	Replicate the PMO prototype by establishing tech-enabled provincial Action Centers for real-time coordination, planning, and performance monitoring.
<i>Policy Harmonization</i>	Hold periodic inter-tier policy summits to align sectoral priorities, fiscal frameworks, and legislative timelines across government levels.
<i>Funding and Resource Mobilization</i>	Launch blended finance mechanisms through project banks, combining LG, PG, and donor investments in priority sectors.
<i>Public Awareness & Community Voice</i>	Institutionalize civic scorecards, public hearings, and community monitoring platforms to enhance feedback and transparency.
<i>Agriculture and Livelihoods</i>	Promote contract farming and cooperative models linked to agri-tech platforms and supported by joint academic-INGO technical units.
<i>Digital Literacy and Innovation</i>	Develop province-wide digital skill programs in partnership with universities and incubators; integrate e-governance into school curricula.
<i>Governance and Accountability</i>	Mainstream participatory M&E systems across tiers using common KPIs, social audits, and peer reviews to drive accountability.
<i>Social Inclusion</i>	Implement participatory budgeting and planning protocols that prioritize women, youth, elderly, and marginalized groups with embedded GESI indicators.
<i>Urban Planning and Tourism</i>	Integrate cultural heritage and eco-tourism into periodic and master plans, with climate-smart urban infrastructure design standards.

8. SUGGESTED PROVINCIAL TA

Based on the capacity gaps and implementation priorities two strategic technical assistance (TA) positions are recommended for deployment at the provincial level in Karnali. Each responds to cross-cutting needs that impact planning, fiscal governance, service delivery, and coordination.

1. Provincial Public Financial Management and Revenue Generation Advisor

The province faces serious challenges with budget realism, fragmented fiscal planning, underutilization of exclusive tax rights, and weak coordination between federal, provincial, and local PFM systems. There is also no robust mechanism to track revenue potential or implement fiscal capacity strategies across levels.

Key Responsibilities:

- Support rollout and operationalization of the Budget Realism Strategy, with a focus on improving annual and MTEF formulation processes across provincial ministries, ensuring alignment with the 16th Five-Year Plan.
- Conduct comprehensive fiscal gap and revenue potential assessments using GIS-linked spatial data and tax-base analysis, focused on provincial-exclusive domains such as land use, natural resource royalties, and tourism.
- Design an integrated Provincial Fiscal Information System (PFIS) to consolidate data on grants, conditional transfers, and local revenue collection, and link it to the national SuTRA and PEFA systems.
- Collaborate with MoFAGA, NNRF, and MoF to revise Equalization Grant and Conditional Grant formulae for equity and performance incentives; develop and pilot KPI-linked fiscal transfer mechanisms.
- Facilitate fiscal policy coordination platforms between the Provincial Treasury, Planning Commission, and LGs for integrated revenue planning, linking grant decisions to LISA/FRA/LED performance assessments.

2. Strategic Planning and Digital Governance Specialist

Planning fragmentation and weak digital infrastructure severely hamper policy coherence and data-driven development. The absence of interoperable systems across governance levels undermines coordinated planning and service delivery, while performance monitoring remains ad hoc and tool-specific (e.g., LISA, FRA, LED).

Key Responsibilities:

- Develop a unified e-Planning and Budgeting Portal that links Karnali's provincial ministries, planning commissions, and LGs—drawing on NPC's Project Bank standards—to enable real-time, interoperable planning workflows.
- Lead design of digital repositories and spatial planning dashboards (GIS-based), enabling Ministries to track infrastructure, education, health, and climate-smart investments by location, status, and alignment with SDGs.
- Build capacity in OCMCM, MoEAP, and PPC to interpret, localize, and apply economic data for planning and budgeting, using insights from the Economic Survey and NRB data analytics.
- Coordinate development of a Multi-Year Expenditure Framework (MTEF) API to integrate with national budget portals and allow tracking of forward estimates by program, project, and sector across all three government tiers.
- Provide TA to the Karnali Province Training Academy (KPTA) to embed digital governance, policy feedback loops, and adaptive planning tools into its curriculum, using case-based modules and simulation tools.
- Support cross-tier learning by liaising with digital governance and innovation partners (e.g., GIZ, ADB, UNDP) to build institutional coherence and sustainability of digital reforms.

Both roles are pivotal for aligning Karnali's governance with federal principles, improving fiscal discipline, and institutionalizing data-informed decision-making.

