FINAL REPORT

DAAYITWA NEPAL PUBLIC POLICY FELLOWSHIP 2026

A POLICY RESEARCH ON

Localizing LDC Graduation through SDG Implementation: Pathways for Economic Resilience and Self-Reliance in Local Governments

conducted as a part of the Daayitwa Nepal Public Policy Fellowship 2026, in collaboration with the Ministry of Land Management, Co-operatives, Federal Affairs & General Administration

June 2026 – September 2026

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A study conducted as part of the Daayitwa Nepal
Public Policy Fellowship 2026,
Together with the Ministry of Land Management, Co-operatives,
Federal Affairs & General Administration, Kathmandu

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September 3, 2026

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ABSTRACT

Nepal planned to graduate in 2026 A.D while meeting all the criteria, however, Nepal Government wrote a letter to the UN Committee to review the graduation date till 2029 A.D. Nepal formulated all the national plans, and programmes on the basis of the Sustainable Development Goals, which was institutionalized in the 15th periodic plan, and also Nepal practiced the three layers of Government after the Amendment of the Constitution of Nepal (2015). While implementing the SDGs at the local level from the established journey, a new system of Local Government Units. This paper tried to explore the alignment to localization of LDC graduation through the localization of SDGs. This study evaluates the policy, institutional, technical, geographical, financial, social context & inclusivity, & human development condition in the Local Government Units, using the qualitative research method design with the ten structured, twelve semi-structured, and two unstructured questions across the elected Mayor, Deputy-mayors, Chief Administrative Officer, and possibly head of Planning department to each of them, generated the major themes, where policy gaps, administrative and political will, physical infrastructure vs Human development, lack of data & institutional memory are the prominent themes. The findings show that the SDGs localization is not parallel but it is having in the existing system but still there is a gap on the self sustainability and self reliance. Nepal still needs foreign aid for the infrastructure development as well as the Human development. In addition to that, there is a geographical challenge within the local government, as well as the different government, which demands context based policies, programs, and planning. Furthermore, the top-down and down-top approach, as well as collaborative, coordinated, and co-existential government policies, and actions is most. Therefore, this study recommends the empowerment of political leaders in terms of national policies, and local policies contexts, change the specific policies/programs that does not align within the different climate context or geographical regions, National Planning Commission, and relative ministries should take a bottom to top approach in selecting the programs, and projects, & the federal and provincial government should establish a coordinated, and collaborative mechanism or bridge for the avoid the void and overlap.

Keywords: SDGs, LDC, LGUs, policies, localizations, economic reliance, policy gap, institutions.

INTRODUCTION

1.1 Background

Nepal occupies a uniquely precarious position in global development policy, and is planning to graduate from the Least Developed Country (LDC) status by November 2026 by completing all criteria, however, the GNI per capita by the thin line. However, the transition process marks a major transition in the development orbit. This reflects in the process of Human development, Gross National Income (GNI) per capita and Economic and environmental vulnerability. At the same time, it unveils new challenges, mainly related to the economic resilience and self-reliance in all three layers of government, especially in the local government units in terms of sustainability. Following a formal deferral from November 2026 to November 2029, Nepal now has a narrow three-year window to consolidate its readiness for graduation (Kathmandu Post, 2026; UNESCAP & NPC, 2025). Yet the institutional architecture most responsible for translating graduation readiness into lived reality the 753 local governments created by Nepal's 2015 Constitution remains severely underprepared.

While SDGs localization and LDC graduation, two agendas intersect at the local level. The studies largely focus on national-level policies, indicators, and graduation readiness, but there is insufficient attention to the localization approach at the centre of planning, service delivery, and development governance. To enhance the capacity to translate global development goals into locally relevant actions that influence Nepal’s abilities to achieve a smooth and sustainable LDC graduation. There remains a knowledge gap regarding whether local development plans, programs, and resource allocation are adequately aligned with the priorities of LDC graduation.

In addition to it, Nepal's federal structure devolves planning, budgeting, and service delivery responsibilities across three tiers: the federal government, 7 provinces, and 753 local government units (LGUs); 6 metropolitan cities, 11 sub-metropolitan cities, 276 municipalities, and 460 rural municipalities. These LGUs are constitutionally mandated to implement the Sustainable Development Goals (SDGs) at the local level and are the primary interface between national development policy and communities. However, the evidence reveals deep structural constraints, policy lack, conditional grants, Local Government Units (LGUs) failed to present, Over 80% of LGU revenue derives from federal grants, with own-source revenue (OSR) critically underdeveloped (World Bank, 2024) and gap in

inter-governmental fiscal and resources transfer. SDG localization, the very mechanism by which LGUsare supposed to build self-reliance, remains weakly institutionalized at the local government tier (UNDP Nepal, 2024). This research addresses that gap directly.

Nepal's 12th Plan set a goal of graduating from the Least Developed Country (LDC) category to developing-country status by 2030. However, after endorsing the 2011 Istanbul Programme of Action (IPoA) in 2013, Nepal revised this timeline and committed to achieving LDC graduation by 2022. This accelerated target reflected the country's effort to operationalize the objectives of the IPoA and was explicitly incorporated into the vision of the 13th Plan. Nepal met two of the three graduation criteria in two consecutive triennial reviews conducted in 2015 and 2018, several challenges hindered immediate graduation. The severe impacts of the 2015 earthquake, relatively low gross national income (GNI) per capita, and persistent structural vulnerabilities led the Government of Nepal to request a postponement of the graduation process in 2018. In response, the Committee for Development Policy (CDP) recommended deferring Nepal's graduation from the LDC category. Based on the recommendations of the Committee for Development Policy (CDP) and their endorsement by the Economic and Social Council (ECOSOC), the 40th Plenary Meeting of the 76th Session of the United Nations General Assembly, held on 23 November 2021, unanimously adopted a resolution approving Nepal’s graduation from the Least Developed Country (LDC) category with a five-year transition period. Nepal will be the first and only country to graduate without meeting the income criterion. During the transition period from 2021 to 2026, Nepal will continue to be classified as an LDC and will remain eligible for all benefits and support measures available to LDCs. (NPC, 2024).

Nepal adopted the Sustainable Development Goals (SDGs) in 2015 A.D. till 2030. The National Planning Commission had led national efforts to integrate SDGs into the planning, implementation, and localization through the key frameworks of SDGs and in alignment with the LDC framework in the 15th plan. This period plan aimed to align national priorities, the constitution, the intergovernmental distribution of resources, and global development targets with the roadmap of implementation.

The constitution of Nepal (2015) officially led Nepal into the federal system. With this transition of federalism, the responsibility for the implementation of development priorities, resource distribution, intergovernmental policy alignment, and localization of SGDs shifts towards the three layers of government from a singular. To support this, the

government has introduced some key policy documents and used the international documents have been brought to support mainstreaming and aligning the SDG localization guidelines and tools, the Local Government Operation Act 2017, the National Natural Resources and Fiscal Commission Act 2017, and the SDGs framework, SDG Baseline Report, 2015, Sustainable Development Goals: Status and Roadmap 2016-2030, 2017, National Voluntary Review, SDGs, 2017, United Nations Development Assistance Framework for 2018-2022, SDG-based Monitoring and Evaluation Guidelines, SDG-based Local and Provincial-Level Planning Guidelines, SDG Needs Assessment, Costing and Financing Strategy, 2019, Integrated National Evaluation Action Plan of Nepal (2016-2020), 2017, Guideline on SDG localization prepared for local governments, 2019, with national plans and priorities.

However, despite these policy and institutional efforts, progress in SDG localization remains uneven. The Sustainable Development Goal Report, 2025, suggests that many local governments face constraints related to limited institutional capacity, inadequate financial resources, weak data systems, and coordination challenges across levels of government. Additionally, translating SDG commitments into practical strategies for strengthening local economic resilience and self-reliance remains an ongoing challenge, particularly in the context of Nepal's upcoming LDC graduation. In this context, there is a growing need to better understand how SDG localization efforts can be more effectively aligned with the objectives of LDC graduation at the local level.

1.2 Policy and Institutional Context

The Ministry of Federal Affairs and General Administration (MoFAGA) assumed the role of the central agency responsible for federal affairs and civil service administration. In accordance with the Constitution of Nepal, the Civil Service Act, 1993 (2049 B.S.), and the Civil Service Regulations, 1993 (2050 B.S.), the Ministry has been carrying out the management and operation of the federal civil service, including personnel administration and record management. Its principal role is to facilitate local development, infrastructure construction, and public service delivery across the country for coordinating, facilitating, guidance, feedback, and strengthening the institutional capacity, in the implementation of various development projects and programmes with the initiatives to promote social inclusion, social mobilization, and the capacity development and empowerment of Indigenous Peoples, nationalities, Dalits, marginalized and oppressed groups, and other

disadvantaged communities. 753 local governments, comprising 6 metropolitan cities, 11 sub-metropolitan cities, 276 municipalities, 460 rural municipalities, and 77 District Coordination Committee coordination. (MoFAGA, 2026).

The successful localization of the Sustainable Development Goals (SDGs) largely depends on the institutional capacity and governance performance of local governments, making MoFAGA a critical actor in Nepal's development agenda including the appointment of Chief Administrative Officers, personnel deployment, and administrative reform. MoFAGA also works closely with the Ministry of Finance and development partners to mobilize resources, strengthen institutional capacity, and improve local governance and public service delivery. These responsibilities position the Ministry at the centre of Nepal's decentralization process and the effective implementation of federalism. Through policy coordination, capacity development, administrative oversight, and intergovernmental collaboration, the Ministry enables local governments to integrate SDGs into local plans, budgets, and service delivery. This role is particularly significant as Nepal prepares to graduate from the Least Developed Country (LDC) category, where sustaining development gains will increasingly depend on stronger local institutions, economic resilience, and greater self-reliance. By enhancing local governance and supporting evidence-based planning and implementation, MoFAGA contributes directly to achieving the SDGs while facilitating a smooth, inclusive, and sustainable transition beyond LDC status.

This research aims to explore practical pathways through which local governments can strengthen economic resilience and promote self-reliant development, while supporting MoFAGA in enhancing policy coherence and implementation support across Nepal’s federal system.

1.3 Statement of Problem

Nepal's SDG localization agenda and its LDC graduation transition strategy have been designed and monitored largely as parallel national processes, with a systematic framework linking local-level SDG implementation to the specific economic resilience and self-reliance outcomes required for durable graduation. However, it remains unclear which SDG-linked local interventions are actually contributing to graduation readiness, which are not, and why, leaving the National Planning Commission and MoFAGA without an evidence base to target the three-year transition window (2026–2029) effectively at the local government level. This

study tries to explore the alignment between local SDG implementation and graduation priorities, furthermore, it identifies opportunities, challenges, and practical pathways for strengthening local economic resilience and self-reliance. This study aims to support policymakers and local governments in designing evidence-based strategies that ensures a sustainable transition beyond LDC status and Nepal's post LDC future.

1.4 Rationale of the study

This study is crucial in this time, because Nepal is planning to graduate, and also the Government of Nepal wrote a letter to the Committee to review the timeline to extend for 2029 AD. This study might be a pilot project but this study provides the significant ideas to move forward whether to graduate or to hold for the coming three years. While Nepal adopted the SDGs in the Five Years Plan from the fifteenth periodic plans, and the sixteen periodic plan was based on the Sustainable Goals, and provincial government also tied up with the SDGs, after completing the 11th years of SDGs implementation, and having review of 2024, this should be examined in the local level, and its implementation effects, process, and stages. While, there was no previous studies has been done, therefore, this is highly effective to understand the localization of LDC graduation through the localization of SDGs.

1.5 Research Questions

Primary Research Question

To what extent are SDG localization processes in Nepal's local governments aligned with LDC graduation priorities, and what actionable pathways can strengthen economic resilience and self-reliance across differentiated local government contexts graduation deadlines?

Secondary Research Questions

1. What structural, fiscal, and institutional factors explain the alignment or misalignment between SDG localization and graduation readiness across different types of local governments?
2. How well do secondary data and key informant evidence, the degree of alignment between SDG localization activities and graduation priorities at the local government

level with identifing the structural policy gaps and institutional gaps preventing stronger alignment to local governments?

3. Which SDG-linked interventions, if strengthened or newly introduced, would most effectively build local economic resilience and reduce post-graduation aid dependency?
4. What specific actions should the National Planning Commission, MoFAGA, provincial governments, and LGUs take to close the identified alignment gaps?

1.6 Objectives

1.6.1 Overall Objective

To examine the alignment between SDG localization and LDC graduation priorities at the local level, and identify actionable pathways to strengthen economic resilience and self-reliance across local governments in Nepal.

1.6.2 Specific Objectives

- ➢ To explore the structural, fiscal, and institutional factors explain the alignment or misalignment between SDG localization and graduation readiness across different types of local governments.
- ➢ To assess, using secondary data and key informant evidence, the degree of alignment between SDG localization activities and graduation priorities at the local government level. Identify the structural policy gaps and institutional gaps preventing stronger alignment to local governments.
- ➢ To identify SDG-linked interventions, if strengthened or newly introduced, would most effectively build local economic resilience and reduce post-graduation aid dependency.
- ➢ To develop specific actions should the National Planning Commission, MoFAGA, provincial governments, and LGUs take to close the identified alignment gaps.

1.7 Policy Relevance

This research is directly relevant to NPC's mandate to operationalize the Smooth Transition Strategy (STS) and to MoFAGA's mandate to strengthen local governance through the Provincial and Local Governance Support Programme (PLGSP) (2026-2029). The findings will support policy design by identifying SDGs interventions on fiscal and technical prioritization, support on the implementation, and identifying gaps in vertical and horizontal planning, monitoring, coordination, and collaboration. This approach of a Program Theory-based framework must be relevant in tracing down the local policy, gaps, local graduation readiness, integrated with the NPC's graduation monitoring division, MoFAGA action plan for local support and strengthening.

1.8 Linkage to National and Institutional Priorities

This research directly aligns with the LDC graduation Smooth Transition strategy (STS), 15th and 16th periodic plans of SDGs implementation and localization, Constitutional Mandate, the Local Government Operation Act 2017, as well as Fiscal Financial resources transfer. It is further integrated with the provincial and Local governance supportive and strengthening program of MoFAGA. This study will acknowledge the National Workshop on the STS and its recommendations on strengthening vertical and horizontal policy coherence between the graduation planning, fiscal policy, federal resources transfer and subnational implementation (NPC 2025).

1.9 Scope and Limitations of the Study

1.9.1 Scope of the study

This study covers the six different local government units of Gandaki Province, from the metropolitan to rural municipality. Among them, one metro politician, two municipalities, and three rural municipalities. The Gandaki Province is the most climate vulnerable province, and in addition to that, this selected local government also highly risked local governments. It has tried to explore the understanding of Sustainable Goals and their implementation at the local level, according to their needs and policies with the climate mitigation strategies. Furthermore, it tried to emphasize the capacity-building, policy design and implementation as well as the readiness for the graduation from the Least Developed country (LDC). It tried to understand the relationship of localization of SDGs for the LDC graduation at the local level. The findings of this study proposed to share the actionable, specific, and applicable key

takeaways for the policymakers, development agencies, donors, local governments, Provincial and Federal government for the further improvement and localization of international policies, ideas, and agreement according to the local needs, and context. When globally formulated and locally owned, it becomes sustainable.

1.9.2 Limitations of the study

This study is conducted over three months, and has access to the limited local government units for the field work. Therefore, it does not cover all the local government units, and provincial governments. This study does not examine all the documents produced by the local government. The selected participants are limited to the mayor, vice mayor, and Chief Administrative Officers. So, it does not cover all the departments of the local government units. As selected participants, local government units do not represent all the local governments of Nepal, and do not completely address the departments.

Literature Review

2.1 Brief Review of Relevant Policy Documents and Literature

The Constitution of Nepal (2015) mandates in Part 16, State Financial Procedure, and Part 19 Local Financial Procedure to develop the financial resources, planning, and implementation of resources according to the needs of the state and local government units, and law/policy of the federal government. In addition to that, Schedule 5 to 9 of the Constitution of Nepal (2015) specifies the exclusive powers of the federal government, state governments, local governments, and the interconnected powers of them. It gives the power to develop and mobilize the resources, and formulation and implementation of policy for their needs based on the constitution.

The Local Government Operation Act 2074, it is also expedient to strengthen the system of local governance by developing local leadership and to institutionalize legislative, executive, and judicial practices at the local level through necessary provisions relating to the operation of local governments. To foster public participation, transparency, and accountability in governance, to provide accessible and quality public services, to ensure the equitable, inclusive, and proportional sharing of the benefits of democracy, and to reinforce the federal democratic republican governance system from the local level in line with the principles of the rule of law and sustainable development. This act promotes the localization of resources, resource generation, service delivery, power devolution, public participation, inclusion in governance, strengthening of institutions, and economic resilience and self-reliance.

Intergovernmental Fiscal Arrangement Act, 2074 (2017) states that the rights to revenue, which are collected according to the Constitution of Nepal (2015), and the power lies in the three levels of governments. Chapter three states for the revenue sharing mechanism that clearly mentioned that the federal government shall create a Federal Divisible Fund and deposit those funds, which will be distributed seventy percent to Federal, and fifteen and fifteen to both local and state (provincial) government. Likewise, Chapter four discribe the four types of grants, and why they are distributed to the provincial and local governnment. Fiscal equalization grants are distrubited on the basis of their need for expenditures and revenue capacity, conditional grants to the State and Local Level to implement any project of the State or Local Level or the Government of Nepal on the basis as prescribed by the Commission, this includes the terms and conditions while applying the

programs or projects, Complementary grants are to implement any project related to infrastructure development with the criteria of feasibility of the project, project cost, outputs or benefits to be achieved from the projects, financial and physical capacity or human resources for the implementation of the project, need and priority of the project, shall be provided on the basis of ratio of total cost of any project, and the special grants for any specific project to be operated by upper level of government with specific objectives, to develop and deliver basic services like education, health and drinking water, to achieve balanced development of inter-State or inter-local level, to uplift or develop the class or community discriminated economically, socially or in any other form. Where, the special grants are directly related with the SDGs, and social inclusion.

Nepal's Smooth Transition Strategy (NPC, 2024) is the primary national policy document governing graduation preparedness.The STS is a policy framework designed to support Nepal's long-standing objective of graduating from the LDC category. It aims to ensure that the country's graduation is smooth, sustainable, high-quality, and irreversible.

i. A smooth graduation: identify new policies and actions that mitigate the expected impacts from the phasing out of LDC-specific ISMs and seize the opportunities of graduation;

ii. A quality graduation: identify and monitor the progress of implementation of critical policies and actions;

iii. A sustainable graduation: identify policy directions to ensure the sustainability of graduation beyond the 2026 horizon, towards 2030; and

iv. To determine the most prioritized smooth transition measures, timelines, and responsibilities, under the leadership of the High-Level Steering Committee for LDC Graduation'. (National Planning Commission, Feb 2024).

The most recent CDP monitoring report (NPC, 2025) and the ESCAP-NPC workshop summary (UNESCAP & NPC, 2025) confirm disproportionate STS implementation, with subnational governments facing the weakest project planning, institutional limitation and execution, resource constraints, and capacity of local governments. SDG localization evidence is documented in Nepal's Voluntary National Reviews (Government of Nepal, 2017, 2020, 2024), and the Dulikhel Voluntary Local Review (Dulikhel Municipality, 2022), Suryodaya Municipality, Chandragiri Municipality and remaining 11 Local Governments

currently Nepal's LGU level VLR. UNDP Nepal's evaluation of its SDG localization support found that outcomes depend heavily on stakeholder engagement quality and that LGUs still need significant support strengthening their enabling institutional environment (UNDP Nepal, 2024). SDG implementation to graduation-specific economic resilience and self-reliance outcomes, differentiated by local government type. Nepal's Smooth Transition Strategy (STS, 2024), the primary national policy instrument for managing graduation has not effectively resulted below the federal level (NPC, 2024; UNESCAP & NPC, 2025).

Institutional and Coordination Mechanism, Guidance Note on Facilitating Integration and Coherence for SDG Implementation, UNDP, 2017 provides a dynamic institutional framework for a country to guide SDGs, successful implementation into the national, provincial, and local government's policies to integrated into various sectors. It also assists in establishing new institutional and coordinating frameworks, improving their functioning and promoting coherence in supporting government partners (non-governmental), mainly into the three dimensions: economic, social and environmental. In bridging the gaps in the implementation of SDGs agenda, the governmental, institutional, and political contexts of the country is crucial. National Councils for Sustainable Development (NCSD), parliaments are existing institutional frameworks for SDG implementation. While, 'NCSDs is to operate as an advisory body to the government, examining sustainable development issues and providing advice on the evolution and success of sustainable development strategy and policy'. In addition to that the role of parliaments is critical for SDG implementation through their legislative, budgetary and oversight functions. In addition to that, composition and structure of interministerial commissions has mandate to vertical coherence, and good practice as the establishing new institutional mechanism. SDGs need a strong integrated cross-sectoral approach, whereas, institutional mechanisms for coordinating climate action, effectiveness of the institutional arrangements, coherence in national policy and strategy, and capacity and resource constraints.

On methodology, Weiss (1997) and Rogers and Weiss (2007) establish Theory-Based Evaluation as a means of making explicit the assumptions linking activities, inputs, outputs, and outcomes, while Funnell and Rogers (2011) provide the Logic Model (typology) structure applied here. The International Science Council (2026) applied a comparable ToC lens to global SDG implementation failures, and the UN Country Team in Nepal (2025) applied ToC to climate related SDG localization but neither addresses the LDC graduation alignment with SDGs localization interrelationship this study examines.

Evidence of the alignment gap is provided by the World Bank's Nepal Fiscal Federalism update (2024) and independent analysis of the same data, documenting the extent of LGU fiscal dependency and conditional grant misallocation. Alongside the STS and SDG localization literature, this demonstrates a clear knowledge gap, no existing study on Program Theory, systematically traces the mechanism pathway from local SDG implementation to graduation specific resilience outcomes, differentiated by local government type. This proposal is designed to fill that gap.

2.2 Proposed Approach and Research/Analysis Methods

2.2.1 Research Approach

This study adopts Program Theory as the overall research design, operationalized through the Theory of Change (ToC) with differentiated Logic Models (Funnell and Rogers, 2011; Weiss, 1997). It is selected because of the research question, asking not only whether alignment exists between SDGs localization and LDC graduation framework but also why alignment succeeds or fails through specific mechanisms, implementation, changes, and interventions that generate economic resilience and self-reliance. This approach suits a limited timeframe, available less amount of secondary data, and selected key informants in specific LGUs, and is also a standard practice for policy analysis among UN agencies and think tanks. This approach tends to the pilot project for the M&E of the SDGs implementation in alignment of LDC graduation.

The central Theory of Change is, if local governments systematically align their SDG localization activities with STS priorities, supported by reformed fiscal transfers aligning with the Local Government Operation Act, 2017 and strengthened institutional capacity, and policy formulation and implementation then they will have capacity to develop sufficient economic resilience and self-reliance to sustain development outcomes after graduation, SDG interventions and alignment directly build the fiscal, institutional, and economic capacities that graduation removes (adapted from Funnell & Rogers, 2011). This ToC will be tested and disaggregated into typology specific Logic Models for three local government categories based on low-ranking rural municipalities, medium-ranking LGUs, and high-ranking LGUs in the SGDs implementations and VLR.

Methodology

3.1 Conceptual framework

This study is based on the Program Theory (Theory of Change), used in the evaluation and policy research. Weiss (1997) , and Riger and Weiss (2007) established Theory based Evaluation as a method for making explicit the assumptions that link with the Activities, Inputs, Outputs, Outcomes, and Impacts. Nepal conducted the Smooth Transition Strategy (NPC, 2024) is itself explicitly outcome oriented, defining graduation as smooth, high quality, sustainable, and irreversible only if underlying capacities are consolidated, that maps naturally on the Theory of Change structure. The local government operation act 2074 (2017) assigned local governments concrete planning, budgeting, and service delivery function that constitute the activity as well as the guideline related the Strengthening of Local Government units, workshops, budgeting, and consultations constitute the activity.

The figure 1 provides the five stage casual chain of inputs, activities, outputs, outcomes, and impacts. It has considered contextual factors of alignment of localization of SDGs to the LDC graduation process in the six different local Government Units of Gandaki Province. It consists of the programs planning, Greediness of graduation, political economy, dependency of foreign aid, inclusiveness of marginalized communities, differentiate between the program selection and budgeting, implementation on the local level, relation with the federal & provincial government, and data and system building. In addition to that, SDG framework, STS priorities, and MOFAGA guidance, and capacity building.

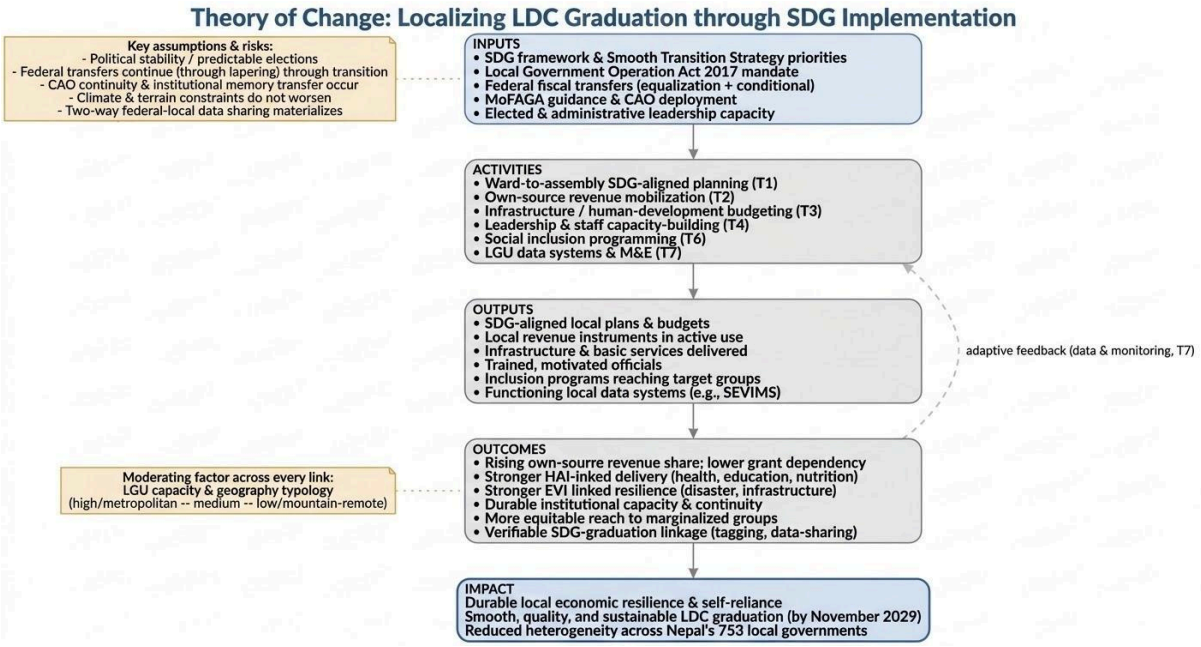

Figure 1.

3.2 Study Area

This study was conducted in the six different local government units of Gandaki Province, from the Metropolitan City to rural Municipality, it covers the hill districts of Kaski, Parbat, and Myagdi to the mountain district, Mustang. The local government units are Pokhara Metropolitan City, Kusma Municipality, Beni Municipality, Annapurna Rural Municipality (Kaski), Thasang Rural Municipality, and Gharpjhong Rural Municipality. The researcher selected these local government units purposefully, concerning the climate vulnerabilities, Annapurna Conservation Area, and the short distance that covers the metropolitan to the rural municipality from the hill to the mountain region. The researcher participants were the Mayor, Deputy Mayor, and the planning Officer (CAO), the directly elected candidates, and the CAO, whom the Federal Government has right to transfer, appoint, and evaluate.

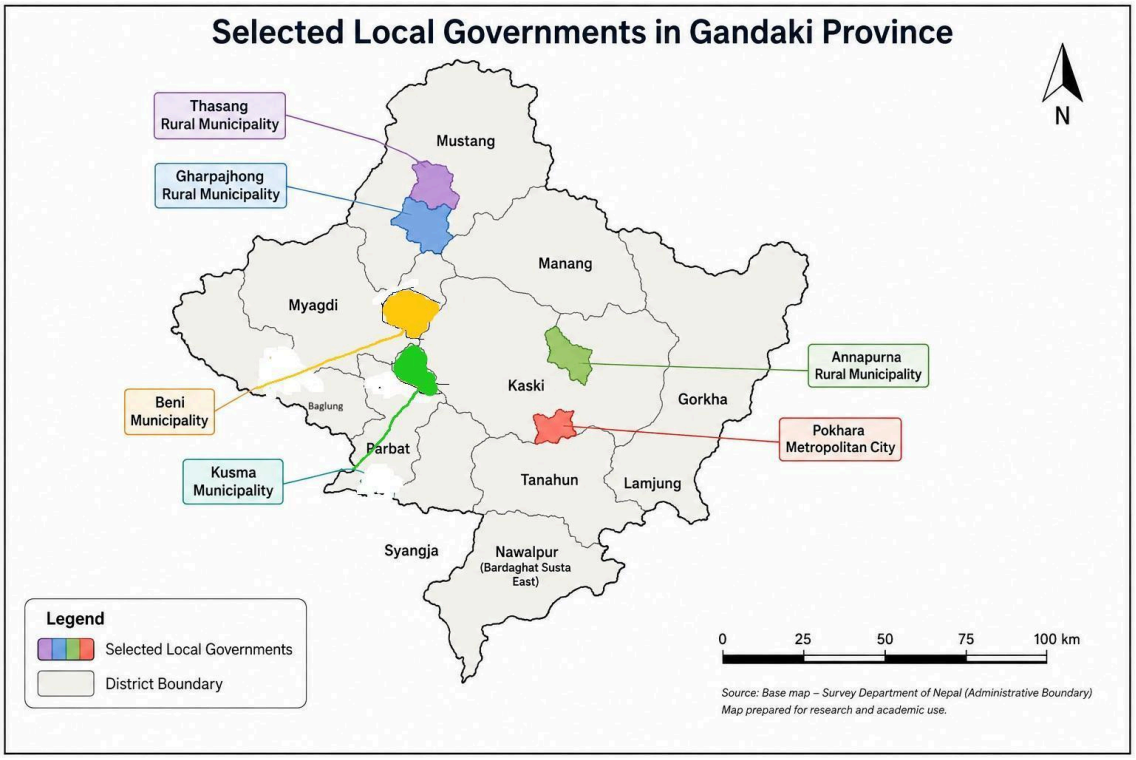

Figure 2. Source: AI

3.3 Research Design

This research was adopted as a qualitative research method. It contains the qualitative and descriptive analysis of the SDGs and LDC graduation indexes. The design to move from the provincial level to local government units. It tries to explore the understanding of the elected political candidate and CAO, regarding the implication, and localization of the SDGs. This study tries to provide a significant understanding of SDGs at the ground level, and the process of it. In addition to that, this supports finding out the concrete evidence to understand the policy gaps in the structural level, policy level or implementation level.

3.4 Data Collection Methods

The researcher will use both primary and secondary data sources of data. The researcher has conducted structured, semi-structured, and unstructured interviews as the primary sources of data. Document review and administrative data analysis are the secondary sources of data.

3.4.1 Primary Data Collection Methods

3.4.1.1 Key informant interviews (KIIs)

KIIs was conducted with the total twenty respondents across the local government units to test the ToC's assumptions and SDGs linkage and implementation at the Local level. The Semi-structured, structured, and unstructured interviews will be conducted with the Local Government Units. A total of forty structured, 36 semi structured and six un-structured questions were taken during the interviews.

Respondent and LGU Coverage

Table-1

Local Government	Type / Terrain	Research Participants
Pokhara Metropolitan City	Metropolitan; hill valley, well-connected	Mayor, Deputy-Mayor, Planning Head
Kusma Municipality	Municipality; mid-hill (Parbat)	Deputy Mayor, CAO, & Planning Head
Beni Municipality	Municipality; mid-hill (Myagdi)	Mayor, deputy-mayor, & CAO
Annapurna Rural Municipality	Rural municipality; hill, conservation area (Kaski)	Mayor, deputy-mayor, & CAO
Thasang Rural Municipality	Rural municipality; high mountain, conservation area (Mustang)	Mayor, deputy-mayor, CAO, Planning Head
Gharpjhong Rural Municipality	Rural municipality; high mountain, conservation area (Mustang)	Mayor, deputy-mayor, CAO, & planning head

This spread deliberately mixes a metropolitan city, two municipalities, and three rural municipalities, and mixes political leadership (Mayor, Deputy Mayor) with permanent administrative leadership (CAO), Planning Head, a design that allows the thematic analysis below to distinguish, where the data permits, between what is a politics and economy constraint and what is an administrative & capacity constraint.

3.4.2 Secondary data collection

3.4.2.1 Document review

The STS, VNRs, VSRs, 15th Periodic Plan, 16th Periodic plan, the Local Government Operation act 2017, the Constitution of Nepal(2015), Federal Fiscal Budget 2083/84, and CDP monitoring report will be reviewed to identify the existing alignment evidence.

3.4.2.2 Administrative data analysis

Fiscal resources transfer, Local Government resource revenue ratios and budget compliance rates, and SDGs indicator performance at the local level.

3.4.3 Analytical Approach

This study carries the Theory of change or Program theory to understand the alignment of the localization of Sustainable Development Goals with the Graduation Readiness of localization of Least Development Country. It carries the major five steps to move into the process to evaluate the SGDs location and LDC graduation readiness: inputs, activities, outputs, outcomes, and impacts. The analytical approach draws on the Program Theory / Theory of Change (ToC) tradition used in the underlying field research design (Weiss, 1997; Funnell & Rogers, 2011; Rogers & Weiss, 2007), combined with inductive thematic coding of key informant interview (KII) transcripts, document review of Nepal's constitutional and legal framework, and administrative fiscal data. However, there is no fixed code book used to become the answers of the respondents, and secondary data. The process is inductive, highly based on the data from the field work. While using these approaches, there are seven different themes that have been structured, creating an alignment with LDC index, and SDGs. Those seven themes are based on the structured and semi-structured questions that a researcher asks the research participants. This combined approach allows the report to describe not only what local governments are doing, but the mechanisms: fiscal, institutional, political, and geographic, that explain why SDG localization succeeds or falters in specific places. The report closes with differentiated recommendations for high, medium, and low capacity LGU typologies, consistent with the field research's own typology.

Codebox: themes, shared terms & phrases.

Table-2

Themes	Shared terms &phrases
Institutionalizing SDGs within Existing Planning Architecture, Not as a Parallel System	No tagging, no focal person, it aligned in the budget without concerning the SDGs, budget includes all the goals indirectly
Fiscal Dependency and the Unfinished Journey Toward Self-Reliance	Most of the budget is based on the grant, programs supported by the federal and provincial governments, no revenue generated plans, and ideas or programs providing subsidies.
Governance Capacity, Leadership, and Bureaucratic and Political Culture	Changing of CAO, Mindset of bureaucracy, Political leadership, elected Candidate, conflict between the politics and bureaucracy, loss of appetite of learning and understanding of political leaders.
Geographic and Institutional Heterogeneity Across Local Government Types	Different landscape, developed, undeveloped, and under developed LGUs, physical infrastructure of LGUs, number of manpower availability vs lackness.

Social Inclusion and Reach to Vulnerable Groups	Women, marginalized groups, Dalit, people of poverty line, information reached out, access to the Office, and opportunities, integration on policies and programs.
Data, Monitoring, and Institutional Memory Gaps	Data, institutional memory, monitoring system, evaluation process, monitoring Leaders, sharing and transformation of knowledge, data system, coding and data availability.
The Physical Infrastructure vs Human Development	Resources allocation to physical infrastructure, access to the road for the information, support and services, lack of resources for the human development, consciousness towards the integration and equitable access to resources.

3.4.4 Connecting the thematic areas.

This figure demonstrates the interconnection of all the seven thematic areas of localization of LDC graduation through the SDGs implementation at the local level. At the centre of all the seven, the localization LDC graduation through SDGs implementation. Together all the themes show what are the major areas that SDGs and LDC are connected to at the local levels. Where: Institutionalizing SDGs within Existing Planning Architecture, Not as a Parallel System, Fiscal Dependency and the Unfinished Journey Toward Self-Reliance, the Physical Infrastructure vs Human Development, governance Capacity, Leadership, and Bureaucratic and Political Culture, Geographic and Institutional Heterogeneity Across Local Government Types, Social Inclusion and Reach to Vulnerable Groups, Data, Monitoring, and Institutional Memory Gaps. This picture does not only show the alignment but also provides the information of nonalignment of the SDGs and LDC graduation strategy.

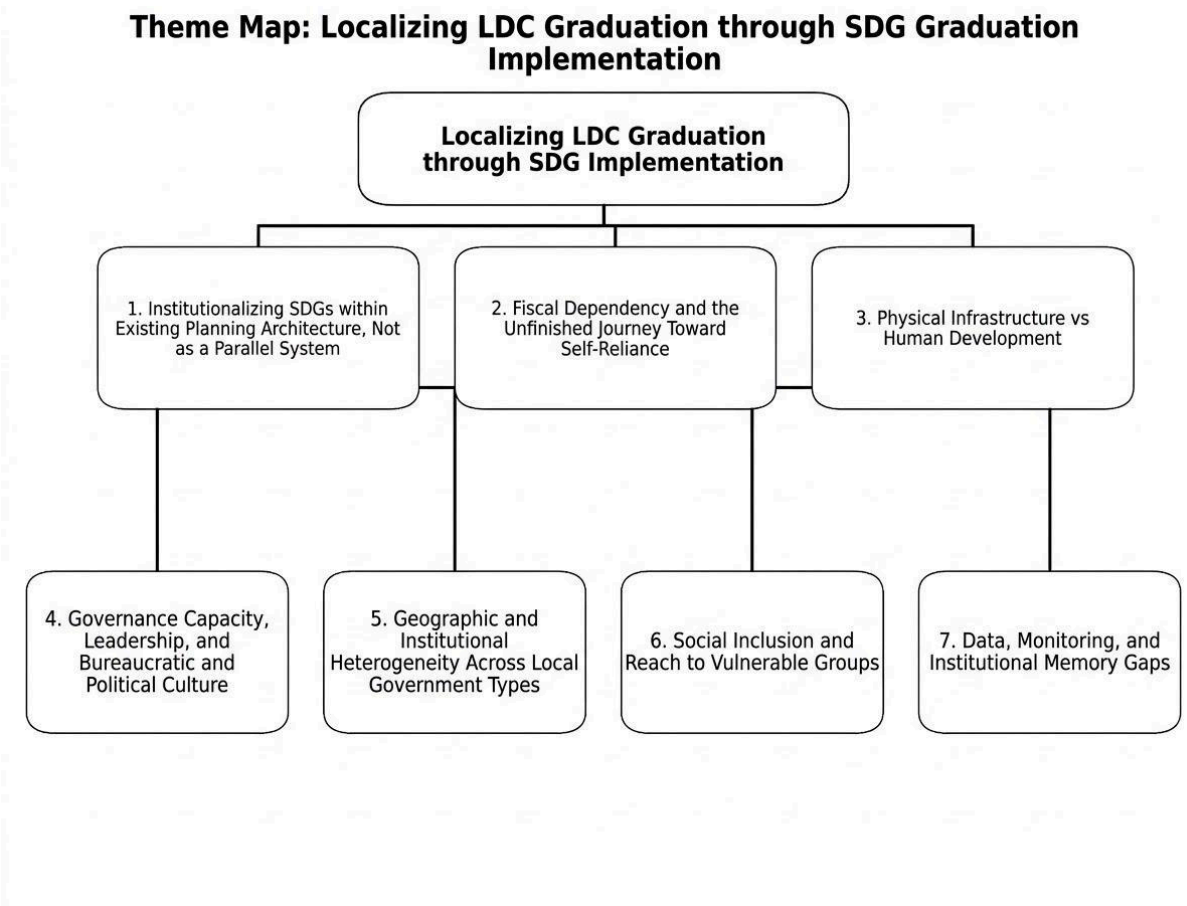

Figure 3.

3.4.6 Ethical Consideration

The researcher has done this research with well informed to the research respondent. The researcher maintains confidentiality of that the researcher shared the honest information, requesting not to explicitly mention throughout the paper, and presentation. The research participants have been preinformed about the research, its values, and other related information. The researcher is concerned with data privacy, and rights to data sovereignty. The research participants have shared the conversations with their own will and interest.

Results

4.1 Overview SDGs localization with the alignment of LDC graduation readiness among six local Government units

Nepal met the criteria for the LDC graduation in 2026 AD. However, the Nepal Government wrote a letter to the committee to extend its duration till 2029 AD. Among the 753 Local Government Units, this studies cover the only six LGUs from the MetroPolitian to rural municipality of the hill to high hill. Where, the metropolitan is the biggest in area, comparatively developed, equipped with physical infrastructure & populated. Two hill municipalities, which are at high risk in the disaster, headquarters of the districts, & formed after the federal structure. And the three rural municipality, two of them are in high hill, located in Annapurna conservation area, high disaster vulnerables, low populated, and difference in cultural aspects. Comparatively equipped with physical infrastructure, LGUs have the ease to move towards the Human Development Index. They have the luxury to allocate the budget in those fields, as well as the sustainable development projects. The understanding of the Political leaders regarding Human Development and its association varies according to their orientations. Those LGUs, which has high income sources, and larger area to generate the revenue, can spend over the social security, long term plans, sustainable developments, and revenue generating programs.

Budgetary distribution of the LGUs.

The budget of these LGUs varies according to the grants, revenue distribution, and internal income, which includes four types of grants from the federal and provincial governments, as well as the revenue distribution with the federal and provincial governments.

Table-3: Budgetary distribution

Topics\LGU (in thousands)	Pokhara Metro	Annapurna RM	Kusma M	Beni M	Thasang RM	Gharpjhong RM
Total Budget	8,35,12,00	65,15,34,	91,54,40	73,00	43,60,00,	39,14,94
Internal revenue	1,55,51,40	3,00,00	7,87,43	6,00	35,00	1,25,00
Equalization Grant (F/P)	50,86,00 / 8,15,46	11,57,00 / 1,32,74	12,36,00 / 1,70,04	11,74,00, / 1,55,00	7,51,00, / 65,00	7,62,00, / 75,07
Conditional Grant(F)	17,57,00(RE) / 13,59 (CE)	2,98,100 / 2,00	43,87,00 / 5,41,00	77,00 / 40,00	11,43,00	9,91,00
Complementray Grant(F/P)	58,00 / 60,00	3,00,00 / 6,00,00	86,00 / 40,40	1,37,00 / 60,00	1,42,00 / 60,00	25,00 / 60,00
Special Grant	143,00 / 40,00	25,50,00 / 40,00	1,19,00 / 40,00		2,54,00 / 38,80,	1,00,00 / 40,00

Revneue Sharing (F/P/L)	33,08,46 42,873 100317114	11,82,98 1,04,62	10,98,88 1,55,86.5 4,93,78.5	9,48,00 19,74,00	8,52,24 6,65	6,26,74 2,66,03 45,00

(Source: MOF, 2025)

Notes: CE: Capital Expenditure, RE: Recurrent Expenditure

The budgets vary according to the LGUs, I found that only in the Kusma Municipality, there are five different conditional grants. However, other Government units only have single conditional grants. And also, some of the LGUs not have data of revenue distribution of the local level. Here most of the budget is based on the four types of grants. The system to promote the lower budgeting government units is not sufficiently effective. Where, it is based on the revenue generated. The Beni municipality generates very low revenue, so if the Beni municipality has the less opportunity to get equalization grants but the expenditure capacity is also based on the equalization grants, so, Beni has an equal amount to equalization but they did not get special grants. However, the Beni Municipality has to develop and deliver basic services like education, health and drinking water, to achieve balanced development of inter-State or inter-local level, to uplift or develop the class or community discriminated economically, socially or in any other form. Where, the special grants are directly related with the SDGs, and social inclusion. The royalty distribution of the natural resources is based on the Intergovernmental Fiscal Arrangement Act, 2074 (2017), which said to share the 25% to the local government. However, the Thasang and Gharapjhong Rural Municipality do not get the revenue because of the Annapurna Conservation Area. In addition to that, the revenue sharing to the local government is based on 15% of the collection.

Major restriction of implementation of SDGs

The researcher asked the research participants regarding the major restriction of SDGs implementation at the local level. There are eight options provided to them to rank with their own understanding, and also they have flexibility to add new ones.

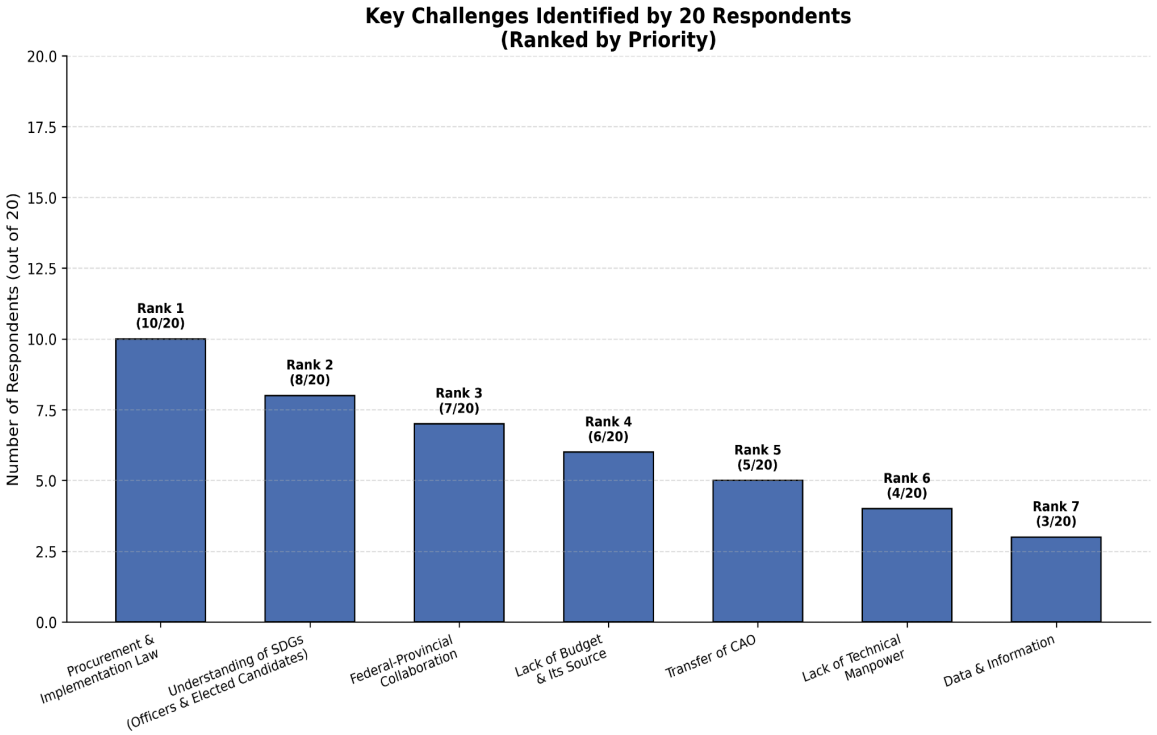

Figure 4.

This table shows that the procurement acts become the most challenging while implementing the SDGs at the local level. The lack of understanding of the elected political person regarding the SDGs, and its implication. However, it is very rare that they feel comfortable to share about the lack of knowledge to imply it at the local level. The coordination and collaboration between the three levels is lacking. Most of the CAO shared that they did not get any workshops, and training related to the SDGs. They had a guideline and booklet of the Localization of SDGs, however, they faced the difficulties to apply.

Coordination mechanism between the three levels of government.

Among the six LGUs and the research respondents, all shared the common agenda of coordination between the three levels of government. The federal government is far from accessible to the citizens, and the provincial government so on. The LGUs have direct access to the citizens, it becomes a shared and safe space to share their vulnerabilities, ideas, and

plans and programs. The local government is familiar with the needs, priorities, geographical contexts, and public consensus that support the sustainability of the development projects, and programs. The LGUs collected all the programs from the toles and wards, which provides the necessary information on whether to invest or not. Due to the lack of coordination &collaboration, there are several projects in the same areas, where federal, provincial, and local governments have invested, which is not necessarily demanding. For example, in case the corridor development of the Kaligandaki River, there are four sources in the same location, by the federal, provincial, ACAP & Municiplaity. So, it brings the projects into overlap. The research respondent shared that there are alots of projects which are not unknown to the local government.

In their own words, those projects are driven by the choice of the parliamentarian or those who have access to the government; the LGUs were not informed during the selection, budgeting, developing, and monitoring process, instead of need or public demand, which does not bring ownership to the public as well as the LGUs. Similarly, there are several programs, for example, the Eradication of Malaria, which was not applicable in the high hills or mountain regions, while planning the programs & policies, it lacks contextual, geographical, and cultural considerations. National Laws restrict marriage between cousins, brothers, and sisters; those are included in the law. However, there are several ethnic groups who have practiced that culture for several years as their identity. Those national policies and laws do not address the culture and identity of those communities.

Novel Practices

Each of the LGUs is practicing new exercises, whether related to data collection, household surveys, economic surveys, or the Social and Economic Information System. Some LGU leaders went to the field to share information related to projects, budgets, and programs that might be useful to communities or targeted groups. Kusma's Deputy Mayor started the judicial practices within the community, and also in the chautari or public spaces instead of the municipal office. Thasang Rural Municipality promotes subsidies largely to the targeted groups, especially to women and marginalized communities without any documents of land registration. Gharapjhong is working on waste processing materials and collaborating with other LGUs on infrastructure development and cultural exchange programs. The culture of the Thakali community supports self-employment opportunities, women's empowerment, and targeted communities, who are working on waste management, income-oriented activities, and self-sustaining opportunities.

When I asked respondents to share novel exercises and practices being carried out in the LGUs, three CAOs had no idea about this, even though they had been in their positions for more than a year. This points to a gap at the policy level that has significantly affected self-sufficiency, self-employment opportunities, and the sustainability of the LGUs. Some respondents also mentioned that the unequal distribution of budgets affects long-term

programs and projects. Additionally, subsidies for animal husbandry and agriculture may not translate into corresponding revenue returns.

Thematic Findings

5.1 Thematic Analysis of Field Data

Seven themes emerged from the coded interview data. Each is presented with its substantive content, illustrative excerpts drawn from different LGUs and respondent types, and a short interpretive note connecting it back to the graduation-readiness question.

Theme 1: Institutionalizing SDGs within Existing Planning Architecture, Not as a Parallel System

Across all six LGUs, all the respondents describe SGDs localization aligned with the preexisting planning instruments rather than run as a separate program. Ward level consultations feed into subject committees, which feed into periodic and annual plans, budgets, and in several LGUs , a centralized project bank. Several respondents explicitly note that SDG alignment happens automatically once a plan passes through this structure, even when the drafting officer is not consciously thinking in terms of the Goals.

> *"We sent letters to the wards and departments to make plans and programs based on SDGs… even if they do not consciously consider the SDGs, the plans align with them automatically." CAO, Beni Municipality*

> *"Seven steps of program planning start from the basti (settlement) level and end at the assembly. SDGs are included from the very beginning, at the basti level." CAO, Kusma Municipality*

The Gharpjhong CAO offers a more technical account of the same pattern: a revenue estimation committee sets area based budget ceilings, which are transmitted to wards together with SDG and periodic-plan guidance, so that ward level proposals are shaped by SDG priorities before they ever reach the municipal assembly. This suggests a genuinely embedded, if largely implicit localization process. The risk this creates, noted separately by a Gharpjhong respondent, is monitoring: because SDGs are not explicitly "tagged" against individual budget lines, it is difficult for the LGU itself, or for oversight bodies above it, to

verify how much of the budget is actually SDG aligned versus generically development-oriented.

This implicit integration model does produce concrete, SDG relevant programming on the ground. Pokhara's account of its "new exercise or practice" includes production based subsidies across 36 different agricultural items, a household survey covering 148,725 households used to target below poverty line families in planning, restructuring of 55 schools alongside enrolment of more than 8,000 additional students in community schools, seven technical training fields, and a business promotion centre credited with helping over 3,000 young people secure self-employment. Similarly, the six LGUs have significantly worked in education. They have transferred the number of enrollment of students in school level, and pass rate of the grade eights, and grade ten. In addition to that, they promote the school attendance and quality assurance through the day lunch program, and lunching additional support teachers. The Gharapjhong RM has developed their school as the centre of a hostel and excellent for nearby LGUs as well. None of this is described as an "SDG project" by name, yet it maps directly onto Goals covering poverty, education, decent work, and food security reinforcing the theme's central claim that localization is occurring substantively, even where it is not labelled as such administratively. A related subtheme is the demand, voiced by more than one respondent, for greater provincial and local ownership of what counts as a local priority. One respondent argues that conditional grants should be revoked in favor of budgets planned strictly around local need, and that this process should be led at the provincial rather than federal level because needs differ by province.

Lack of vertical coordination mechanism

When the researcher asked to the Mayor and CAO, regarding the guideline, materials, workshops, and training that was provided by the federal government or NPC, they shared that they got a guideline booket but no opportunities for workshops, and training for capacity building for this tenure (means the last four years). In addition to that, there is no any vertical mechanism that establishe and task with developing a national vision and strategy for the SDGs should include all levels of government, national and local and the exchange of knowledge as bottom-top approach as well as the sharing of problems & challenges while implementing the SGDs in local level. Due to the lack of vertical coordination, the local government has horizontal coordination. Therefore, not only on the implementation of SDGs but also the coordination on vertical and horizontal approaches for the SDGs, its relations,

challenges, fisdcal transfor, institutional reforms, capacity development, and transfor of human resources.

Theme 2: Fiscal Dependency and the Unfinished Journey Toward Self-Reliance

Every LGU describes a similar fiscal structure: heavy reliance on federal equalization and conditional grants, a thin and underdeveloped own-source revenue (OSR) base, and an explicit aspiration toward self-sufficiency that remains largely unmet. One local government does have any idea how they can adopt the if they do not have any further support. Internal revenue instruments mentioned include house rent tax, business tax, property tax, entertainment tax, and river based material royalties, but respondents repeatedly note weak taxpayer compliance and limited administrative capacity to collect what is legally owed.

> *"People have low literacy on paying tax as responsible citizens. They feel it as a burden instead of a free will."*
>
> *"Our internal income is only 7–8% of our municipality's budget, which is very low." Deputy Mayor, Beni.*

Smaller and more remote LGUs describe an even starker dependency. Thasag Deputy Mayor notes the rural municipality has "just 35 lakhs" in its own revenue, making federal and provincial grants effectively the entire operating budget. Several respondents connect this directly to graduation anxiety: if LDC-specific concessional finance and aid diminish post-graduation while OSR remains structurally underdeveloped, LGUs particularly rural municipalities have limited near-term prospect of covering the gap. At the same time, some LGUs report concrete progress: Annapurna Rural Municipality highlights helicopter-linked tourism revenue from the Annapurna Base Camp trekking route and forthcoming hydropower operations as emerging internal revenue sources, illustrating that self-reliance gains are possible but are geographically uneven and dependent on natural endowments (tourism

assets, hydropower potential) that not every LGU possesses. Annapurna has only 3.05 crores of internal revenue of 67 crores budgets.

Foreign aid dependency compounds domestic revenue weakness. Respondents describe large infrastructure projects that exceed both local and federal government budgets as necessarily reliant on development-partner support, support that is explicitly time bound and cannot be assumed to continue. One respondent draws the dependency chain out explicitly: the local government depends on the federal government, which itself depends on donors, meaning shocks at the international aid level cascade down to the municipal level regardless of local performance. A separate stress-test surfaces in respondents' reactions to a hypothetical reduction in support: when asked about a 20 to 50 percent cut in conditional or federal transfers, multiple respondents immediately identify physical infrastructure and education and health services as the first casualties, with one explicitly naming social protection and gender equality linked programming as vulnerable. This suggests that current service levels, including those tied to SDG relevant sectors, are financially thin rather than resilient to shocks, a direct empirical caution for graduation planning, since the phase out of LDC-specific support measures is itself precisely this kind of shock.

Respondents are nonetheless clear about the direction of travel they want: several explicitly frame self-sufficiency as a matter of connecting citizens to income and employment (agriculture, tourism, small enterprise) rather than relying indefinitely on external transfers, and one links this to reducing labour out-migration, arguing that if local jobs existed, land currently left fallow because working-age residents have gone abroad for employment would return to productive use.

Theme 3: The Physical Infrastructure vs Human Development

A recurring tension across almost every interview is the choice between physical infrastructure investment (roads, embankments, disaster resilience works) and human development investment (education, health, nutrition, social protection). Respondents frame this less as a preference and more as a forced sequencing decision driven by terrain, cost, and the practical precondition that agricultural and tourism products need road access to reach markets before broader social upliftment becomes affordable.

"We have to prioritize infrastructure development instead of social development… we do not have the feasibility to pitch the road, so we have to use RCC, which costs

three times more than pitching, and RCC does not have a longer lifespan because of the high flow of water from mountain springs." Mayor Beni Municipality

The Annapurna CAO frames the same tension from the periodic-planning side: the LGU prioritizes physical infrastructure and is "not able to prioritize drinking water, health, education, and zero hunger" targets to the degree SDG guidance would suggest, because local infrastructure needs are judged more urgent, and reports roughly 80 percent implementation of the periodic plan, with the procurement act cited as a further barrier to full delivery. Conditional grants complicate this further: respondents note that conditional grants for education, health, and nutrition are the sectors most tightly linked to SDGs on paper, yet are also chronically underfunded relative to need, forcing LGUs to top them up from already-stretched discretionary budgets, while multisectoral nutrition programs are reported to be malfunctioning in several LGUs specifically because guidelines exist without the accompanying staff allocation needed to run them.

Conversely, Pokhara's Deputy Mayor argues the opposite causal direction that human development (skills, income generation, legal awareness, disability-inclusive services) should be treated as the precondition for sustainable infrastructure returns, since without capable, informed citizens, infrastructure investment does not translate into local economic gains as quickly as expected, illustrated by the observation that residents did not initially anticipate how much a new road would raise adjacent land values. This disagreement, occurring within a single metropolitan city's leadership, illustrates that the infrastructureversus human-development tradeoff is not simply an external resource constraint but also an unresolved internal policy debate. Disaster events sharpen the stakes on the infrastructure side: respondents describe recent flood and landslide events causing human loss and requiring emergency embankment and bridge repair, and note that some embankment and bridge-building efforts have not been successful, underscoring that infrastructure spending in this context is as much about resilience and risk reduction as about growth.

Theme 4: Governance Capacity, Leadership, and Bureaucratic and Political Culture

A consistent and self critical theme concerns the capacity and motivation of both elected officials and permanent civil servants. Multiple respondents state plainly that elected representatives, who hold ultimate planning and budget authority under the Local Government Operation Act, often lack technical literacy in SDG frameworks and budget management, even though CAOs come from more technically relevant professional backgrounds.

> *"We, as elected candidates, should have the understanding of it, we are the ones who plan and have the authority to make decisions. We are lacking the knowledge and intrinsic motivation for it."*
>
> *"Political leadership also needs to understand and consider the SDGs when designing every program. Civil servants are primarily responsible for implementing policies, laws, and programs, whereas political leaders play a key role in shaping policies and setting priorities. Therefore, rather than simply communicating the importance of the SDGs to government staff, there is a need to engage political leaders directly and help them understand how the SDGs should inform local planning and decision-making. Without this understanding and ownership at the political leadership level, it will be difficult to effectively localize the global goals." Informal conversation of a CAO.*

On the administrative side, CAO turnover and transfer frequency are repeatedly flagged as destabilising. One CAO level respondent argues that a fixed minimum term for CAOs should be mandatory, since frequent federal transfers disrupt continuity in budget implementation and coordination, and a separate respondent notes that without the CAO in post, citizens would face direct difficulty accessing services. Bureaucratic motivation is also questioned directly: a respondent attributes part of the state's implementation failure to civil servants treating public service as a job to be minimally discharged rather than a duty, a framing echoed almost verbatim in a separate account of lengthy, poorly executed procurement processes for development partner financed projects, where contract and procurement timelines are described as too long relative to project delivery windows.

Political volatility is described as a further, largely exogenous constraint. Respondents note that policies and programs at federal, provincial, and local level are frequently "not met

in a line," and that unpredictable election timing repeatedly disrupts implementation continuity, even where a project bank and public audit process exist to keep planning technically on track. Access to higher levels of government compounds the problem: several respondents describe access to federal and provincial ministries as very difficult in practice, meaning that operational hurdles cannot easily be escalated or resolved even when local leaders are aware of them and want to raise them.

Where respondents report the opposite, effective, low-conflict governance, they typically attribute it to strong working relationships between elected leaders and administrators and to unanimous, consensus based assembly decision making. A Deputy Mayor offers a concrete illustration of this softer governance capacity through the municipality's judicial committee, which she describes coordinating personally: mediating a thirty five years old land boundary dispute between brothers, resolving a couple's near-divorce through repeated sittings, and operating a listening and referral space.

Political-context.

The researcher visited the selected local government units at the end of July 2026, following the Gen Z movement in Nepal in September 2025. The movement caused substantial damage to government buildings, data centers, offices, official documents, and institutional records. As a result, important institutional data, historical evidence, administrative records, and other official documents were lost or damaged at both the federal and local level. The movement also placed additional pressure on local resources and disrupted civic spaces and institutional mechanisms that support vulnerable groups, including survivors of violence. These circumstances highlight the importance of maintaining strong and sustained relationships among individuals and institutions

The local government officials who participated in the study were elected in May 2022 and were approaching the end of their five-year terms when the fieldwork was conducted in July 2026. The study therefore took place during a period of potential political and institutional transition. With local elections expected within the transition period, some of the current respondents may no longer remain in their positions during the later stages of the study. Such changes in local leadership may affect the continuity of policies and programmes , institutional practices, decision-making processes, and the retention of institutional knowledge. This potential transition is therefore an important contextual factor in interpreting the study's findings.

Theme 5: Geographic and Institutional Heterogeneity Across Local Government Types

The data make clear that a single national SDG or graduation indicator framework sits very differently across LGU types. Pokhara's leadership describes their metropolitan city as already meeting virtually all graduation-relevant indicators, citing favorable geography, established infrastructure, and the highest per-capita income among the sampled areas. By contrast, mountain rural municipalities describe fundamentally different operating constraints: short construction seasons dictated by winter freeze, near zero availability of labour willing to work in cold conditions at prevailing wage rates, and terrain that makes even routine infrastructure (roads, water systems) disproportionately costly relative to lowland or valley locations.

> *"We have to fulfil the activities within four months, from Chitra to Asar/Shrawan. It takes time until Mangsir to prepare the DPR and program, and then it starts to freeze. We do not have time."*

A related and more specific heterogeneity concerns conservation areas. Annapurna Rural Municipality, Thasang Rural Municipality, and Gharpjhong Rural Municipality fall wholly or partly within the Annapurna Conservation Area (ACAP), which respondents say restricts their ability to exercise rights over forest and riverbed materials that they believe federal law otherwise grants to local governments. One respondent notes the paradox directly: the riverbed adjacent to their municipality is physically rising year over year, a hazard the LGU must manage yet the municipality has no jurisdictional right to the river based materials associated with that same process.

Heterogeneity is not only inter-municipal but intra-municipal. Pokhara's leadership describes the metropolitan city itself as containing three distinct landscape and development bands inherited from prefederal boundaries: a developed former sub-metropolitan core, a medium-developed former municipality band, and an underdeveloped former Village Development Committee band, with citizens in the least developed band reportedly describing themselves, only half in jest, as living in "Pokhara Karnali," evoking Nepal's most remote province by way of analogy. This internal heterogeneity means that even a nationally

"graduation-ready" metropolitan city contains pockets that resemble the constraints documented in the remote rural municipalities elsewhere in the sample. Respondents argue, on this basis, that national graduation and SDG frameworks calibrated to a generic "local government" do not adequately differentiate between, or within, LGUs, and that equalization and technical support should be scaled to actual local capacity and geography rather than applied uniformly.

Theme 6: Social Inclusion and Reach to Vulnerable Groups

Deputy Mayor-level interviews, in particular, foreground social inclusion as a distinct and deliberately organized strand of local governance, separate from, though intended to complement, physical development. Respondents describe forming standing networks of women, Dalits, farmers, and Indigenous groups to keep targeted programming grounded in beneficiaries' expressed needs, alongside disability-focused services such as identity card distribution days, dedicated classes for children with hearing and visual impairment, and newly opened day care centres for children with autism and related conditions.

> *"When you uplift the marginalised community, then the actual development feels completed… it comes to children, we should care for them, and then the elderly citizen. We should care for them."*

At the same time, respondents are candid about the limits of these efforts. One notes that a push to build a fully "child-friendly" municipality has not succeeded in practice, citing a small but telling design failure: newly built household water taps had locks installed at adult height rather than a child's accessible height, illustrating a gap between an inclusion policy's intent and its unglamorous implementation details. Similarly, capacity to expand disability services (for example, autism day-care, currently serving around 40 children) is described as constrained purely by budget, not by demand or institutional will, with the number of children served staying well below the estimated number who could benefit; respondents note that additional provincial-level budget support, described in one account as inadequate at roughly five thousand rupees, would allow meaningful expansion.

Economic inclusion programming runs alongside these social services: production based subsidies for beekeeping and goat farming, soft loans and a dedicated "women with deputy mayor" program, and law-awareness sessions intended to familiarise marginalised citizens with their legal rights are all cited as concrete, if modest, interventions. As a leader of the judicial committee, deputy major in the mustang do not face the conflict or law related disputes in the communities which is due to the traditional dispute resolution system embedded in the communities. A parallel legal literacy effort embeds Senior Citizens, students, and other groups directly within judicial committee proceedings so that citizens learn about justice processes experientially rather than only through outreach materials. Geographic reach compounds all of this: in Pokhara, respondents note that residents of outlying, formerly rural wards feel physically and informationally disconnected from municipal services, a pattern that mirrors, at the ward level, the provincewide intermunicipal heterogeneity documented in Theme 5.

Theme 7: Data, Monitoring, and Institutional Memory Gaps

The final theme concerns the evidentiary infrastructure underpinning both SDG tracking and graduation readiness assessment. Multiple respondents, especially at the CAO level, describe an absence of reliable, disaggregated local statistics: basic figures such as literacy rate or local GDP are reported as simply unavailable at the LGU level, and data that LGUs do generate is often not shared upward to provincial or federal authorities, nor is federally collected data shared back down.

> *"After federalism, there is a saying that there is a federal structure in various sectors, but not in data… there is a linkage gap, coordination on data is lacking, level-wise."*

This gap has a direct monitoring consequence, reinforced by a distinct subtheme respondents describe as the anugaman pranali (monitoring system) problem: SDGs are not explicitly tagged against specific budget lines or indicators, so alignment is described as automatic and indirect rather than trackable, and federal level economic surveys are reportedly conducted using the federal government's own methodology, without meaningful collaboration with the LGUs whose territory and residents are being surveyed, even where those LGUs actively cooperate with data collectors on the ground. Respondents further argue that graduation itself should not be treated as achieved merely "on paper" nationally while

individual LGUs remain unequal in capacity; because human resources, revenue generation, and elected member capacity vary so widely (a heterogeneity also central to Theme 5), they call for differentiated equalization grants and technical support tied to actual local starting conditions, rather than a uniform national indicator sign off.

A partial counter-example is Beni's Digital SEVIMS (Socio-Economic Vulnerability Information Management System), which has built a household-level dataset covering more than 8,000 households and is used to target subsidies and disaster response evidence that LGU-led digital data systems are feasible where investment and champion leadership exist, even absent federal direction. Respondents also flag a related institutional memory problem: guidance documents (budget coding guidelines, SDG localization handbooks) are distributed, but structured training and "memory transfer" between outgoing and incoming staff and elected officials are described as weak or absent, meaning technical capacity built in one term is not reliably retained in the next. A CAO responded nonetheless to reports that their own LGU maintains good institutional memory and readily retrievable documents and data when needed, suggesting that this constraint, like several others in this report, is unevenly distributed rather than universal across the sample. This loss of records during the political crisis, and the Gen Z mement created challenges in accessing complete and reliable information about past institutional activities, decisions, programs, and practices relevant to the state mechanism. In some cases, the absence of historical records required the researcher to rely on available documents and information provided by concerned officials and respondents.

5.2 Cross-Cutting Synthesis through a Theory of Change Lens

Read against the underlying Theory of Change, that aligned SDG localization, reformed fiscal transfers, and strengthened institutional capacity should jointly build the economic resilience and self-reliance needed to sustain outcomes after LDC graduation, the seven themes suggest that the causal chain is intact in principle but weak at several specific links.

5.2.1 The Planning to Financing Link is Strong; the Financing to Sustainability Link Is Weak

Theme 1 shows the planning link functioning reasonably well: ward priorities do flow into periodic plans and budgets, and SDGs are substantively, if implicitly, embedded in that flow, producing tangible programming in education, agriculture, and enterprise support. Theme 2, however, shows that this planning strength does not translate into fiscal self-reliance: own source revenue remains marginal almost everywhere, remaining one, the local government unit become sustainable in terms of financial sustainability, and the stress test evidence around hypothetical grant reductions (also Theme 2) suggests current service levels would not survive a moderate shock, meaning the resilience the ToC anticipates is not yet being financed from a durable local base.

5.2.2 Capacity Constraints Operate at Both the Political and Administrative Level, and Are Compounded by Political Volatility

Theme 4's findings indicate that the ToC's assumption of "strengthened institutional capacity" cannot be satisfied by administrative reform alone; elected leadership's own technical literacy is repeatedly identified, by elected respondents themselves, as a binding constraint alongside bureaucratic motivation, CAO turnover, and Political will that repeatedly interrupt multi-year implementation. Most of the cases are found to be dependent on the capacity and eagerness of an individual, however, the capacity constraint remains the same.

5.2.3 Differentiation by LGU Type and Within a Single LGU, is Necessary, Not Optional

Theme 5's evidence of stark differences between Pokhara and the mountain rural municipalities, and even between wards within Pokhara itself, confirms the field research's own premise that a single logic model cannot represent all LGU types. A uniform national graduation or SDG target implicitly assumes a level of infrastructure, labour market depth, and working season length that simply does not hold for conservation area mountain rural municipalities or for a metropolitan city's own least developed wards.

5.2.4 Inclusion and Data Gaps Undermine the Evidence Base for the Whole Chain

Themes 6 and 7 point to a further structural problem: even where inclusion oriented programming exists (Theme 6), and even where planning nominally incorporates SDGs (Theme 1), the absence of disaggregated data, explicit SDG tagging, and two way

federal-local data sharing (Theme 7) means that neither LGUs nor higher levels of government can verify, with confidence, whether resilience is actually being built, for whom, and at what pace, a critical gap given the NPC's stated need for an evidence base to target the 2026/29 transition window effectively.

5.2.5 A Persistent Infrastructure & Human Development Tension Cuts Across Every Other Link

Because Theme 3's sequencing tension (infrastructure now, human development later, or vice versa) is unresolved even within single leadership teams, it acts as a recurring source of friction in every other link of the chain: it shapes which SDG tagged activities get funded first (Theme 1), which sectors are most exposed when grants are cut (Theme 2), which capacity gaps are most consequential (Theme 4), and which inclusion commitments risk being deprioritized under budget pressure (Theme 6).

5.3 Connecting SDG Localization to the LDC Graduation Index

Nepal's LDC graduation is formally determined by the Committee for Development Policy against three composite indices: the Gross National Income (GNI) per capita threshold, the Human Assets Index (HAI), and the Economic Vulnerability Index (EVI). Nepal qualifies for graduation on the HAI (77.58) and EVI (28.96) without meeting the GNI per capita threshold of USD 1,300, the first country expected to graduate on this basis (NPC, 2025; UNESCAP & NPC, 2025). Because HAI and EVI are themselves composite measures built substantially from health, education, and structural vulnerability indicators that overlap directly with SDG targets, the field findings in Section 2 can be read as a ground level account of how local action does, and does not, feed the specific components of Nepal's graduation index.

5.3.1 The Human Assets Index and SDG-Linked Local Service Delivery

The HAI is built from health and education outcome indicators: nutrition, child and maternal mortality, and secondary school enrolment among them, each of which is a direct SDG target (SDG 2, 3, and 4) that is also, in this study's field data, a conditional grant funded local service. Theme 3's finding that conditional grants for education and health are protected in principle but underfunded in practice, combined with Theme 2's stress test finding that education and health are named as first casualties of any grant reduction, suggests that

Nepal's national HAI score may rest on a subnational financing base that is thinner than the aggregate national index implies. Positive local exceptions, Annapurna's rise in Grade 8 and 10 pass rates from roughly 30 percent to over 80 percent following a locally-added day-lunch programme, and Pokhara's enrolment of over 8,000 additional community-school students, which show that targeted, SDG 4 aligned local investment can move HAI relevant outcomes quickly, but Theme 5's heterogeneity finding means such gains are not occurring at the same pace, or with the same fiscal backing, in every LGU.

5.4 The Economic Vulnerability Index and Local Fiscal and Climatic Resilience

The EVI captures structural exposure to economic and environmental shocks, including remoteness, export/revenue concentration, and natural disaster exposure. Each of which appears directly in the field data. Theme 5's account of Gharpjhong and Thasang's four-month construction season, ACAP restricted resource rights, and disproportionately costly RCC infrastructure describes exactly the kind of structural vulnerability the EVI is designed to measure at national scale, but disaggregated to the local level. Theme 2's fiscal dependency findings (over 80 percent grant dependence nationally, per World Bank 2024, and single digit own source revenue shares in Annapurna, Beni, and Kusma specifically) show that the national EVI score coexists with acute local level revenue concentration risk: an LGU whose budget is 90 plus percent externally (federal & provincial) financed is, by definition, economically vulnerable in the EVI sense, regardless of what the national aggregate shows. Respondents' own disaster narratives: flood and landslide events causing human loss, embankment and bridge failures, and Gharpjhong's report of 50 lakhs in annual disaster-related costs, further illustrate the physical vulnerability component of the EVI as it is actually experienced locally.

5.5 GNI per Capita, Own-Source Revenue, and the Self-Reliance Gap

Because Nepal graduates meet the GNI per capita criterion in very thin line, the STS explicitly frames post graduation sustainability as dependent on other forms of resilience compensating for continued income limitations. At the local level, this places particular

weight on own source revenue growth and local economic diversification as the practical proxy for GNI per capita linked self reliance. The field data show mixed but instructive evidence here: Beni 's 7/ 8 percent OSR share and Annapurna's RM 3.05 cores revenue base illustrate the depth of the gap, while Annapurna's emerging helicopter tourism and possible hydropower revenues, and multiple LGUs' descriptions of production based agricultural subsidies and business promotion centres, show the specific channels: tourism, hydropower, agriculture value addition, and youth self employment, through which local GNI relevant income growth is being pursued in practice, even though none of these channels yet approaches the scale needed to substitute for federal transfers.

5.6 Synthesis: A Local to National Index Pathway

Table 4. Mapping field themes to Nepal's LDC graduation index components via the SDGs.

Graduation Index Component	**Related SDGs**	**Field Themes / Evidence**
Human Assets Index (HAI) nutrition, child/maternal mortality, school enrolment	SDG 2 (Zero Hunger), SDG 3 (Health), SDG 4 (Education)	Themes 1, 3, 6 conditional grant education/health delivery, multisectoral nutrition, inclusion programming
Economic Vulnerability Index (EVI) remoteness, revenue concentration, disaster exposure	SDG 9 (Infrastructure), SDG 11 (Resilient Communities), SDG 13 (Climate Action)	Themes 2, 5 fiscal dependency, four month working season, ACAP restrictions, disaster losses
GNI per capita income and economic diversification	SDG 1 (Poverty), SDG 8 (Decent Work), SDG 12 (Production)	Theme 2 own-source revenue, tourism/hydropower/agriculture value-addition, youth self employment

Cross-cutting measurement capacity	SDG 17 (Partnerships / Data)	Theme 7 SDG budget tagging, two way data sharing, institutional memory

Taken together, this mapping suggests a coherent pathway linking the seven field themes to Nepal's three graduation indices: SDG aligned education and health service delivery (Themes 1, 3, 6) feeds the HAI; local fiscal and climatic resilience building, own source revenue development, and disaster preparedness (Themes 2, 5) feed the EVI; and local economic diversification and self employment programming (Theme 2) is the closest local proxy for the GNI per capita dimension Nepal has not yet met. Data and monitoring gaps (Theme 7) are the connective weakness across all three: without SDG tagged budget lines and two way data sharing, neither LGUs nor the NPC can verify which local interventions are actually moving HAI, EVI, or GNI-relevant indicators, versus which are simply general development spending that happens to overlap with them. Closing this measurement gap is, in effect, a precondition for using local evidence to manage graduation risk during the 2026/29 transition window.

Findings and Conclusion

6.1 Key Findings

The thematic analysis of key informant interviews across the six local government units (LGUs) Pokhara Metropolitan City, Kusma Municipality, Beni Municipality, Annapurna Rural Municipality, Thasang Rural Municipality, and Gharpjhong Rural Municipality, yields seven interlocking findings that, read through the study's Program Theory / Theory of Change (ToC) lens (Weiss, 1997; Funnell & Rogers, 2011; Rogers & Weiss, 2007), show where the causal chain linking SDG localization to graduation-ready economic resilience holds and where it breaks down.

1. SDG localization is procedurally embedded but not explicitly tracked: All six LGUs fold SDG priorities into existing planning instruments ward/basti consultation, subject committees, periodic plans, and project banks rather than running SDGs as a parallel process. Respondents in Beni and Gharpjhong describe SDG alignment as happening "automatically" once a plan moves through this workflow. However, because SDGs are not tagged against specific budget lines, no LGU can verify, in indicator terms, how much of its budget is actually SDG linked. The guidelines, materials, workshops, and training provided by the federal government or the National Planning Commission (NPC), they reported that they had received guideline booklets but had not been provided with opportunities for workshops or capacity-building training during the current tenure, particularly over the past four years.

Furthermore, there appears to be a lack of an effective vertical coordination mechanism that brings together all levels of government to develop a shared national vision and strategy for achieving the Sustainable Development Goals (SDGs). Such a mechanism could facilitate a bottom-up exchange of knowledge, allowing local governments to communicate their experiences, challenges, and implementation gaps to the provincial and federal levels. The absence of such vertical coordination has resulted in local governments relying more heavily on horizontal coordination with other local governments.

Therefore, effective SDG implementation requires not only coordination at the implementation level but also stronger vertical and horizontal mechanisms for addressing issues related to SDG integration, intergovernmental relations, fiscal transfers, institutional reform, capacity development, and the deployment and transfer of human resources, not tracked explicitly. Strengthening these coordination mechanisms would help ensure that local-level experiences and challenges are incorporated into national SDG planning and policy processes.

2. Fiscal dependency remains the central constraint on self reliance: Own-source revenue (house rent tax, business tax, property tax, river based material royalties) is universally described as underdeveloped, with Beni's Deputy Mayor citing internal revenue at only 7–8% of the municipal budget and Annapurna's CAO citing 3.05 crores internal revenue. Respondents' own stress test reactions to a hypothetical 20–50% grant reduction identify physical infrastructure, education, health, and gender-equality programming as the first casualties, direct evidence that current service levels are fiscally thin rather than shock resilient. All the LGUs are focused on agriculture, house taxes, business taxes, and river-based materials if available. The LGUs are giving subsidies on agriculture, and its production, while is certain changes like subsidies are based on production, however, they are not sure that those agricultural products are sufficient for generating employment opportunities, and in the long run, it impacts the economic sustainability of the LGUs.

3. Infrastructure and human development compete for the same limited discretionary budget: Terrain and cost (e.g., RCC roads costing three times more than pitched roads, with shorter lifespans) push most LGUs toward infrastructure-first sequencing, while conditional

grants nominally protect education and health. Notably, this trade off is contested even within a single LGU: Pokhara's Mayor level respondents prioritize infrastructure, while the Deputy Mayor argues human development is the actual precondition for infrastructure returns.

4. Governance capacity is a binding constraint at both political and administrative levels: Elected officials repeatedly admit low literacy in SDG frameworks and budget management despite holding final planning authority; CAOs cite frequent federal transfers and weak "memory transfer" as destabilizing; procurement delays and a "job vs. duty" bureaucratic mindset are named directly. Political volatility and unpredictable elections compound this. Where governance works well, respondents attribute it to strong personal relationships and unanimous, consensus based decision making. Where the political and administrative relation is straighter, the LGU is functioning properly, while maintaining relationships with other government units as well. The political movement, like Gen Z, also placed additional pressure on local resources and disrupted civic spaces and institutional mechanisms that support vulnerable groups, including survivors of violence. These circumstances highlight the importance of maintaining strong and sustained relationships among individuals and institutions both political and administrative levels.

5. LGU capacity and geography are radically heterogeneous even within a single LGU: Pokhara claims near complete graduation indicator readiness, while Gharpjhong and Thasang describe a four month effective working season and Annapurna Conservation Area (ACAP) restrictions that deny local jurisdiction over forest and riverbed materials despite bearing the associated flood risk., whereas, Gharpjhong has access to all the wards and role for whole years without any constraint, and Thasang has connected to all the wards and toles except one, the bridge is under construction by the province government, afterwards they are connected to all the wards and roles. Annapurna Rural Municipality does not have its own administrative building, they are functioning in a primary school's building. Beni was facing several disasters every year, where their capacity did not meet to adapt and sustain. Pokhara itself contains three internal development bands, with residents of its least developed wards describing themselves as living in "Pokhara Karnali."

6. Social inclusion programming exists but is budget and access constrained: Deputy Mayor led initiatives women's/Dalit/Indigenous networks, disability identity cards, autism day care, judicial committee mediation, show substantive commitment, but respondents

candidly report failures (a “child-friendly municipality” push undermined by adult height door locks) and capacity ceilings (autism day care serving roughly 40 children against much larger unmet need). In addition to that, several respondents did not have ideas of social programming, they shared the political and budgetary issues rather than what the current situation is, and challenges they are facing during their time duration. The special grants has not been located in Beni Municipality but it has to develop and deliver basic services like education, health and drinking water, to achieve balanced development of inter-State or inter-local level, to uplift or develop the class or community discriminated economically, socially or in any other form. Where, the special grants are directly related with the SDGs, and social inclusion

7. Data, monitoring, and institutional memory gaps undermine the entire evidence base: Basic statistics (literacy rate, local GDP) are frequently unavailable at LGU level; data does not flow consistently between federal and local tiers; federal economic surveys are conducted without LGU input despite LGU cooperation on the ground. Beni’s Digital SEVIMS system and Pokhara’s Household Survey are notable counterexamples, showing LGU led data systems are feasible where local investment exists. The Gen Z movement in Nepal, resulted in significant damage to government buildings, data centres, offices, official documents, and institutional records at both the federal and local levels. Consequently, a considerable amount of institutional data, historical evidence, administrative records, and other important official documents were lost or damaged.

The disruption caused by the political crisis and the movement also created practical challenges for the complete and reliable information about past institutional activities, decisions, programmes, and administrative practices relevant to the functioning of state mechanisms. In some cases, important historical records were no longer available, making it difficult to trace earlier institutional practices and decisions. As a result, it has to make use of the records that remained accessible and supplement them with information obtained through discussions with concerned government officials and other respondents.

8. Localization of Policies, prioritization of needs and Demands of LGUs.

There is a huge gap in the localization of the policies, acknowledging the cultural context, geographical landscape, and needs of people. So, the policies should be contextualized. There is a lack of awareness while developing the infrastructure to have concern about the access to

children, differently abled individuals, pregnant women, and elderly citizens, which might be the needs and demands of targeted groups. Prioritization of needs and localization of the policies according to the access must be recognized. Like as the malaria eradication programme budgeted in districts with no malaria in the mountain LGUs. In addition to that, a national fiscal calendar that assumes a construction season the mountain LGUs are based on the winter season, is not effective & applicable, therefore, it should change according to the needs of mountain LGUs.

6.2 Conclusion

This chapter shares all the findings of the studies and the analysis of this study. Nepal is practicing the SDG localization consistently and genuinely embedded in local planning processes, and local leaders across all six LGUs express real commitment to both the Goals and to a successful LDC graduation. What is inconsistent, and what sharply differentiates these LGUs from one another, is the fiscal, administrative, geographic, and data-related capacity to convert that planning commitment into the durable economic resilience and self-reliance that graduation assumes.

The geographical and climate contexts, cultural practices, as well as the priorities of the local residents and LGUs are seen as neglected. The heterogeneity in the culture and geographical landscape, which brings the climate differences, conservation areas, overlapping the rights and responsibilities between the conservation, national parks, provincial and LGUs, and priorities of the people and the LGUs should be taken into consideration. The state agencies need a larger commitment to collaboration, coordination, and coexistence for mutual growth, respect, and to acknowledge the shared responsibilities.

The governments are not accessible to all the LGUs in exchange of the knowledge, ideas, and programs. The data sharing process, understanding of the policies, programs, and state's priorities, the gap between the bureaucracy and political leasders, lengthy procurement process, and this heterogeneity, present both between and within local governments, are the study's central policy finding: Nepal's LDC graduation will not be experienced uniformly across its 753 local governments. A Smooth Transition Strategy that treats them as

functionally equivalent applying a single national indicator set without differentiated fiscal, technical, and monitoring support risks leaving its most geographically and fiscally constrained communities furthest behind precisely when LDC specific concessional support begins to taper between 2026 and 2029. Closing this gap will require the kind of typology differentiated, mechanism level approach this study's own Theory of Change methodology is designed to surface, rather than a uniform, paper-level assessment of graduation readiness.

Note: The researcher uses AI to support the sentencing, to develop the pictures, and grammatical correctness.

POLICY RECOMMENDATION

This study proposed policy recommendations based on the fieldwork of six different LGUs, and having conversations with the elected political leadership, as well as the bureaucracy, which aim to contribute to the effective alignment of the localization of LDC graduation through the localization of SDGs for self-reliance and economic resilience. Following policy and institutional recommendations with cross-cutting themes and findings acknowledging the gap between them.

- Establish legally mandated intergovernmental working groups to strengthen vertical coordination among the federal, provincial, and local levels of government.The federal, provincial, and local governments should jointly establish and operate these working groups through appropriate intergovernmental coordination mechanisms. The working groups should provide a regular platform for consultation, joint strategy and action-plan development, information sharing, implementation monitoring, and problem-solving. Two-way communication between local governments and higher levels of government should be maintained through regular meetings, digital communication systems, and clear reporting mechanisms. The existing intergovernmental coordination framework should be reviewed and strengthened through the SDGs National Coordination Committee. These provisions should clearly define the roles, responsibilities, decision-making authority, and reporting obligations of the working groups in the coming meeting.
- The Ministry of Federal Affairs and General Administration has already initiated local budget coding at the local Goverment level from the beginning of the budgeting process. However, significant gaps remain in systematically tagging local budgets to the Sustainable Development Goals (SDGs) and their specific targets. Strengthening SDG budget tagging represents a relatively low-cost reform with high potential to improve the alignment, tracking, and monitoring of local public expenditure against SDG priorities. MoFAGA should issue a formal directive to all local governments requiring the systematic tagging of budgets against relevant SDGs and their specific targets from the upcoming fiscal year.

- The Ministry of Finance should reform policy to facilitate the differentiated equalisation weighting, the policies like the procurement act, and the tender process should be based on the geographical location and need (need-based is especially during the time of emergency, natural disaster, & pandemic). This supports effective and workable institutions when there is an easy and accessible policy to mitigate and adopt the climate vulnerabilities, which must be practical and functional actions to save life on earth, as well as it strongly encourages environmental conservation by this fiscal year.
- The Ministry of Agriculture, Forests and Environment, in consultation with ACAP and the concerned LGUs, should review the existing legal and policy provisions and develop an appropriate policy or legal arrangement within the current fiscal year. This should allow LGUs to use riverbed materials in a regulated and environmentally sustainable manner while maintaining conservation objectives.
- The concerned ministries should ensure that adequate human resources and financial resources are identified and allocated before the programs and projects like multisectoral nutrition programmes, conditional grants for education, health and nutrition requiring LGU top-ups from discretionary budgets, and the NPC, and the council of ministry should take concenus of LGUs to understand the fesiabilities, needs and demand, and also allocation of the required human resourcesare introduced by the coming fiscal year. This approach will make programs more realistic, reduce unfunded responsibilities for LGUs, and improve the effectiveness and sustainability of program implementation.
- The federal government (MoFAGA), provincial governments, and relevant SDG authorities should conduct workshops and training for political leaders, particularly at the local level, to strengthen their understanding of social inclusion, promote positive behavioural change, and align national policies with local priorities with the SDGs after the 2027 local elections.
- The MOFAGA should provide necessary orientation to the CAO of LGUs regarding the responsibilities, duties, national plans, and priorities before deploying them to LGUs, through the amendment of law. The time duration of the CAO must be fixed so that they can develop long-term plans, and it will be beneficial. The long term plan will be more effective, it will strengthen the

MOFAGA's local government strengthening program as well as the CAO becoming the communication bridge between the federal govenmnet and local government units.

ANNEX

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