

## Enhancing Federalism and Decentralization in Nepal

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**Abstract:** This comprehensive study has sought to assess the effectiveness of federalism and decentralization policies in Nepal. It specifically examines how these policies enhance local autonomy to meet community needs, improve governance, prevent the influence of elite groups, encourage inclusive democracy, alleviate ethnic and cultural conflicts, and foster social unity. To achieve this, the research collected data using a questionnaire distributed to 350 participants for analysis. The findings have underscored federalism as a suitable framework for empowering local communities to meet their unique demands. Insights derived from this study have offered valuable guidance for policymakers aiming to enhance local governance in Nepal. Moreover, it has emphasized the necessity of tailored policies and the establishment of robust communication and information systems to support effective implementation of federalism and decentralization. While federalism and decentralization in Nepal have been found to be aimed to address longstanding governance challenges and promote inclusivity, perspectives among stakeholders have been identified to vary widely. Challenges such as capacity building at the local level, resource allocation, intergovernmental relations, and ensuring equitable representation have been explored to remain key issues that stakeholders continue to navigate and discuss. While there is optimism about the potential benefits of federalism and decentralization in Nepal, there have been found to be also valid concerns and challenges that need to be addressed to realize these expected outcomes. The ongoing dialogue among stakeholders have been known to be crucial for shaping policies and practices that can maximize the positive impacts of federalism while mitigating potential risks. By focusing on these strategies, Nepal can enhance its federalism and decentralization efforts, promoting effective governance, inclusive development, and sustainable peace and stability across the country.

**Keywords:** Accountability, conflict, effectiveness, ethnic, harmony.

## INTRODUCTION

Decentralization involves the delegation of authority from central or regional governments to local authorities, reflecting a growing demand for diversity in governance structures. Both centralization and decentralization are integral components of various political systems worldwide. In Nepal, decentralization is viewed as a crucial element for promoting democratic governance (Rijal, 2011, p. 218). Within organizational management, decentralization involves the delegation of decision-making authority throughout various levels of the organization (Nepal, 2007, p. 172). The concept of "federal" is derived from the Latin term 'foedius', meaning "covenant". Federalism describes a system of government in which power is distributed and shared between central and regional authorities (Thapa, 2007). Federalism, as described in the Concise Encyclopedia, is a political arrangement where a collection of states is united under a larger, decentralized overarching state, while retaining their individual political identities.

The federal system of governance is widely practiced across the globe. Federalism is a relatively new development in Nepal, introduced by the constitution enacted in 2015, which restructured the country into three tiers of government:

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federal, provincial, and local. Strengthening and sustaining this federal democratic structure hinges on enhancing the delivery of high-quality services to the populace. Consequently, emphasizing the delivery of these services should be a fundamental element in Nepal's development process (Association of District Development Committees of Nepal (ADDCN), 2010).

Article 50(1) of Nepal's Constitution of 2072 AD highlights the significance of decentralization in upholding the nation's sovereignty, independence, and unity. It stresses the protection of citizens' property, equality, and freedom. Additionally, it underscores the importance of the rule of law, fundamental rights, human rights, gender equality, proportional representation, active participation, and social justice, as foundational principles for maintaining a just system across all facets of national life. Moreover, it advocates for a governmental system focused on public welfare and promotes cooperation among federal units while emphasizing inclusion in governance through local autonomy and decentralization (Association of District Development Committees of Nepal (ADDCN), 2010). Guragain *et al.*, (2024) have analyzed about the practices of the good governance in Nepal but they have not discussed regarding the federalism and decentralization. Discussing about the federalism and decentralization in Nepal has turned out as complicated work since it has been newly introduced through the constitution of Nepal. It has become as hard as Adhikari *et al.*, (2020) have claimed in keeping the ecology and the environment of the world in a balanced form for security of humanity and it is as complex as Adhikari *et al.*, (2022) have discussed about the global condition of the system of the government and it has turned out as beyond the control as Adhikari (2020) has analyzed about the existing condition of the world's deteriorating system of the environment and ecology due to the governments of the world. However, federalism and decentralization have become essential for the advancement of the country. But the researchers have not brought the way of enhancing the federalism and strengthening the decentralization in the country properly and effectively for the overall development of the administrative reformation yet. So, the research has attempted to fulfil the gap of the research by answering the following research questions;

### Research Questions

- A) What is the current state of federalism and decentralization policies in Nepal from the viewpoints of various stakeholders?
- B) How do respondents perceive the anticipated results of federalism and decentralization?
- C) What measures can be taken to improve federalism and decentralization in the country?

### Objectives of the Research

The objectives of the research are based on exploring the condition of the policy and its goals of strengthening the federalism and decentralization in the country and to find out the opinions of the various respondents about it. It has found the ways of strengthening the federalism and decentralization in Nepal. The specific objectives are:

- A) To examine the current status and objectives of federalism and decentralization policies in Nepal from the viewpoints of stakeholders.
- B) To gather respondents' perspectives on the anticipated impacts of federalism and decentralization.
- C) To investigate how the federalism and decentralization can be enhanced in the country.

## METHODOLOGY OF THE RESEARCH

The research has adopted the various respondents that have been derived from the data collected by Adhikari in ten different tables that have been interpreted on the basis of the respondents that they have answered in different forms in different tables. It has even adopted the related ideas and concepts of the already researched articles, reports, journals and other principles that have been used for the support and the validity of the research. It has employed the descriptive and analytical approach critically for the findings of the research questions and mitigating the objectives of the research.

### Design of the Research

The study has focused on examining policy objectives related to federalism and decentralization using a trend survey design within a quantitative research framework (McNabb, 2012). To ensure control over local variations, primary data have been collected from two distinct areas, representing rural and urban settings. During the course of the PhD research conducted by Adhikari in 2018, interviews have been conducted using a structured schedule. The study focused on participants from NGOs (Non-Governmental Organizations), CBOs (Community Based Organizations), municipal officials, and the municipalities and the secretaries located in Kathmandu and Kaski Districts. At present, Kathmandu District falls under province number three, while Kaski District is part of province number four. A purposive sampling method was used to select a sample size of 350 individuals, all of whom had over two years of experience in decentralization practices. Data collection achieved a 100 percent response rate, as the researcher personally administered the questionnaires (Adhikari, 2018).

**Table 1: Number of People and Sampling Evident**

S. N	Number of People	Sample Size
1	Rural individuals engaged in the procedure making (Kaski District).	95
2	Politicians of the local area (Kaski)	16
3	People of Kathmandu engaged in making planning procedure (Kathmandu District)	75
4	Politicians of local area (Kathmandu)	14
5	The officials of the Nepal Government	25
6	Educationists	25
7	The job holders of the NGOs/CBOs	45
8	The staffs of the Metropolitan city	45
9	The Secretaries of the Rural Municipalities	15
	<b>Total</b>	<b>3</b>

(Adhikari, 2018; Exotic fearology, Xlibris).

The has provided table presents details about the population and sampling methodology employed in the study. The study included a variety of participants: 100 local residents and community leaders from Kaski District who attended the Ilaka Bhela (Area Level Meeting) at Tokhailaka in February 2015 for Minimum Condition Performance Measurement (MCPM), and an additional 100 local residents and leaders from Kathmandu District who took part in the Ilaka Bhela at Dhampusilaka in March 2015 for MCPM. Government officials were represented by 30 respondents from the Local Bodies Fiscal Commission and the Ministry of Local Development and Federal Affairs. Academics with expertise in federalism and decentralization accounted for 30 respondents. Furthermore, 40 respondents from NGOs/CBOs were included from both Kathmandu and Kaski Districts. Municipal employees comprised 40 respondents from various localities including Kathmandu Metropolitan City, Tokha Municipality, and Gokarneshwor Municipality in Kathmandu, as well as Pokhara Sub-metropolitan City and Lekhnath Municipality in Kaski District. Additionally, 10 municipal secretaries from Kaski District were part of the study, as Kathmandu District does not have municipalities (Adapted from Adhikari, 2018). This data was analyzed based on Adhikari's research.

For the purpose of data presentation and analysis based on stakeholder groups, local residents engaged in local planning processes and community leaders were grouped together due to their shared perspectives on the implementation of decentralization policies. Similarly, government officials and academics were consolidated because of their similar viewpoints regarding decentralization policy execution. Employees of municipalities and the municipalities secretaries were also combined owing to their comparable opinions on decentralization policy implementation.

The primary data was collected through interviews, utilizing structured questionnaires and interview guides as data collection instruments. The evaluation of policy objectives, particularly the suitability of federalism and decentralization, was analyzed with consideration of the varied stakeholder groups and ethnicities involved (Adapted from Adhikari, 2018). The data provided by Adhikari have been analyzed critically.

**Findings**

This section analyzes the data collected from the survey. Nepal is currently functioning under a decentralized multi-tier government system and is in the process of adopting federalism. The goals of federalism include granting local autonomy to address community-specific needs, enhancing governance through improved effectiveness, responsiveness, and accountability, preventing the control of elite groups, fostering inclusive democracy, and reducing ethnic and cultural conflicts to promote social cohesion (Mula, 2013). Decentralization similarly aligns with these objectives. Table 2 outlines the respondents' views on the appropriate policy goals of federalism and decentralization (Mula, 2013).

**Table 2: Suitable Plans of Achievements of Federal System**

Plans and achievements	Suitable Framework of Political Systems		Total
	Federal	Decentralized	
a. Managing autonomy locally	284 (81 %)	66 (19 %)	350 (100%)
b. Improving good governance	228 (65 %)	122 (35 %)	350 (100%)
c. Discarding suppression of upper-class people - promoting inclusive democracy	308 (88%)	42 (12 %)	350 (100%)
d. Reducing ethnic and cultural conflict and promoting social harmony	314 (90 %)	36 (10 %)	350 (100%)
<b>Average</b>			<b>(100%)</b>

(Adhikari, 2018; Exotic fearology, Xlibris).

The chart displayed above shows the respondents' views on the effective policy goals of federalism and decentralization. Generally, 81 percent of the respondents consider federalism to be the most suitable system for granting local autonomy to address local needs, whereas 19 percent believe that decentralization is more appropriate for achieving this goal. Additionally, 65 percent of respondents think federalism is effective in improving good governance—specifically in terms of effectiveness, responsiveness, and accountability—compared to 35 percent who hold this view about decentralization. Furthermore, 88 percent of respondents consider federalism appropriate for avoiding the dominance of elite groups and promoting inclusive democracy, with 12 percent favoring decentralization for these objectives. Likewise, 90 percent of respondents believe that federalism is effective in minimizing ethnic and cultural conflicts while fostering social harmony, while 10 percent attribute these outcomes to decentralization.

### Enhancing Local Autonomy as Improved Systems

Local autonomy is a crucial aspect of national governance, akin to the soul in the human body. It grants local institutions the authority to determine their own path without central imposition, enabling them to operate independently and make decisions autonomously. Essential conditions for autonomy in local governance include maintaining structural consistency, clearly defining functional responsibilities, ensuring financial stability without uncertainties, and preventing undue interference from high levels of government in daily decision-making processes (Khanal, 2010, p. 121). Table 3 presents respondents' perspectives on the appropriate system for providing local autonomy based on ethnicity.

**Table 3: Suitable Structure of Delivering Autonomy Locally by Ethnic Groups**

Ethnic Groups	Suitable Structure		Total Response
	Federal	Decentralized	
Brahmana and Kshatriya	88 (61%)	54 (37%)	143
Ethnic Groups	151 (96%)	4 (2 %)	156
Untouchable	44(87)	5 (11%)	50
<b>Total</b>	<b>283(80 %)</b>	<b>63 (18%)</b>	<b>349</b>

(Adhikari, 2018; Exotic fearology, Xlibris).

The chart above illustrates respondents' views on the most effective system for granting local autonomy, broken down by ethnicity. On average, 61 percent of Brahmin/Kshatriya respondents believe that federalism is the best approach for providing local autonomy, while 37 percent prefer decentralization. Among respondents from ethnic groups, 96 percent see federalism as the suitable option for local autonomy, with only 2 percent favoring decentralization. Additionally, 88 percent of Untouchable respondents consider federalism to be the most appropriate system for local autonomy, while 11 percent choose decentralization. The perspectives of stakeholders on the most effective system for addressing local needs are further detailed in Table 4.

**Table 4: Suitable Structure Delivering Autonomy Locally by Stakeholders**

The Stakeholders	Suitable Structure		Total Response
	Federal	Decentralized	
a. Rural people	93 (91 %)	9 (7 %)	100
b. Town people	87 (87 %)	15 (13 %)	100
c. Academicians and govern staffs	43 (71 %)	17 (31 %)	60
d. The NGO/CBO staffs	34 (82 %)	8(18%)	40
e. Job holders of municipalities	32 (63 %)	18 (37%)	50
<b>Total</b>	<b>289 (81.1%)</b>	<b>67 (17.9%)</b>	<b>350</b>

(Adhikari, 2018; Exotic fearology, Xlibris).

Table 4 depicts the opinions of respondents on the most suitable system for granting local autonomy to address community needs across different stakeholder groups. On average, 93 percent of respondents from rural areas, including local residents and leaders, view federalism as the most appropriate system for providing local autonomy, with only 7 percent preferring decentralization. Among urban residents and leaders, 87 percent favor federalism for local autonomy, while 13 percent lean towards decentralization. Government officials and academics also weigh in, with 71 percent supporting federalism and 31 percent endorsing decentralization as the preferred approach for local autonomy. Additionally, 82 percent of NGO/CBO officials find federalism to be the appropriate system, whereas 18 percent support decentralization. Similarly, 63 percent of municipal employees and officials believe federalism is the best method for ensuring local autonomy, while 38 percent consider decentralization to be a suitable alternative for addressing local needs.

### Enhancing Governance: Effectiveness, Responsiveness, and Accountability

Effective governance, often referred to as good governance, is crucial for ensuring the quality of governance, as its impact affects everyone in their daily lives. Poor governance fails to address public concerns, making public life

challenging, undermining the credibility of state institutions, hindering economic and social development, fostering corruption, and contributing to societal disorder, leading to increasing public disillusionment.

From an organizational perspective, good governance means achieving performance targets, fulfilling objectives, gaining stakeholder trust as an efficient resource manager, and meeting client needs while ensuring sustainable operations. From a broader perspective, good governance for governments and states involves reaching economic, social, cultural, and political goals while maintaining effectiveness, responsiveness, and accountability.

Good governance improves the efficiency and effectiveness of resource use by embedding accountability, transparency, and consistent communication and consultation among public officials (Nepal Rastra Bank [NRB], 2007, p. 134). Responsiveness involves the capacity to quickly address public concerns and events. Likewise, Khanal (2010, p. 128) notes that accountability is deeply connected to the moral and ethical values within a society. Individuals must understand their responsibilities and comprehend how their actions impact the lives and freedoms of others. Khanal (2010, p. 127) notes that accountability has evolved into a cultural norm in advanced nations, yet remains a challenging achievement in developing countries.

The variation in responses regarding effectiveness, ineffectiveness, and accountability was found to be insignificant, thus the total responses were averaged. Table No. 5 illustrates the respondents' views on the best system for improving good governance with respect to effectiveness, responsiveness, and accountability, broken down by ethnicity.

**Table 5: Suitable Structure of Enhancing Good Governance by Ethnic Groups**

Ethnic groups	Suitable Structure		Total Response
	Federal	Decentralized	
Brahmana /Kshatriya	57 (39 %)	85 (59 %)	142
Indigenous people	132 (85 %)	21 (13 %)	153
Untouchable	36 (72 %)	13 (26 %)	49
<b>Total</b>	<b>225 (658%)</b>	<b>119 (34 %)</b>	<b>344</b>

(Adhikari, 2018; Exotic fearology, Xlibris).

The chart above shows respondents' opinions on the most suitable system for enhancing good governance, focusing on effectiveness, responsiveness, and accountability, and categorized by ethnicity. On average, 39 percent of Brahmin/Chhetri respondents believe that federalism is the best approach for improving good governance, whereas 69 percent favor decentralization. For indigenous respondents, 85 percent find federalism to be the most effective for enhancing good governance, with 13 percent supporting decentralization. Among untouchable respondents, 72 percent think federalism is the right choice for improving good governance, while 26 percent prefer decentralization. Table 6 further details the opinions of different stakeholder groups on the most appropriate system for improving governance.

**Table 6: Suitable Structure of Enhancing of Effective Governance by the Stakeholders**

The Stakeholders	Suitable Structure		Total Response
	Federal	Decentralized	
The Rural people	74 (74 %)	24 (24 %)	98
Town people	54 (54%)	44 (44 %)	98
Government staffs	33 (55 %)	25 (42 %)	58
The NGO staffs	28 (72 %)	10(26 %)	38
Workers of Municipalities	34 (69 %)	14 (29 %)	84
<b>Total</b>	<b>203 (65 %)</b>	<b>117 (35 %)</b>	<b>376</b>

(Adhikari, 2018; Exotic fearology, Xlibris).

The chart above outlines the perspectives of different stakeholder groups on the most effective system for enhancing good governance. On average, 74 percent of respondents from rural communities and local leaders consider federalism to be the best system for improving governance, while 24 percent lean towards decentralization. In urban areas, 54 percent of local people and leaders support federalism, whereas 44 percent prefer decentralization. Among government officials and academics, 56 percent believe federalism is the appropriate choice for good governance, with 42 percent favoring decentralization. Additionally, 72 percent of NGO/CBO officials view federalism as the most suitable for enhancing governance, while 26 percent back decentralization. Lastly, 69 percent of municipal employees and secretaries see federalism as the right approach for improving good governance, compared to 29 percent who support decentralization.

**Fostering Inclusive Democracy: Countering Elite Dominance**

Inclusive democracy primarily concerns marginalized communities, focusing on their integration into the state system through representation rules, access to public services, guaranteed citizenship rights, participation in public affairs,



flexibility in language policies, and measures to prevent the dominance of elite groups (UNDP, 2004). The interim constitution makes specific pledges towards greater proportional representation and participation (Marcus, 2011, p. 14). Table 7 presents respondents' perspectives on the appropriate system for preventing elite group dominance and promoting inclusive democracy, categorized by ethnicity.

**Table 7: Suitable Structure of Liberating Suppression of Higher Class to Ethnic Groups**

Ethnic Groups	Suitable Structure		Total Response
	Federal	Decentralized	
Brahmin/kshatriya	112 (78 %)	30 (20 %)	142
Indigenous people	149 (96 %)	4 (2 %)	153
Untouchable	44 (87%)	5 (11 %)	49
<b>Total</b>	<b>305 (87%)</b>	<b>39 (11%)</b>	<b>344</b>

(Adhikari, 2018; Exotic fearology, Xlibris).

The table above presents respondents' perspectives on the suitable systems for preventing the dominance of elite groups and promoting inclusive democracy, categorized by ethnicity. On average, 78 percent of Brahmin/Kshatriya respondents believe federalism is the appropriate system for averting elite group domination, while 20 percent favor decentralization for this purpose. Among untouchable respondents, 96 percent view federalism as suitable for preventing elite group dominance, with only 2 percent supporting decentralization. Similarly, 87 percent of Dalit respondents consider federalism appropriate for avoiding elite group domination, while 11 percent prefer decentralization for this objective. Additionally, the Table 7 displays respondents' opinions on the appropriate systems for avoiding elite group domination and promoting inclusive democracy across various stakeholder groups.

**Table 8: Suitable Structure of Liberating Suppression of Higher Class to Ethnic Groups of Stakeholders**

The Stakeholders	Suitable Structure		Total Response
	Federal	Decentralized	
Rural people	93 (93%)	5(5%)	98
Town people	80 (80%)	18(18%)	98
Government staffs	48 (81 %)	10(17%)	85
The NGO staffs	39 (99 %)	0(0%)	39
Job holders of municipalities	43 (87%)	5(11%)	48
<b>Total</b>	<b>300 (88 %)</b>	<b>28 (11 %)</b>	<b>348</b>

(Adhikari, 2018; Exotic fearology, Xlibris).

The chart above displays the viewpoints of various stakeholder groups on the most effective system for preventing elite group dominance and fostering inclusive democracy. On average, 93 percent of rural residents and local leaders consider federalism to be the best system for countering elite dominance, whereas 6 percent prefer decentralization for this objective. Among urban local people and leaders, 80 percent support federalism for this goal, with 18 percent preferring decentralization. Similarly, 81 percent of government officials and academics view federalism as suitable for preventing elite group domination, while 18 percent support decentralization. Additionally, all NGO/CBO officials believe federalism is appropriate for avoiding elite group dominance. Likewise, 80 percent of employees from municipalities and municipalities secretaries consider federalism suitable for this purpose, while 19 percent prefer decentralization.

**Promoting Social Harmony: Mitigating Ethnic and Cultural Conflict**

According to Lrobi (2005), ethnic groups are communities sharing similar cultural and linguistic characteristics, encompassing history, traditions, myths, and origins. Conflict among these groups can arise from various factors, ranging from individual disagreements to deeper divisions rooted in ignorance, intolerance, discrimination, and historical animosities. Achieving social harmony becomes essential to mitigate ethnic and cultural conflicts. Social harmony denotes a state where diverse communities can peacefully coexist, which is crucial for meaningful development (Laksiri, n.d.).

**Table 9: Presents respondents' perspectives on reducing ethnic and cultural conflict and promoting social harmony categorized by ethnicity**

Ethnic Groups	Suitable Structure		Total Response
	Federal	Decentralized	
Brahmin/Kshatriya	114 (81 %)	28 (19 %)	142
Indigenous	152 (98 %)	1(1%)	153
Untouchable	45 (89 %)	4 (9 %)	49
<b>Total</b>	<b>314 (89 %)</b>	<b>35 (9 %)</b>	<b>344</b>

(Adhikari, 2018; Exotic fearology, Xlibris).

The table above shows respondents' views on the most effective system for mitigating ethnic and cultural conflicts and enhancing social harmony, organized by ethnicity. On average, 79 percent of Brahmin/Chhetri respondents think federalism is the best approach for fostering social harmony, while 19 percent support decentralization for this goal. Among untouchable respondents, 98 percent favor federalism for promoting social harmony, with just 1 percent opting for decentralization. Similarly, 89 percent of Dalit respondents believe federalism is the right choice for reducing ethnic and cultural conflicts, while 9 percent prefer decentralization. Additionally, the table no. 9 provides further insights into the opinions of various stakeholder groups regarding the most suitable systems for addressing ethnic and cultural conflicts and promoting social harmony.

**Table 10: Minimizing Conflict in Culture and Enhancing Harmony by Stakeholders**

The Stakeholders	Suitable Structure		Total Response
	Federal	Decentralized	
Rural people	95 (95%)	3(3 %)	98
Town people	83 (83%)	15 (15 %)	98
Staffs of Government	48 (81%)	10 (12%)	58
The Ngo job holders	39 (99%)	0(0%)	39
The job holders of the municipalities	44 (89%)	4(9 %)	48
Total	309 (89.7%)	32 (10.3%)	333

(Adhikari, 2018; Exotic fearology, Xlibris).

The table above illustrates the opinions of different stakeholder groups on the most effective system for mitigating ethnic and cultural conflicts and enhancing social harmony. On average, 95 percent of rural residents and local leaders consider federalism to be the best method for addressing these issues, while 4 percent advocate for decentralization to promote social harmony.

Among urban local people and leaders, 83 percent support federalism for promoting social harmony, with 15 percent favoring decentralization. Similarly, 81 percent of government officials and academics view federalism as appropriate for reducing ethnic and cultural conflict, while 17 percent prefer decentralization for this purpose. Additionally, all NGO/CBO officials agree that federalism is the best approach for reducing ethnic and cultural conflicts and fostering social harmony. Moreover, 89 percent of municipal employees and secretaries also view federalism as suitable for these objectives, with 9 percent supporting decentralization.

### Overall Findings

Apart from the analysis of the data, last update in January 2022, the status of federalism and decentralization in Nepal has been a topic of ongoing evolution and debate among stakeholders. Some perspectives from various stakeholders have been drawn as:

**The Government’s Perspective:** The Nepalese government has been implementing federalism as per the provisions in the 2015 Constitution of Nepal. This involves devolving powers and resources to provincial and local governments to ensure better governance and address historical marginalization of various regions and ethnic groups. Goals include promoting local development, enhancing inclusivity, and improving service delivery closer to the people.

**The perspectives of the Political Parties:** Different political parties in Nepal have varying stances on federalism and decentralization. Some support the current federal structure and advocate for its effective implementation. Others may criticize aspects such as resource allocation, the distribution of powers between federal and provincial governments, or the pace of devolution.

**The perspectives of the Ethnic and Regional Groups:** Various ethnic and regional groups have been vocal about federalism as a means to empower historically marginalized communities. They advocate for equitable resource distribution, representation in governance structures, and recognition of cultural diversity. Some groups may feel that the federal system hasn't adequately addressed their concerns, leading to continued demands for further decentralization and autonomy.

**The perspectives of the Civil Society and Academia:** Civil society organizations and academics monitor the implementation of federalism and decentralization. They often provide critical analysis and recommendations for improvement. Their perspectives may include concerns about governance effectiveness, accountability, transparency, and the capacity of local governments to deliver services.

### **The perspectives of the International Community:**

International organizations and donor agencies have supported Nepal's transition to federalism through technical assistance and funding. They emphasize principles of good governance, inclusivity, and sustainable development in their assessments and recommendations.

Overall, while federalism and decentralization in Nepal aim to address longstanding governance challenges and promote inclusivity, perspectives among stakeholders vary widely. Challenges such as capacity building at the local level, resource allocation, intergovernmental relations, and ensuring equitable representation remain key issues that stakeholders continue to navigate and discuss.

### **The Opinions on the Expected outcomes of Federalism and Decentralization**

The opinions on the expected outcomes of federalism and decentralization in Nepal vary among different stakeholders and groups. Some common perspectives have been listed below:

#### **The perspectives of the Government and Supporters**

**Enhanced Governance Effectiveness:** Many supporters of federalism expect that decentralization will lead to more effective governance at the local level. This includes improved service delivery, better responsiveness to local needs, and increased citizen engagement in decision-making processes. Addressing Regional Disparities has revealed that Federalism is seen as a mechanism to address historical regional disparities by empowering provinces and local governments to manage their own affairs and allocate resources according to local priorities. Promoting Inclusivity has pointed out that Federalism is expected to promote inclusivity by ensuring representation of diverse ethnic, linguistic, and cultural groups in governance structures and decision-making processes.

#### **The Perspectives of the Critics and Skeptics**

**Capacity and Implementation Challenges:** Critics often highlight challenges related to the capacity of provincial and local governments to effectively manage their new responsibilities. Concerns include administrative capacity, financial management, and institutional readiness.

**Potential for Fragmentation:** There are concerns that federalism might lead to fragmentation or increased regionalism, undermining national unity and cohesion.

**Resource Allocation Issues:** Critics argue that the distribution of resources and revenue sharing mechanisms under federalism might perpetuate inequalities or exacerbate fiscal disparities between regions.

#### **The Perspectives of the Civil Society and Academia**

**Monitoring and Accountability:** Civil society organizations and academics often emphasize the importance of monitoring the outcomes of federalism and decentralization. They advocate for mechanisms to ensure transparency, accountability, and the effective use of resources at all levels of government.

**Social Inclusion and Participation:** There is a focus on how federalism can enhance social inclusion by giving marginalized groups greater voice and representation in decision-making processes.

#### **The Perspectives of the International Community**

**Support for Democratic Governance:** International observers generally support Nepal's transition to federalism as a means to strengthen democratic governance, promote local development, and ensure equitable access to resources and services.

**Technical Assistance and Capacity Building:** International organizations often provide technical assistance and capacity building support to Nepal to help address implementation challenges and ensure successful outcomes of federalism and decentralization. Overall, while there is optimism about the potential benefits of federalism and decentralization in Nepal, there are also valid concerns and challenges that need to be addressed to realize these expected outcomes. The ongoing dialogue among stakeholders is crucial for shaping policies and practices that can maximize the positive impacts of federalism while mitigating potential risks.

### **Enhancing Federalism and Decentralization**

Enhancing federalism and decentralization in Nepal involves addressing various challenges and optimizing opportunities to achieve effective governance, inclusivity, and sustainable development. The several strategies that could be considered for the strengthening of the federalism are:

#### **Capacity Building**

**Training and Skills Development:** Invest in training programs for elected officials, civil servants, and local leaders to enhance their capacity in governance, financial management, and service delivery.

**Institutional Strengthening:** Support the development of robust institutions at the provincial and local levels, including effective administrative systems, transparent decision-making processes, and mechanisms for citizen engagement.



### Resource Management

**Fiscal Decentralization:** Ensure equitable distribution of resources between the federal, provincial, and local governments. Develop transparent revenue-sharing mechanisms and fiscal transfers to address disparities in resource availability.

**Financial Accountability:** Strengthen financial oversight mechanisms to prevent corruption and ensure efficient use of public funds at all levels of government.

### Policy Coordination and Harmonization

**Inter-governmental Relations:** Foster cooperation and coordination among different levels of government to avoid duplication of efforts and conflicts over jurisdiction. Establish clear protocols for inter-governmental relations and dispute resolution mechanisms.

**Policy Harmonization:** Align national policies with provincial and local priorities to ensure consistency and coherence in development planning and implementation.

### Legal and Regulatory Framework

**Legal Clarity:** Clarify and update legal frameworks related to federalism, decentralization, and local governance to address ambiguities and ensure effective implementation.

**Empowerment of Local Governments:** Enact laws that empower local governments to make decisions on matters relevant to local development, within the framework of national laws and policies.

### Public Participation and Inclusivity

**Citizen Engagement:** Promote mechanisms for meaningful participation of citizens and civil society organizations in decision-making processes at all levels of governance.

**Inclusive Representation:** Ensure representation of diverse ethnic, linguistic, and cultural groups in elected bodies and decision-making positions to reflect the country's diversity and promote social cohesion.

### Monitoring and Evaluation

**Performance Metrics:** Develop indicators and benchmarks to monitor the performance of federal, provincial, and local governments in achieving development goals, service delivery targets, and governance effectiveness.

**Feedback Mechanisms:** Establish mechanisms for regular feedback from citizens and stakeholders to assess the impact of policies and initiatives and make necessary adjustments.

### International Cooperation and Support

**Technical Assistance:** Seek technical assistance and support from international organizations and donor agencies to build institutional capacity, share best practices, and learn from global experiences in federalism and decentralization.

**Peer Learning:** Facilitate peer-learning exchanges with other countries that have successfully implemented federal systems to draw lessons and insights applicable to Nepal's context. By focusing on these strategies, Nepal can enhance its federalism and decentralization efforts, promoting effective governance, inclusive development, and sustainable peace and stability across the country.

## CONCLUSION

The Nepalese Constitution emphasizes democratic governance and underscores the importance of local autonomy, independence, and decentralization. The federal framework specifically aims to strengthen these aspects. However, the complete devolution of sectors remains incomplete, revealing challenges such as inadequate local human and financial resources, weak expenditure management, and a need for better accountability and transparency. These problems highlight the existing gaps in the implementation of decentralization in Nepal.

On average, 81 percent of respondents favor federalism as an appropriate system to address various needs: providing local autonomy to meet community needs, enhancing governance effectiveness, responsiveness, and accountability, preventing elite group domination, promoting inclusive democracy, and fostering social harmony. Federalism represents a new direction for Nepal, introduced through the 2015 constitution which divides the country into seven states and establishes a three-tiered government structure comprising central, state, and local governments. Despite this federal structure, Article 50 (1) of the constitution underscores the governance system's basis on local autonomy and decentralization. Overall, the constitution and the current state of federalism in Nepal aim to strengthen local governance through decentralization, although challenges in implementation remain prominent.

While federalism and decentralization in Nepal have been found to be aimed to address longstanding governance challenges and promote inclusivity, perspectives among stakeholders have been identified to vary widely. Challenges such as capacity building at the local level, resource allocation, intergovernmental relations, and ensuring equitable representation have been explored to remain key issues that stakeholders continue to navigate and discuss.

While there is optimism about the potential benefits of federalism and decentralization in Nepal, there have been found to be also valid concerns and challenges that need to be addressed to realize these expected outcomes. The ongoing dialogue among stakeholders have been known to be crucial for shaping policies and practices that can maximize the positive impacts of federalism while mitigating potential risks. By focusing on these strategies, Nepal can enhance its federalism and decentralization efforts, promoting effective governance, inclusive development, and sustainable peace and stability across the country.

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