

# The Fashion of Federalism in Nepal: Challenges and Opportunities



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## Abstract

*This article examines federalism as a political system combining self-rule and shared rule, clarifying the latter's meaning beyond mere participation in central government decisions. The focus is on Nepal's transition from a historically unitary system to a federal structure, a response to longstanding desires for regional development and the elimination of inequalities. This article is based on the review of existing literature. It is also based on secondary data and information and findings of previous research work especially in a thematic approach. The study traces the evolution of Nepal's federal system from its inception, influenced by societal mobilizations and a changing political landscape. The importance of federalism lies in empowering diverse communities while fostering collaboration at different government levels. The article also reviews global perspectives on federalism, emphasizing its role in ensuring peace, democratic resilience, service delivery, and efficient decision-making in diverse, large countries. Key findings highlight the need for active engagement and cooperation between the federal and subnational governments for a successful federalism in Nepal. Nepal's hourglass-shaped federal model effectively distributes power but grapples with fiscal centralization and revenue disparities, underscoring the need for continuous implementation and intergovernmental collaboration for efficient public service delivery. The study emphasizes the significance of honest and dedicated implementation by political parties and advocates for a federal system that guarantees the rights and autonomy of minority groups. Ultimately, Nepal's journey towards federalism strives to correct historical disparities and create an inclusive democracy, fostering economic development at the state level and positioning federal states as economic centers. The federal government's critical role lies in ensuring the security, prosperity, and rights of the people, unlocking the potential of federalism for Nepal's future.*

**Keywords:** hourglass federalism; ethnicity; peace; challenges; opportunities; Nepal

## Introduction

Federalism is most commonly understood as a political system that combines "self-rule" and "shared rule." A common misunderstanding of "shared rule" is that it refers to co-determination or constituent units' participation in central government decision-making. This conflates typical parts of federal structure, like bicameralism, or significant components of federal operation, such as intergovernmental interactions, with the fundamental or defining characteristics of a federal system. The analysis presented here clarifies what is meant by "shared rule" and

supports the idea that a political system can be characterized as a federation if it has at least two constitutionally guaranteed orders of government that each have a close relationship to the populace and meaningful powers. Federalism is an arrangement of constitutional power-sharing that allows federal structures to have extensive, constitutionally guaranteed autonomy over specific areas of policy while sharing power with other levels of government in accordance with established standards in other areas.

A constitutionally specified division of powers between various levels of government is established by a federalist system of government. There are often two or three main levels: (a) a national, central, or federal level; (b) a state, provincial, or regional level; and (c) a local, municipal, or grass-roots level. However, in different scenarios, a federal system may mandate a three-fold distribution of power by establishing the constitutional authority of local governments (such as in South Africa) or by establishing intricate types of territorial and linguistic federalism that overlap (such as in Belgium). Federalism enables distinct communities, identified by their territorial borders, to exercise guaranteed autonomy over some matters of particular importance to them while remaining part of a larger federal union through which shared powers and responsibilities are decided over matters of common problems.

Since its unification in 1743, Nepal was governed under a unitary system of government. The failure of the unitary system to meet the desires of the people for development has led to increased worries among Nepali political actors, who now see federalism as the solution to addressing regional inequality and development gaps. After the 240-year-old Shah monarchy was overthrown on May 28, 2008 by the Interim Constitution, Nepal became a republic and adopted the federal system of government. After the uprising of the Madheshi people in 2007, the fifth amendment to the constitution recognized the nation as the Federal Democratic Republic of Nepal. Nepal's federal system was envisioned as an important component of the country's new governance system. The necessity to tackle three major issues that the country had faced for generations led to the establishment of federalism. The major purpose was to decentralize political and economic power away from Kathmandu's centralized administration.

The nation is moving toward institutionalizing federal democracy. Additionally, there is a growing concern that the new federal structure is rapidly reducing the civic forum for people to voice their concerns (Bhattarai, 2019). Its goal is to make the local and provincial governments stronger. The federal political system will be appealing and resilient if policies strengthen the provincial government. In order to strengthen federalism, this article discusses the process of interprovincial coordination, cooperation, and coexistence. It will present the types and number of bills approved by the provincial assembly, how these acts are improving interprovincial relations, and the obstacles that have emerged during the early stages of the implementation of federalism. The federal democratic system is taking strong roots after the two general elections for the three levels of government were successfully concluded in 2017 and 2022. The framework for a new political system and way of conducting government is being institutionalised. The schedules of the Constitution make a clear reference to the powers and responsibilities of all three levels of government. Cooperative federalism is one of the major principles of governance in Nepal.

## **Literature Review**

Federalism is a system of ensuring peace, stability, and collaboration in countries when identity, race, religion, or linguistic distinctions are territorially concentrated. Federalism, particularly in large or diverse countries, may also enhance service delivery and democratic resilience, ensure decisions are made at the most acceptable level, protect against power and resource concentration, and create more opportunities for democratic participation (Bulmer, 2015). A federation is a compound polity composed of constituent units and a general government, each of which has powers delegated to it by the people through a constitution, each of which is empowered to deal directly with its citizens in the exercise of a significant portion of its legislative, administrative, and taxing powers, and each of which is directly elected by its citizens (Watt, 1998). The term "federal political systems" is a descriptive term that covers a variety of potential types of unions, federacies, associated states, leagues, and cross-border functional authorities. As a normative concept, federalism represents an organizing principle that prescribes the adoption of institutional arrangements. The United States Constitution, which was adopted in 1787, is regarded as the first attempt to create a federal system of government in the modern age. The Constitutions of Switzerland, the Dominion of Canada, the Commonwealth of Australia, and the Republic of India later adopted federalism as a system of political organization (Paleker, 2006). A renewed interest in the confederal system of political structure has emerged over the last ten years.

In the post-colonial era, federalism was established in the majority of emerging nations, including Africa, not only to foster national cohesion but also to set up a system of governance. However, the application of federalism in Africa did not seem to have any advantageous results (Eghosa-Osaghae, 2004). Despite this, after World War II, the idea of federalism gained popularity in both industrialized and emerging nations as a means of balancing the authority between the federal government and state or lower-level governments, sustaining a governing system, and bolstering institutional capacity (Keating, 2007). According to Welch et al. (2012), federalism was used to rule as much as half of the world's landmass by the end of the 1960s. Because of this, all tiers of government were able to work together to coordinate their responses to major national issues like the economic and civil rights movements. By the middle of the 1980s, new paradigms for governance, such as decentralization and citizen engagement, had taken hold (Hood, 1995; Moore, 1995; Dunleavy et al., 2006; Stoker, 2006; Pollitt and Bouckaert, 2011). These made it possible for citizens and governments to collaborate on the implementation of policies, plans, networks, and connections.

Nepal's federal Constitution, which was promulgated in 2015, envisioned new types of competition, produced new approaches to public administration, and produced novel principles for the relationship between the central government and local governments (Acharya, 2018). In order to promote the devolution of authority to the local government system and other state organizations, the Constitution foresees three tiers of administration: federal, provincial, and local. Local governments are closest to the people (Government of Nepal, 2015). Over 700 local government units were established in 2017 as part of the Government of Nepal's decision to execute a significant territorial reform of the local government system based on the

"principle of subsidiarity" and "economies of scale." According to Burgess (2006), federalism is a form of shared and self-rule of the government. Under Schedule 6 of Nepal's Constitution, all provinces have equal rights. Federalism is both a societal and an institutional phenomenon (Erk; 2008). Federalism refers to the constitutional/institutional architecture of the political system. The nominal distribution of political power between the federal and provincial governments is not completely executed by the provincial government due to a lack of legislation and other operational challenges. On the other hand, there is some confusion about the powers of federal and provincial governments. Contrary to focusing just on the institutional and constitutional limitations, inter-provincial relations now face new problems. Schedule 6 of the Constitution gives the provincial level specific powers, which the institutions of the province will use to carry out their responsibilities. We might be able to view intergovernmental relations within federal political systems as argumentative practices other than "hard bargaining" if a "deliberative turn" is introduced into federalist literature.

## Major Models of Federalism

There are multiple levels of government in a federal system, and each level is responsible for some independent as well as joint decision-making. In a flat (globalized) world where many nation-states are both too big and too small to handle both small and large tasks, federalism represents either a "coming together" or a "holding together" of constituent geographic units. Daniel J. Elazar, who supports the "coming together" theory of federalism, emphasized and explained how the name "federalism" derives from the Latin word *foedus*, which can indicate "league," "treaty," or "compact" (Shah, 2006). More recently, Robert Inman observed that the term "federal" now refers to any type of government that unites, in an alliance, constituent governments, each of which acknowledges the legitimacy of an overarching central government to make decisions on some issues that were previously solely the province of individual member states (Elazar, 1995). "Coming together" has served as a guiding paradigm for mature federations such as the United States, Canada, and, more recently, the European Union (Inman, 2006). The alternative "holding together" concept of federalism, often known as "new federalism," involves an endeavor to decentralize responsibilities to state-local systems of government in order to address regional and local discontent with central policies. This viewpoint is driving the present interest in federalist concepts in unitary countries such as Sri Lanka and Britain, as well as in comparatively newer federations such as Brazil and India and growing federations such as Iraq, Spain, and South Africa. Federalism is a political system in which power is divided and shared by a central or national government and subnational or regional governments. Depending on their historical, cultural, and political situations, different countries may embrace different forms of federalism. Here are some examples of common federalist models:

- 1) **Dual Federalism (Layer Cake Federalism):** This approach emphasizes a clear and obvious division of national and state governments' powers and responsibilities. Without significant overlap, each level of government operates within its scope of jurisdiction.
- 2) **Cooperative Federalism (Marble Cake Federalism):** The distinctions between the

national and state governments are blurred in this paradigm, and they frequently collaborate to address concerns and solve problems. The two levels of government are more collaborative and interdependent.

- 3) **Competitive federalism:** Its primary goal is to promote competition among states or regions by providing them some autonomy in policy formulation and implementation. States compete by giving appealing policies or incentives to attract enterprises, investments, and citizens.
- 4) **Creative Federalism:** This model entails a strong relationship between the national and state governments, with the central government providing funding and resources to the states to solve various concerns. The national government frequently establishes broad criteria for how resources should be allocated.
- 5) **New Federalism:** The goal of new federalism is to decentralize power and return more authority to the states. It stresses lowering the size and influence of the federal government while providing states more authority over their policies and activities.
- 6) **Permissive Federalism:** Permissive federalism permits the federal government to take a more hands-off approach, allowing states significant flexibility to operate within specific bounds. The national government offers states permission or flexibility to solve specific concerns as they perceive a good fit.
- 7) **Mandatory Federalism:** Mandatory federalism entails the national government establishing clear and explicit standards and requirements for the states to comply. States must follow these mandates in order to obtain federal funds or support.
- 8) **Fiscal Federalism:** Fiscal federalism is concerned with the division of financial resources and taxation authorities between national and subnational governments. It seeks to provide equitable resource distribution and a stable fiscal system at all levels of government.
- 9) **Ethnic or Cultural Federalism:** This model should be considered for countries with a diverse ethnic or cultural population. It entails giving areas or governments extensive autonomy based on their particular cultural or linguistic identities.
- 10) **Symmetric and Asymmetric Federalism:** All of the component states or regions have equal status and power under symmetric federalism. According to negotiated agreements or historical considerations, different states or areas in an asymmetric federal system have varying levels of autonomy and authority.

## Objective:

The major objective of this article is to review the practices of federalism in Nepal. This article examines the results, challenging issues, and current achievements in Nepal since 2015 to draw a conclusion.

## Method:

This article is based on the review of existing literature and used secondary data and information. This article analyzes the findings of previous research work most especially in a thematic approach. The review relies heavily on the secondary method of data collection and other relevant documents published on national and international platforms.

## Findings and Discussion

### An Overview of Federalism in Nepal

The federal Constitution of Nepal was the result of a decade-long struggle. Its origins can be traced back to a centralized polity that was unable to fully handle growing frustration with political and economic marginalization, notably of certain ethnicities, castes, classes, and regions. The conflicts began when disadvantaged groups began to mobilize within existing parties, in new parties, through armed militias, and through informal networks. These mobilizations posed a challenge to established institutions and power systems. The foundations of this Constitution may be traced back to the Maoist movement, which began in 1996, and the identity-based Madhesh Andolan, which began in 2007. The 2007 movement was a mobilization that swept through all districts of the present Madhesh province, resulting in the formation of numerous new regional parties and influential leaders who have since transitioned from regional/provincial to national politics. For the first time in Nepali politics, caste and religious groups such as Backward Classes, Dalits, and Muslims gained political influence (demands for women's representation from civil society would follow later). These mobilizations had far-reaching ramifications, clearly signifying a move away from 'business-as-usual' politics dominated by upper castes predominantly from the hills, non-Terai regions, who had long opposed Madheshi identity politics.

Federalism was desired in Nepal as a reaction to the privileged elite's rule and the economic, social, and political isolation of a sizable portion of the populace. In a way, Nepal has been a nation of divergent minorities since it became a state in 1768, and its population diversity is much higher than that of Sri Lanka. Nepal is home to more than 120 distinct ethnic groups, each of which has its own language family. Accordingly, the dominating group was not a majority because it only made up roughly 30% of the population overall. However, many groups were excluded from society due to a centralized position of power in the Bahun-Chhetri governing elite in Kathmandu, including women, Dalits, ethnic groups or "Janajatis," people from remote and inaccessible districts, and other marginalized groups. A democratic movement that was mainly concerned with the monarchy's power, multiparty parliamentary democracy as opposed to the panchayat system, and the degree of Hinduism's influence in Nepali culture emerged in the second half of the 20th century. The adoption of Nepal's fifth constitution in November 1990 signaled a significant turning point in the evolution of its democracy.

The Constitution acknowledged that Nepal is a multi-caste, multi-lingual, multi-cultural, and diverse geographical kingdom, but it also reaffirmed the state's predominantly Hindu identity and the harmony of all religions as a symbol of the Nepali nation and the unity of the Nepali people.

Nepal's three ecological regions are mountain, hills, and Terai. More than 123 different castes and ethnic groups live in Nepal, yet none of them make up the majority of the population. There are 123 different ethnic groups, although only 18 of them have a population of more than 1%. The same is true of the 131 Mother Tongues; only 12 are spoken by more than 1% (Language Commission, 2022). The 2015 Constitution was adopted to improve the responsiveness and participation of local governments. As a result, to maintain a balance between levels of government, the Constitution gave local governments 22 exclusive powers while giving the federal, provincial, and local levels 15 concurrent powers (Government of Nepal, 2015). More than 750 local government units, including Gaunpalika (village government) and Nagarpalika (urban government), were created as a result of the reform of the local government system. Such power devolution is justified by the need to foster democratic practice in local government bodies, improve local planning effectiveness, cut administrative costs, and increase political awareness among people (Acharya, 2015).

## **Ethnicity, Power, Conflicts, and the Emergence of the Federalism**

Prior to the enactment of the federal constitution by Nepal in 2015, the nation struggled to resolve a complicated dispute fueled by numerous mobilizations based on ethnicities, castes, gender, and regional identities. Particularly in the Terai-Madhesh region, there was an intense ethnic mobilization that culminated in calls for the acknowledgment of Madheshi identity and the creation of a separate Madhesh province. At the same time, the Terai Tharus pushed for the creation of a separate territorial state so that they might exercise political control over their future. The Madhesh movement became a powerful force, pushing for the recognition of ethnic identities in the constitution and the drawing of provincial borders primarily along ethnic lines. This movement aimed to give previously underrepresented ethnic groups more power by enabling them to band together, make claims, and distribute resources in accordance with their priorities.

Castes were the focus of another prominent division, illustrating the association between caste and ethnic exclusion. Caste dynamics and broader ethnic movements interacted, as evidenced by the mobilization of particular castes that was essential in achieving caste representation for Dalits and Janajatis in the new federal constitution. Additionally, women were more actively encouraged and involved in politics and armed conflict as a result of the social justice movement, which led to enhanced representation and rights for women in the new Constitution. Reserved seats for women in various government domains were created in response to calls for greater representation. However, because so many concessions were made in a tumultuous environment of violence, strife, and uncertainty, the constitutional principles that eventually formed did not accurately reflect the distribution of organizational powers at the time. The Constitution established provinces with limited powers to solve these issues, reflecting the concerns of the powerful factions that ethnic identity-based politics could endanger their interests and Nepal's sovereignty. But, this structure made it challenging to completely operationalize devolution. Effective coordination between the federal government and local governments through a middle ground level government is required for a devolution model that can be sustained. Centralized resource allocation akin to the old Panchayati

system may prevail in the absence of a strong provincial sphere with sufficient resources and coordination authority. The possibility for the balance of discretionary powers to shift back in favor of the federal realm emphasizes the need to address these issues in order to ensure the viability of devolution and promote a fair and inclusive federal system in Nepal.

However, several communities, particularly the dominant upper caste hill ethnicities, saw these ethnic identity-based mobilizations as threatening. They saw these demands not just as a challenge to their power, but also as a potential threat to Nepal's territorial integrity. Concerns were voiced that identity-based movements in the Terai regions would lead to 'excessive' autonomy or identify themselves with India too strongly due to historical ties with adjacent regions in India. As a result, there were fundamental differences about the type of federal system the constitution should establish, reflecting the competing interests of numerous coalitions. While certain organizations in the Terai called for ethnic identity-based federalism, significant factions in other parts of Nepal sought to transfer authority without strengthening ethnic identities, potentially separating major ethnicities among provinces. Others wanted to maintain a stronger degree of central power by calling for earlier patterns of decentralization, bypassing the provincial domain, and emphasizing a strong central coordination of resource distribution across several local administrations. The final version of the Constitution was a compromise that did not fully please any single party, and competing interests continued to affect the Constitution's execution even when official amendments were not directly on the agenda.

## **Hourglass Federalism and Nepal's Practices**

Nepal's new federal system is characterized not only by the existence of seven provincial governments but also by a unique three-tiered structure, which distinguishes it from the more typical two-tiered federal models. In addition to the central government and seven provinces, the 2015 Constitution also establishes 753 local entities, underscoring the critical role of local governance in Nepal's federal arrangement. This legal autonomy granted to local government positions it as a pivotal actor in public service management and rights protection within the new federal framework. Local government in Nepal is widely perceived as the most tangible manifestation of governmental influence, holding significant responsibilities. According to the 2020 Nepali People Survey, the majority of Nepalis view local government as the primary authority responsible for essential sectors such as education, healthcare, and infrastructure maintenance, emphasizing the high expectations placed on local administrations. The ambitious slogan "singha darbarko adhikar gaun-thaunma" (the power of Kathmandu's central administrative block, Singha Durbar, in every village) was echoed by candidates across party lines during the 2017 and 2022 election campaigns, further highlighting the public's anticipation of substantial change and development at the local level.

Nepal's federal structure, depicted as an emerging "hourglass" model, distributes taxation and spending authority equally across the three tiers of government. Despite this balance, the fiscal framework remains predominantly centralized, with significant revenue sources concentrated at the national level. Local entities and provinces have access to relatively low-yielding revenue sources, contributing to a notable financial imbalance in favor of the central government. The



2015 Constitution grants local governments exclusive power over various aspects, including service management, development projects, education, healthcare, and more, reinforcing their significance in the multi-tiered federation. While local governance received relatively less attention during the constitution-making process, it is viewed as a powerful layer of government within the hourglass federal system, embodying aspirations for greater inclusion in governance. However, challenges persist, requiring continued implementation and collaboration across governments to ensure effective public service provision.

## **Challenges facing the federal system in Nepal**

In Nepal, the change from a unitary to a federal administration was difficult. The transition has its own set of challenges that require actions to address lingering problems for more efficient administration under the new federal structure. The division of powers is a persistent source of discontent that leads to disagreements between the federal and provincial governments. Conflicts between the various levels of government are frequently caused by divergent views on this power division. The provincial and local entities have not yet built the institutional capacity required to efficiently carry out their assigned tasks, particularly in service provision, even while the federal government retains significant executive responsibilities. The federal system's implementation in Nepal needed a substantial investment in new governance infrastructure, which proved to be expensive. Both the federal government and the country's subnational entities, which find it difficult to earn significant income on their own, rely largely on budgetary resources. According to a study performed by Devkota (2020), provincial governments receive about 15% of the entire national budget. The process is further complicated by administrative issues, such as understaffing in provincial and local administrations since officials typically favor posts in the federal system. Focusing on the implementation of administrative federalism, institutional development, inter-provincial and inter-local government collaboration, fiscal federalism, and other issues are necessary to address these obstacles.

Five years of federalism in Nepal have been a mixed bag, with the new system generally being viewed positively but creating financial worries. Due to the perceived high costs of the administration and legislature, there is growing public dissatisfaction, particularly with provincial administrations. Concerns regarding redundancy have been expressed as a result of the expansion of government institutions and procedures, many of which are similar to those at the federal level and encourage financial mismanagement and a culture of corruption. The intention behind decentralizing services and maintaining good administration at the provincial level has been tainted by significant corruption scandals, which have raised doubts about the effectiveness of the federal system in Nepal. Nepal is a developing nation with an ethnically and linguistically varied population as well as a number of political parties. Nepal's key issues continue to be poverty, regional imbalance, inadequate infrastructure, and unemployment. Following the victory of the People's Movement in 2006, the notion of a federal structure as a political agenda against a unitary government developed. In light of the experiences of other federal nations, provinces in Nepal's recently established federal government have also requested increased funding as they face new problems (Subedi, 2018). Following are some challenges that are identified:

1. In Nepal, it has become more challenging to pay for increased parliamentary, administrative, and bureaucratic costs. Other restrictions include the limited number of civil workers with poor technical skills and insufficient logistical assistance.
2. The federal management may face other difficult challenges due to the distribution of resources among the states. The federal (central), state, and municipal levels are intended to get advantages from the utilization of natural resources (or development) in a fair manner under the new Constitution. One of the main issues with federalism is how to fairly distribute and allocate natural resources like rivers, forests, mining, etc. between the federal states. It also generates issues with disaster management, as well as the strategies, policies, and guidelines to address these issues.
3. There is a genuine problem with the development of linguistically and ethnically homogenous regions, which is highly important for Nepal. Due to the diversity and mixing of peoples across ethnic boundaries, ethnic and linguistic homogeneity is virtually ever attainable in any territory in multiethnic republics. As a result, it's possible that new minorities will emerge within the subunits, increasing their vulnerability to intentional or unintentional victimization (Adeney 2000).
4. Tax burden and duplication are still another potential issue where local governments and provincial governments may choose to impose various tax rates on different goods and services within provinces as well as on local municipalities and the provinces as a whole. People could adapt to these tax differences in eventuality by shifting their economic activity to other provinces or between various areas within the same province.
5. The transition period between the provincial and federal elections will be longer due to vertical intergovernmental relations. Even though the backing of vertical authorities, particularly the central ones, may continue to be insufficient, the process of establishing horizontal relationships may need to start right away (Dhungel, 2017). The federal system's implementation procedures in Nepal encounter other major challenges on top of this issue. Some of them include territorial disputes between province and municipal governments, the usage of resources, the duplication of taxes and revenue, Madhesi and ethnic concerns, the view of federalism in surrounding nations, discussions about foreign and educational policies, and more. However, all of these problems are solvable if the provinces can come to an agreement and if Nepal's leaders and general people adopt changing attitudes.

## **Opportunities with Federalism**

It has been felt that the unitary system was in contradiction to democratic norms because it failed to provide equality for all citizens. Additionally, the resources needed for a balanced development were not successfully mobilized by the unitary system. So it is crucial for local governments and people to play key roles in a federal system in order to safeguard and effectively utilize these resources. The creation and application of appropriate policies by the federal system of government can help the country experience greater economic growth.

Conventional industries including hydropower, agriculture, tourism, and hospitality, as well as forestry and herbal products, minerals, and crime, health, and education services all have potential. In the context of Nepal, there are many opportunities based on the experiences and procedures of federal government systems around the globe. These are as follows:

- 1) **Local Empowerment for Effective Governance:** In the federal context, certain functions such as education, health, and agriculture have been delegated to local bodies, aligning with the principle of devolving functions to the lowest level of government. Democratically elected local governments offer numerous advantages, including improved governance, enhanced development, and increased citizen engagement. This approach also ensures better oversight of public expenditures and services, fostering democratic governance (Local Governance Act, 2074).
- 2) **Promoting Inclusivity and Pluralism:** Federal governance emphasizes inclusivity and democratic pluralism to address discrimination and uphold 'unity in diversity,' a fundamental value of a multi-order government system. Notably, it encourages greater participation of women from diverse caste groups and guarantees minimum representation for marginalized or minority groups through quota systems.
- 3) **Strengthening Fiscal Autonomy:** The Constitution entrusts local bodies with extensive fiscal autonomy and responsibilities for resource mobilization and management. While building administrative capacity for effective budget planning remains a challenge at the local level, this empowerment fosters fiscal capacities and a self-reliant economy for both local and federal governments.
- 4) **Mitigating Conflict through Unified Governance:** The federal system unites the government and its people, minimizing gaps and conflicts at local, regional, and national levels. This approach promotes equal utilization of resources, reducing potential conflicts and facilitating cohesive governance.
- 5) **Enhanced Responsiveness to Citizens' Needs:** Local and provincial governments can become more responsive to citizens' needs, establishing a direct link between the government and its constituents. The responsiveness of government entities to citizens' needs is a crucial factor, enabling states to better address and serve their citizens.
- 6) **Promoting Equitable Development at the Grassroots:** A primary goal of the federal system is to promote equitable development, reaching down to the grassroots level. Nepal's Constitution emphasizes the participation of local communities in the development of all sectors, focusing on various societal aspects such as gender, region, class, ethnicity, and caste (Basnet, 2017).

In the Nepali context, the discussion on federalism highlights the inadequacies of a democratic facade protecting a corrupt authoritarian oligarchy (Thapa, 2008). The allocation of governmental functions at different levels presents a complex challenge, and while the underlying justification for federalism is rooted in the distribution of public resources, achieving a balanced distribution of powers remains elusive. Various theories, such as rational choice theory, emphasize the importance of citizen participation and representation at different government levels to

determine the appropriate placement of programs and authority (Beam et al., 1983). However, the task of aligning governmental functions with citizen representation is intricate, and existing political theories of federalism struggle to comprehensively address the evolving dynamics of federal politics and intergovernmental relations. Nevertheless, the administrative perspective underscores the necessity of decentralization in effectively managing a country, illustrating the incompatibility of a unitary system with the diverse functional needs of a nation (Markovitz, 1999).

Federalism holds particular relevance in diverse and geographically large societies, encouraging a nuanced and localized approach to governance (Lijphart, 1999). It is perceived as a means to enable citizens to play an active role in decision-making processes, serving the values of associational freedom and equality of opportunity. However, the implementation of federalism demands a careful consideration of local context and effective mechanisms for inclusivity, especially in multicultural societies like contemporary Nepal (Thapa & Sharma, 2011). Federalism is seen as a way to diversify and localize demands, leading to more effective policy outcomes and better governance. Ultimately, it aims to empower local communities, foster political accountability, and contribute to democratic control (Walle, 2010; Yackee and Palus, 2010; Kuhlmann, 2010; Thapa, 1998).

## **Summary and Conclusion**

Nepal's history of governance systems, from hereditary Rana rule to authoritarian monarchy and constitutional monarchy, has demonstrated that no governance system is flawless. The latest addition to this trajectory is the federal system, which was enshrined in the 2015 Constitution. However, its promised outcomes have not yet materialized. For the federal system to thrive in Nepal, it necessitates active involvement and commitment from both the federal government and subnational governments. The federal government must act as a guardian, empowering and supporting subnational entities. Simultaneously, subnational levels need to earnestly focus on effective implementation. Despite inevitable ups and downs, it's vital not to panic or feel disheartened during the implementation phase. True success in federalism will only be achieved when political parties display the honesty and dedication needed for its implementation, turning the system into a conduit for tangible and positive outcomes.

In essence, federalism in Nepal endeavors to rectify historical disparities rooted in socio-cultural aspects like class, caste, ethnicity, language, religion, region, and gender. Its primary goal is to nurture an inclusive democracy that protects the rights and interests of all minorities, ensuring that no particular group or elite class holds undue influence. A critical facet of this vision is the cultivation of a thriving and inclusive local democracy, empowering not just the elites but the entire local population and minority groups. Economic development at the state level is fundamental, positioning each federal state as an economic center. The federal government must play a pivotal role in safeguarding the rights, security, and prosperity of the populace, thus realizing the true potential of federalism in Nepal. The "hourglass"-shaped federal structure of Nepal successfully distributes power among its three levels of government, demonstrating the value of local governance as an outward sign of national power. Even so,

fiscal centralization and unequal revenue sources highlight the ongoing difficulties in achieving a truly decentralized and financially balanced federal structure, emphasizing the need for ongoing implementation and intergovernmental cooperation for efficient public service delivery.

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