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Implementation of Federalism in Nepal: Insights from Karnali Province

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Abstract

Federalism, as a system of governance, distributes power across national, regional, and local authorities to foster democratic participation and active citizen engagement. Nepal's 2015 Constitution established a federal structure, marking a pivotal shift intended to empower local governments for more effective governance. This transition generated considerable optimism that it would address historical marginalization, promote inclusive development, manage diversity, prevent conflict, strengthen local and provincial governance, and enhance citizen involvement. This study investigates the effectiveness of local government entities in Nepal in fulfilling their constitutional obligation to implement federalism, focusing on the Karnali province. It assesses the obstacles they face in fulfilling their legal and constitutional duties nationwide. The study uses qualitative research techniques such as key informant interviews, focus group discussions, policy dialogues, and a case study within two municipalities in Karnali province. The results reveal that traditional formal procedures govern policy development and execution, leaving minimal opportunity for community participation. Financial constraints and dependencies have curtailed local governments' fiscal independence and capacity to generate resources. Additionally, local governments face challenges in addressing emerging issues or enhancing public service delivery due to insufficient innovative capabilities. In conclusion, this paper highlights the obstacles and constraints in enacting the federal system at the local level and evolving local governments into autonomous bodies in Nepal.

Keywords: Corruption, federalism, Karnali province, local governance, power distribution

Introduction

Following World War II, many nations, especially in the developing world, faced significant political and public management challenges. These included issues such as bureaucratic inefficiency, ineffective administrative practices, fragmented public institutions, and the complexities of planning and delivering public services (Escobar, 1988). By the late 1970s, *various pluralist and structural models had tackled the inefficiencies and challenges related to local governance* (Peters, 2001). These strategies fostered a state-centric approach by affording the federal government increased authority over legislation and administrative functions (Pankaj, 2007). Instead of alleviating inefficiencies within local governance, the institutional focus on upward accountability intensified because of the top-down nature of decision-making, ultimately undermining the overall efficacy of the administrative framework. Systemic issues such as widespread violations of the rule of law and human rights, along with practices including favoritism, nepotism, political interference, and corruption, became entrenched (Zafarullah and Huque, 2001). The excessive bureaucratic structure and rent-seeking behaviors within the political arena highlighted the inadequacy of the prevailing hierarchical organization in effectively providing goods and services or ensuring accountability (Zafarullah and Huque, 2001). The concept of federalism gained significant popularity in both developed and developing nations, serving as a mechanism to enhance governance, fortify institutional capabilities, and maintain equilibrium among varying governmental tiers (Keating, 2007). Simultaneously, by the mid-1980s, innovative governance approaches, including decentralization and public involvement, emerged as standard practices (Hood, 1995). This development facilitated a collaborative dynamic between citizens and government in the execution of policies, initiatives, networks, and relationships.

Federalism has been adopted worldwide for diverse reasons, with each nation's transition influenced by its unique historical, political, and social landscape. Nepal has notably undergone a considerable political evolution in a brief timeframe, moving from a unitary monarchy to a federal republic. The successful conclusion of the second mass movement in 2006 catalyzed Nepal's adoption of federalism, aimed at addressing challenges related to power distribution, social inequities, service provision, and the promotion of local economic growth. The Nepalese Constitution outlines a federal structure with three tiers of government to promote social engagement, reduce inequality, and share governmental authority among sectors. The country has a central government, seven provincial governments, and 753 local governments, each with its own elected branches. The constitution allocates functions and powers across these levels to promote interstate cooperation and allows each level to create laws and implement policies within its jurisdiction. The government has clarified these powers through executive decisions and the Local Government Operation Act of 2017.

The transition from unitary to federalism offers opportunities for strengthening power devolution and improving local service delivery. However, consolidation of federalism is unlikely if elected leaders cannot manage the country effectively (Watts, 2007; Vanhanen,

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1991). Federalism is successful when power is widely distributed among government units. If not managed effectively, it may lead to disputes and complex relationships between people and government institutions, creating vertical and horizontal governance challenges. [11 Watts,2007). The federal system, comprising three tiers of government, requires collaboration among all levels to harmonise their political, legal, administrative, and financial frameworks with the new structure's demands. A well-defined and organized system of laws, institutions, and processes can mitigate the complexities of federalism. Layman (2003) suggests that the federal system coordinates collective efforts, leadership, capacity, and resources, ensuring optimal allocation for development and service delivery objectives.

Recent studies and analyses of Nepal's federalism reveal a range of persistent challenges. These include obstacles to inclusion (Rai, 2019), limitations in administrative capacity, ongoing jurisdictional conflicts, difficulties in implementing fiscal federalism, and intricate dynamics in intergovernmental relations (World Bank and UNDP, 2019; Democracy Resource Centre Nepal, 2019, 2020, 2022). Implementing federalism in Nepal has led to various challenges, including resource distribution, legal structures, personnel integration, and jurisdictional obstacles. In this background, this article focuses on two central questions, addressing the concerns and uncertainties faced by political and administrative authorities and the general population: first, in what manner have challenges concerning service delivery, gender equity, and social inclusion been managed within the federal framework? Second, what are the obstacles preventing the effective resolution of these challenges?

Methodology

Field-based research serves as a crucial and well-recognized method for evaluating the changing sentiments of citizens. By analyzing public opinion, governmental entities can gain significant insights into the priorities and attitudes of the populace, which can inform policy modifications and enhance governance and service provision. This study investigated the perspectives of local representatives and residents in Karnali Province, using primary data collected through key informant interviews, focus group discussions, policy dialogues, and case studies in two municipalities: Birendranagar (Surkhet) and Chaurjahari (Rukum West).

Data collection,

Field-based research is a vital method for understanding evolving public sentiment. By examining public sentiment, governmental bodies can gain valuable insights into community priorities and perspectives, which can guide policy adjustments, enhance governance, and improve service delivery. This study investigated the perspectives of local representatives and residents in Karnali Province, utilizing primary data collected through key informant interviews, focus group discussions, policy dialogues, and case studies in two municipalities: Birendranagar (Surkhet) and Chaurjahari (Rukum West).

Data collection, conducted in July 2024, encompassed five key informant interviews, including a mayor, a deputy mayor, and a ward chairperson, as well as two Chief

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Administrative Officers. Three focus group discussions were held: one in Chaurjahari Municipality and two in Birendranagar Municipality. A policy dialogue was also conducted in Chaurjahari Municipality. Additionally, a case study was undertaken in Chaurjahari Municipality to examine the primary research themes in an operational context. Supporting this primary data, the study also reviewed and analyzed relevant laws, regulations, and policy documents from government authorities to enhance the understanding of the implementation of the federal system in Karnali Province.

Concept: Federalism, Governance, and Service Delivery

Federalism refers to the distribution of power and decision-making within a nation-state, involving federal, provincial, and local levels of government. It is believed to accommodate diversity, maintain national unity, respect differences, and support democratic values. Scholars offer various definitions of federalism.

Burgess (2005) and Paleker (2006) define federalism as a political system where different government levels, interest groups, and actors collaborate and coordinate efforts while maintaining their autonomy. This framework allows for active participation from diverse stakeholders, ensuring that all parties work together to achieve common goals and maintain their independence. Riker (1964) argues that federalism's core is its ability to maintain political integrity through systematic power allocation within a broader political structure, based on negotiation and compromise. Rath (1978) posits that federalism promotes representative democracy by increasing political participation and distributing power across different government levels. Similarly, Ostrom (1991) and Bagchi (2003) argue that federalism is more than just a governmental structure; it serves as a strategic framework for addressing challenges and delivering services, while also facilitating community convergence and preserving distinct identities.

Federalism, thus, is a concept that enhances public sector efficiency by bringing the government closer to the people, promoting democratic principles, and protecting individual rights. It provides a cooperative relationship, self-sustaining institutional structure, shared political understanding, and fosters public involvement in development and service delivery. Within the neo-liberal framework, federalism distributes power among government levels through principles of self-rule and shared rule, emphasizing responsiveness to citizens' demands, respecting historical traditions, and operating through constitutional mechanisms. It also incorporates market-oriented public policies (Shah, 2007). In a federal system, interactions between government levels are inevitable and dynamic, involving formal and informal processes like exchanging information, consolidating power and resources, negotiating, sharing responsibilities, creating policies, and advancing government objectives, regardless of the specific structure adopted (Poirier and Saunders, 2015). Federal nations have diverse characteristics because of their historical contexts, resulting in varying coordination and collaboration between central authorities and their constituent units. The power of sub-national governmental entities depends on their identities, quantity, and authority, determined by agreements or decisions made during the establishment of the federal constitution. The effectiveness of governance at different levels is influenced by factors such as the number and diversity of governmental entities, their legal standing,

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historical evolution, the roles of elected and appointed officials, interactions among tiers, and policy execution (Wright 1988). Global observations show that federal systems' effectiveness depends on cooperation, engagement, and a well-defined constitutional framework. Some nations have distinct provisions to address conflicts and improve dynamics between national and sub-national authorities, while others lack such provisions. Therefore, the federal government structure must establish a robust and transparent intergovernmental relations framework.

Governance is a structured framework that manages public affairs, integrating sociological, political, economic, and administrative duties in a responsible, inclusive, and participatory manner (Gisselquist, 2012). UNDP (1997) defines governance as the systems, processes, and institutions that enable citizens and groups to express their interests, exercise their legal rights, fulfill their obligations, and resolve conflicts. The World Bank defines governance as the use of authority to manage a nation's economic and social resources for development. It emphasizes the connection between governance and service delivery. Governance helps ensure efficient and timely service delivery by creating conditions for teams to perform their tasks effectively. Efficient service provision reinforces good governance. In the 1980s, the New Public Management paradigm transformed public administration by addressing administrative inefficiency and bureaucratic apathy. This innovative approach incorporated non-state entities, market dynamics, and private organizations to enhance governance, moving beyond state authority reliance (Hood, 1991 & 1995). The transition from government to governance was facilitated by this process, which increased engagement among various sectors, protected citizens' political rights, and empowered their participation in service delivery. This process fosters collaboration among local stakeholders, allowing governance to shift from a state-centric model to one influenced by societal dynamics (Kim, 2006).

Local government comprises administrative units like municipalities, townships, counties, and districts, providing essential services and governance to the community. Each entity has its own governance framework and elected officials. Local government plays a crucial role in promoting participatory democracy and enabling citizens to address issues like poverty and limited access to services. However, traditional administrative methods often hinder efficient service delivery. To improve service quality and effectiveness, decentralization is essential, enhancing the relationship between citizens and government entities (Turner, 2012). Ahmad (2008) emphasizes the importance of individuals acknowledging their rights and responsibilities in politics and society. He advocates for strict efficiency standards in public service delivery, increased transparency, and social accountability. However, many developing nations struggle to achieve significant social, political, and economic transformations because of bureaucratic practices, politicization, and reliance on external ideas and methodologies.

Data Presentation

Legal, Institutional Framework and Power Distributions

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The Constitution of Nepal (2015) aimed to enhance government engagement and responsiveness in public affairs by establishing the current political system and state structure. It emphasized cooperation, coordination, and coexistence between federal, provincial, and local levels of government. The Constitution allocated legislative, executive, and judicial powers across these levels, with 35 exclusive powers to the federal government, 21 to provincial governments, and 22 to local governments. It also assigned 15 concurrent powers to be shared among these governments, ensuring a balanced distribution of authority. The government specified these powers through executive decisions and established various legislative instruments and institutions. The Local Government Operation Act 2017 outlined the roles and authority of local governments. This new federal system provided opportunities for local democracy development, public participation in policy-making, improved local planning effectiveness, reduced administrative costs, and increased political awareness among citizens.

However, Nepal's transition to a "Federal Republic" has been challenging because of various factors. Since introducing federalism in Nepal, initiatives have struggled to meet their objectives because of various challenges. The division of power among different government levels has led to complex relationships and confusion over governing authority. Despite attempts to clarify responsibilities, significant issues persist, such as overlaps and duplications in exclusive powers and inconsistencies in authority distribution. For example, law and order, healthcare, and environmental management responsibilities are shared between federal and provincial levels. Similarly, both provincial and local levels hold exclusive rights over sectors like drinking water, cooperatives, FM radio, and several tax areas, which complicates governance further.

Powers exclusive to provincial and local governments are governed by federal laws. Provincial governments manage areas like employee services, highways, universities, and agricultural income tax, but they must follow federal legislation. Local governments oversee local roads, alternative energy, statistics, education, health services, and various taxes, all regulated by federal and provincial laws. Some exclusive powers listed in Schedules 6 and 8 overlap with concurrent powers in Schedules 7 and 9, while certain shared powers between federal, provincial, and local governments may also be limited to federal and provincial jurisdictions only.

The Constitution outlines the fiscal powers of the three tiers of government, allowing them to allocate expenditures, impose taxes, and collect revenues within their designated areas. The National Natural Resources and Fiscal Commission Act of 2017 and the Inter-Governmental Fiscal Arrangement Act of 2017 provide frameworks for mobilizing resources and distributing funds. However, the Constitution contains inconsistencies and overlaps, leading to joint management of tax and revenue collection matters by two governments and federal jurisdiction for tax and revenue collection determination.

The federal system in Nepal has been influenced by non-democratic forces and a unitary state mindset, leading to institutional inconsistencies and complicating the process of federal transformation. The central government still holds significant political, legal, administrative, and fiscal authority, causing a sluggish transfer of responsibilities and resources to

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provincial and local governments. This has resulted in parallel institutions and inefficiencies, hindering their ability to effectively carry out their mandates. Recent federal laws aim to re-centralize responsibilities, initially assigned to lower levels, back to higher levels of government.

Implementation of Federalism in Karnali Province

Karnali Province, in western Nepal, is one of the country's seven federal provinces. It spans 27,984 square kilometres and borders Gandaki, Lumbini, Sudurpashchim, and the Tibet Autonomous Region of China. While the province boasts a rich history and cultural identity, it remains underdeveloped and unexplored. Its low population density may affect development and resource distribution. Despite its natural beauty and cultural wealth, Karnali faces challenges that cause further exploration and investment. The 2021 Census shows a population of 1,688,412, with 864,651 females and 823,761 males. The province is divided into 10 districts and 79 local levels, including 25 municipalities, 54 rural municipalities, and 718 wards. Despite a federal system promoting autonomy and local governance, Karnali Province faces challenges like socioeconomic disparities, inadequate infrastructure, and geographic isolation. The lack of access to essential services further marginalizes communities, causing targeted interventions. Karnali province has been implementing federalism for seven years, with active involvement from both governmental bodies and citizens. Local governments play a crucial role in managing the populace's affairs, which is essential for the success of federalism. This study focuses on the operations of local governments, including service delivery, citizen engagement, resource mobilization, and responsiveness to community needs. It also discusses the challenges faced in the effective implementation of federalism.

Operation of the Local Governance

The Local Government Operation Act of 2017 is a law that empowers local governments to exercise their constitutional powers and institutionalize legislative, executive, and quasi-judicial functions. It allows authorities to plan their own structures, processes, performance metrics, plans, and community engagement methods. The document grants them the authority to collaborate with government agencies, oversee NGOs' activities, prepare budgets, and establish rules, regulations, and guidelines. The research shows that local governments, despite completing their standard administrative duties, lacked overall effectiveness because of challenges in mobilizing resources, developing infrastructure, and implementing regulations. The reorganization of the state structure has caused confusion among officials about their roles in planning and executing development initiatives, managing financial and human resources, and facilitating effective communication. Factors contributing to this diminished effectiveness include a sluggish political transition, capacity limitations, legal ambiguities, resource shortages, and a lack of clarity regarding local government authority and jurisdictions. These factors contribute to the overall ineffectiveness of local. In response to these issues, a ward chair pointed out that...

The effectiveness of local governance has been influenced by a range of factors, such as challenges related to capacity, ambiguities in legal frameworks, resource constraints, and

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uncertainties surrounding jurisdictional authority. A chief administrative officer has noted that the needs of the local community surpass the operational capabilities of the local government. (Personal communication, July 2024)

Service Delivery

Local governments must be robust to effectively manage authority, enhance influence, and grow autonomy. Officials must embrace new responsibilities, uphold high standards, advocate for decentralization, and secure community legitimacy. Local legitimacy is achieved through efficient service provision and community empowerment, as the effectiveness of a local government is primarily assessed by its capacity to serve the public efficiently. FGD participants emphasized the primary responsibility of the local government in overseeing vital community services, highlighting additional roles such as infrastructure enhancement and guaranteeing fundamental service provision. During the conversation, most focus group discussion participants in their local community complained about inadequate infrastructure and ineffective service delivery. They note the reluctance of local government representatives to share information about services and their slow response to delivering them, creating an environment conducive to corruption among officials overseeing resource allocation. The FGD participants emphasized the local government's primary responsibility for managing vital community services, highlighting its additional obligations to enhance infrastructure and ensure the provision of fundamental services.

The primary concern identified by the local community during discussions was the inadequacy of infrastructure and ineffective service delivery. One participant in the focus group noted a reluctance among local government officials to share information regarding available services, coupled with delays in the provision of those services. This environment, he argued, fosters greater potential for corruption among officials tasked with overseeing resource allocation. Similarly, another participant pointed out that while Ward Chairpersons are theoretically given a range of duties, their actual involvement is predominantly limited to advisory roles and interactions with higher-level authorities. In addressing inquiries concerning service delivery, the elected officials, including the Mayor, Deputy Mayor, Ward Chairperson, and Chief Administrative Officers from the study area, asserted that they had exerted significant effort to enhance service delivery within their available resources. They recognized challenges like overlapping jurisdictions, delayed authority transfers, capacity limitations, and scarcity of resources have hindered local governments from fulfilling community expectations. When asked about their priorities, these representatives underscored their commitment to managing local services and advancing local infrastructure. The Mayor of Chaurjahari Municipality specifically pointed out the necessity of bolstering wards with vital facilities, equipment, and personnel, acknowledging the critical role of wards in effective service delivery. Yet, the local government representatives conveyed frustration regarding the reluctance of many existing staff to accept postings in wards, highlighting the difficulty in transforming entrenched bureaucratic mindsets. Despite the prevailing dissatisfaction with local government performance expressed by most focus group discussion participants, there remains an underlying sense of optimism about the prospects of their local governance.

Citizen Participation

The Local Government Operation Act of 2017 empowers local government entities to create plans for local development, including sectoral, annual, strategic, and periodic initiatives. These bodies must involve the community in their planning processes, adhering to federal government principles. Citizen engagement in policy-making is supported through neighborhood, ward, and municipal or council levels, allowing citizens to express their views and influence decision-making. The research showed that local governments within the study area did not adopt any novel or innovative strategies to increase citizen engagement in policy-making, planning, and implementation. Instead, both local authorities relied on conventional approaches to gather public input, which included informal consultations at the neighborhood level, public meetings at the ward level, and formal sessions at the municipal or council level. Notably, while informal platforms like neighborhood consultations and ward meetings offer citizens greater opportunities to express their views, their influence on actual decision-making remains minimal. Formal forums conducted at the municipal or council level, which exert a more significant impact on decision-making processes, are less accessible to the public because of stringent regulations and the dominance of official representatives.

In addressing a question regarding the improvement of citizen engagement, a mayor showed that despite a strong desire to establish new channels for local citizen involvement, initiatives have been persistently obstructed by federal government regulations stemming from legislative mandates. This perspective underscores the challenges local governments encounter in exercising their constitutionally and legally protected autonomy to devise creative strategies for citizen participation. The case study illustrates that, during the implementation of federalism, the municipalities examined adopted public policies that adhered to the "template" provided by the federal government, rather than developing their own unique policies.

The case study shows that, during the annual budgeting process, both local governments opted to rely on predefined frameworks, ranking systems, and prioritization criteria rather than incorporating public feedback. As a result, their annual plans and budgets consistently emphasize similar initiatives aimed at enhancing financial development, alleviating poverty, generating employment, mobilizing local resources, promoting gender equality, fostering social inclusion, and ensuring environmental sustainability. A participant in a focus group discussion (FGD) confirmed this, stating that,

The Constitution of Nepal (2015) aimed to enhance government engagement and responsiveness in public affairs by establishing the current political system and state structure. It emphasized cooperation, coordination, and coexistence between federal, provincial, and local levels of government. The Constitution allocated legislative, executive, and judicial powers across these levels, with 35 exclusive powers to the federal government, 21 to provincial governments, and 22 to local governments. It also assigned 15 concurrent powers to be shared among these governments, ensuring a balanced distribution of authority. The government specified these powers through executive decisions and established various legislative instruments and institutions. The Local Government

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Operation Act 2017 outlined the roles and authority of local governments. This new federal system provided opportunities for local democracy development, public participation in policy-making, improved local planning effectiveness, reduced administrative costs, and increased political awareness among citizens.

However, Nepal's transition to a "Federal Republic" has been challenging because of various factors. Since introducing federalism in Nepal, initiatives have struggled to meet their objectives because of various challenges. The division of power among different government levels has led to complex relationships and confusion over governing authority. Despite attempts to clarify responsibilities, significant issues persist, such as overlaps and duplications in exclusive powers and inconsistencies in authority distribution. For example, law and order, healthcare, and environmental management responsibilities are shared between federal and provincial levels. Similarly, both provincial and local levels hold exclusive rights over sectors like drinking water, cooperatives, FM radio, and several tax areas, which complicates governance further.

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The Constitution outlines the fiscal powers of the three tiers of government, allowing them to allocate expenditures, impose taxes, and collect revenues within their designated areas. The National Natural Resources and Fiscal Commission Act of 2017 and the Inter-Governmental Fiscal Arrangement Act of 2017 provide frameworks for mobilizing resources and distributing funds. However, the Constitution contains inconsistencies and overlaps, leading to joint management of tax and revenue collection matters by two governments and federal jurisdiction for tax and revenue collection determination.

The federal system in Nepal has been influenced by non-democratic forces and a unitary state mindset, leading to institutional inconsistencies and complicating the process of federal transformation. The central government still holds significant political, legal, administrative, and fiscal authority, causing a sluggish transfer of responsibilities and resources to provincial and local governments. This has resulted in parallel institutions and inefficiencies, hindering their ability to effectively carry out their mandates. Recent federal laws aim to re-centralize responsibilities, initially assigned to lower levels, back to higher levels of government.

Implementation of Federalism in Karnali Province

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Autonomous Region of China. While the province boasts a rich history and cultural identity, it remains underdeveloped and unexplored. Its low population density may affect development and resource distribution. Despite its natural beauty and cultural wealth, Karnali faces challenges that cause further exploration and investment. The 2021 Census shows a population of 1,688,412, with 864,651 females and 823,761 males. The province is divided into 10 districts and 79 local levels, including 25 municipalities, 54 rural municipalities, and 718 wards. Despite a federal system promoting autonomy and local governance, Karnali Province faces challenges like socioeconomic disparities, inadequate infrastructure, and geographic isolation. The lack of access to essential services further marginalizes communities, causing targeted interventions. Karnali province has been implementing federalism for seven years, with active involvement from both governmental bodies and citizens. Local governments play a crucial role in managing the populace's affairs, which is essential for the success of federalism. This study focuses on the operations of local governments, including service delivery, citizen engagement, resource mobilization, and responsiveness to community needs. It also discusses the challenges faced in the effective implementation of federalism.

Operation of the Local Governance

The Local Government Operation Act of 2017 is a law that empowers local governments to exercise their constitutional powers and institutionalize legislative, executive, and quasi-judicial functions. It allows authorities to plan their own structures, processes, performance metrics, plans, and community engagement methods. The document grants them the authority to collaborate with government agencies, oversee NGOs' activities, prepare budgets, and establish rules, regulations, and guidelines. The research shows that local governments, despite completing their standard administrative duties, lacked overall effectiveness because of challenges in mobilizing resources, developing infrastructure, and implementing regulations. The reorganization of the state structure has caused confusion among officials about their roles in planning and executing development initiatives, managing financial and human resources, and facilitating effective communication. Factors contributing to this diminished effectiveness include a sluggish political transition, capacity limitations, legal ambiguities, resource shortages, and a lack of clarity regarding local government authority and jurisdictions. These factors contribute to the overall ineffectiveness of local. In response to these issues, a ward chair pointed out that...

The effectiveness of local governance has been influenced by a range of factors, such as challenges related to capacity, ambiguities in legal frameworks, resource constraints, and uncertainties surrounding jurisdictional authority. A chief administrative officer has noted that the needs of the local community surpass the operational capabilities of the local government. (Personal communication, July 2024)

Service Delivery

Local governments must be robust to effectively manage authority, enhance influence, and grow autonomy. Officials must embrace new responsibilities, uphold high standards, advocate for decentralization, and secure community legitimacy. Local legitimacy is

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achieved through efficient service provision and community empowerment, as the effectiveness of a local government is primarily assessed by its capacity to serve the public efficiently. FGD participants emphasized the primary responsibility of the local government in overseeing vital community services, highlighting additional roles such as infrastructure enhancement and guaranteeing fundamental service provision. During the conversation, most focus group discussion participants in their local community complained about inadequate infrastructure and ineffective service delivery. They note the reluctance of local government representatives to share information about services and their slow response to delivering them, creating an environment conducive to corruption among officials overseeing resource allocation. The FGD participants emphasized the local government's primary responsibility for managing vital community services, highlighting its additional obligations to enhance infrastructure and ensure the provision of fundamental services.

The primary concern identified by the local community during discussions was the inadequacy of infrastructure and ineffective service delivery. One participant in the focus group noted a reluctance among local government officials to share information regarding available services, coupled with delays in the provision of those services. This environment, he argued, fosters greater potential for corruption among officials tasked with overseeing resource allocation. Similarly, another participant pointed out that while Ward Chairpersons are theoretically given a range of duties, their actual involvement is predominantly limited to advisory roles and interactions with higher-level authorities. In addressing inquiries concerning service delivery, the elected officials, including the Mayor, Deputy Mayor, Ward Chairperson, and Chief Administrative Officers from the study area, asserted that they had exerted significant effort to enhance service delivery within their available resources. They recognized challenges like overlapping jurisdictions, delayed authority transfers, capacity limitations, and scarcity of resources have hindered local governments from fulfilling community expectations. When asked about their priorities, these representatives underscored their commitment to managing local services and advancing local infrastructure. The Mayor of Chaurjahari Municipality specifically pointed out the necessity of bolstering wards with vital facilities, equipment, and personnel, acknowledging the critical role of wards in effective service delivery. Yet, the local government representatives conveyed frustration regarding the reluctance of many existing staff to accept postings in wards, highlighting the difficulty in transforming entrenched bureaucratic mindsets. Despite the prevailing dissatisfaction with local government performance expressed by most focus group discussion participants, there remains an underlying sense of optimism about the prospects of their local governance.

Citizen Participation

The Local Government Operation Act of 2017 empowers local government entities to create plans for local development, including sectoral, annual, strategic, and periodic initiatives. These bodies must involve the community in their planning processes, adhering to federal government principles. Citizen engagement in policy-making is supported through neighborhood, ward, and municipal or council levels, allowing citizens to express their views and influence decision-making. The research showed that local governments within the study area did not adopt any novel or innovative strategies to increase citizen

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engagement in policy-making, planning, and implementation. Instead, both local authorities relied on conventional approaches to gather public input, which included informal consultations at the neighborhood level, public meetings at the ward level, and formal sessions at the municipal or council level. Notably, while informal platforms like neighborhood consultations and ward meetings offer citizens greater opportunities to express their views, their influence on actual decision-making remains minimal. Formal forums conducted at the municipal or council level, which exert a more significant impact on decision-making processes, are less accessible to the public because of stringent regulations and the dominance of official representatives.

In addressing a question regarding the improvement of citizen engagement, a mayor showed that despite a strong desire to establish new channels for local citizen involvement, initiatives have been persistently obstructed by federal government regulations stemming from legislative mandates. This perspective underscores the challenges local governments encounter in exercising their constitutionally and legally protected autonomy to devise creative strategies for citizen participation. The case study illustrates that, during the implementation of federalism, the municipalities examined adopted public policies that adhered to the "template" provided by the federal government, rather than developing their own unique policies.

The case study shows that, during the annual budgeting process, both local governments opted to rely on predefined frameworks, ranking systems, and prioritization criteria rather than incorporating public feedback. As a result, their annual plans and budgets consistently emphasize similar initiatives aimed at enhancing financial development, alleviating poverty, generating employment, mobilizing local resources, promoting gender equality, fostering social inclusion, and ensuring environmental sustainability. A participant in a focus group discussion (FGD) confirmed this, stating that,

“The residents of the village are now empowered to take part in the selection and prioritization of projects at the local level. Our commitment lies in facilitating public engagement throughout all stages of project development and management. By emphasizing community-chosen projects and getting the required resources, we have enhanced local governance within the community”.

Contrary to this, elected representatives of the study area stated that,

The residents of the village are now empowered to take part in the selection and prioritization of projects at the local level. Our commitment lies in facilitating public engagement throughout all stages of project development and management. By emphasizing community-chosen projects and getting the required resources, we have enhanced local governance within the community.

The study found that local governments face challenges in executing their tasks because of insufficient capacity to develop inclusive strategies, ineffective coordination among organizations, and inadequate mechanisms for voter engagement in planning and development processes despite representative democracy being the foundation.

Resource Mobilization

Nepal's fiscal governance initiative aims to strengthen the local government system by improving public resource mobilization and fostering private sector growth. The 2015 Constitution allows local government units to raise revenue through taxes and fees, securing intergovernmental fiscal transfers. Federalization has increased central funding for local government units, strengthening their power and resources. However, shifting fiscal decision-making authority from the central government to sub-national governments remains a challenge. Despite the Constitution granting local government units the authority to assess needs, generate revenue, develop plans, and implement projects, they still face challenges in revenue generation, allocation, and mobilization.

The study shows that local-level resource mobilization is a complex and challenging process because of various factors. One participant in a focus group discussion noted that, despite the establishment of a federal system, local governments remain heavily reliant on the central government for funding. Opportunities for resource generation are limited, with mobilization often dictated more by power relations than by the community's actual needs. This viewpoint is echoed by a chief administrative officer, who pointed out that local budgets are frequently subject to approval by the federal government based on its own criteria, rather than aligned with local priorities. Initiatives to exploit natural resources such as rivers, stones, and sand face opposition from the District Coordination Committee, which cites central ministry directives, despite the Local Government Operation Act 2017 providing municipalities with the authority to manage these resources. Constitutionally, local governments have significant autonomy in budgetary processes, local development, and service delivery. However, the central government's sample guidelines limit their ability to develop their own strategies for annual budgets and addressing local issues.

Local Responsiveness

This study investigated local responsiveness following the transition to federalism. It revealed that local governments have largely relied on existing systems—such as social audits, public hearings, and open dialogue—to maintain responsiveness rather than develop new mechanisms. These pre-existing tools, initially intended to meet central government requirements, are now viewed by the public as vital for ensuring local officials' accountability, responsiveness, and transparency. However, some focus group participants perceived that local governments under federalism are, in fact, less responsive than they were previously.

The focus group discussions also pointed to a shift in focus for elected officials, moving away from direct responsibility to citizens and toward their respective party's agenda. This development underscores the need for robust two-way communication channels between local government officials and citizens to enhance local responsiveness. The current reliance on one-way communication proves insufficient. In line with this, one elected mayor shared that, while they often use technical language to explain decisions, the public is more concerned with tangible outcomes than bureaucratic processes. To improve responsiveness, this mayor's office has implemented strategies to increase citizen participation in decision-

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making and implementation processes wherever possible. This shows a growing understanding, among both elected officials and the public, of the importance of effective local responsiveness. The research also found that local leaders who prioritize communication with stakeholders enhance their credibility within their communities, allowing citizens to feel truly heard in the decision-making process.

Local Autonomy

The 2015 Nepali Constitution designates local governments as the third tier of governance, granting them autonomy and authority. This autonomy is categorized into institutional, procedural, and policy-related aspects. However, varying political interpretations of federalism and local autonomy have led to confusion and indifference. A mayor has expressed concerns that majority-minority politics at the local level are undermining the institutional independence of these governments, despite the clear constitutional provisions for their autonomy. The Local Government Operation Act of 2017 provides financial support for local governments, but they still rely on provincial or federal support for operational effectiveness. Since the establishment of federalism, local governments have only relied on the federal government for administrative staffing needs. Local governments are struggling to hire new staff because of restrictions on hiring, despite the Local Government Operation Act of 2017. The lack of autonomy and federal support in recruiting essential staff, coupled with the absence of federal support, hinders their operational effectiveness. Enhancing access to human resources could improve the quality of local democratic processes.

The study found that local-level policy-making autonomy is inadequate, with governments primarily adopting federal government models without introducing innovative initiatives. This suggests a failure to use constitutionally guaranteed autonomy, remaining confined to traditional practices. Barriers to exercising this autonomy include a lack of human and financial resources, limited administrative expertise, the federal government's influence, and structural change challenges.

Factors to Local Government' Efficiency

Federalism, a multi-tiered system of governance, relies heavily on the effective functioning of both provincial and local governments. These entities are crucial for achieving human development goals and creating a thriving democracy. However, several factors impede the efficiency of local governments within this federal structure.

Legal obstacles

The new constitution of Nepal outlines a three-tier system of government: federal, provincial, and local. The Ministry of Law, Justice, and Parliamentary Affairs estimated 110 laws for the constitution's implementation, with 22 covering provincial issues and 6 related to local concerns. However, a study found that many key areas remain vague or inadequately defined, and many essential primary and subsidiary laws have not been enacted or updated.

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The laws passed and amended are not sufficient to effectively regulate and guide local governments' activities. Local governments have used their legislative authority to enact some laws, but many remain unfinished because of delays in the legislative process at the federal and provincial levels. As a result, local governments cannot fulfill their responsibilities to their fullest capacity. The restructuring aimed to empower lower-level governments with the authority to make independent decisions and carry out executive, legislative, and judicial functions. However, because of the lack of sufficient legal frameworks, the new local governments are functioning on a state of confusion and ad hoc basis.

Many essential laws have not been enacted or updated, limiting local governments' ability to effectively regulate and guide their activities. Despite using legislative authority to enact some laws, many remain unfinished because of delays at federal and provincial levels, preventing local governments from fulfilling their responsibilities to their fullest capacity. A Chief Administrative Officer from a municipality in the study area explained that the restructuring aimed to empower lower-level governments to make independent decisions and carry out executive, legislative, and judicial functions. However, because of the lack of sufficient legal frameworks, these new local governments are currently functioning in confusion and ad hoc manner.

Bureaucratic constraints

During the unitary state system, the Nepali populace faced challenges in effective local governance and public accountability. The federal system aimed to improve administrative practices but led to widespread discontent among citizens, showing that local entities were not fulfilling their designated functions. Focus group discussions show that the structural changes have not adequately addressed the community's persistent issues, highlighting the need for further reforms. The success of government service delivery in a democratic framework relies on institutionalizing processes and political leaders' authority within bureaucratic structures. Federalism has limited local governments from recruiting new staff, making them reliant on the federal government. Capacity deficiencies among political leaders and political instability have led to a significant power disparity between elected officials and bureaucratic entities. The research shows that the power imbalance between political and bureaucratic entities has led to a shortage of critical human resources in local governments, exacerbated by conflicts between elected representatives and executive officials.

The study reveals that the power imbalance between political and bureaucratic authority has led to local governments facing a shortage of essential human resources, while also fueling tensions between elected officials and executive officers over their roles and authority at the local level. A Deputy Mayor remarked on the situation,

“The disparity between citizen expectations and the actual capabilities of local governments, noting the significant limitations in human resources. He emphasized that the gap between what citizens expect and what is workable for local governments to provide is considerable. To address the rising public demand for improved services while adhering to

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their constitutional duties, he argued that a restructuring of Nepal's bureaucracy is essential to effectively facilitate the three-tiered governmental system”.

Capacity constraints

Institutional capacity is crucial for the success and efficiency of sub-national governments in a federal framework. Nepal, the Constitution grants 22 exclusive powers and 15 concurrent responsibilities to local governments and the Local Government Operation Act of 2017 aims to improve decision-making and implementation processes. The research shows that insufficient coordination and uneven implementation of initiatives are hindering the progress of local government entities, with institutional capacity issues being a critical concern. Human and financial constraints, along with a lack of essential human resource competencies, significantly impair the operational effectiveness of the local government's performance.

However, administrative staff and politicians often engage in a blame game, shifting responsibility for their competency gaps instead of addressing and improving them. In response to a question about capacity, the deputy mayor stated that:

"There is a lack of sufficient administrative staff to fulfil their responsibilities, and the current staff cannot perform their duties effectively because of a lack of competence" (Personal communication, July 2024) In contrast, in response to the same question, the chief administrative officer asserts that "Elected representatives are mere names, lacking vision, understanding of administrative procedures, and awareness of their duties". (Personal communication, July 2024)

Employee skills and training gaps

A government representative noted during the focus group noted that insufficient training programs exist to enhance employee skills, particularly following implementing the federal system. He explained that no training or orientation initiatives have been launched to improve the skills of local government personnel, impeding the transition from the unitary system. Crucially, the policies and institutional frameworks needed for developing these employees' skills and capacities are also absent.

Financial capacity challenges

Local governments face severe challenges in both human resources and financial capacity. They are heavily reliant on fiscal transfers from federal and provincial governments, rather than generating their own revenue. This dependence makes them vulnerable to fluctuations in transfer payments and changes in national or provincial fiscal policies. Their financial autonomy and flexibility are limited, hindering their ability to plan and implement long-term development initiatives or effectively address local needs. This lack of a stable revenue stream makes it difficult for local governments to provide essential public services, invest in infrastructure, and attract and keep qualified personnel to meet the needs of their constituents.

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Resource constraints

The Mayor and Chief Administrative Officer of the study area acknowledged the inadequacy of financial resources to fulfil community expectations. Although they strive to optimize the utilization of existing resources, they highlighted that their effectiveness could be enhanced with sufficient funding.

Poor commitment of key stakeholders

The federal system in Nepal requires active cooperation and coordination from various government levels and a broad spectrum of stakeholders. Political parties, bureaucracy, civil society, local communities, and development partners are key players in ensuring successful implementation. Most political parties support federalism in election manifestos, believing it fosters a more inclusive state and improves public confidence in the government.

The research shows that political parties often advocate for federalism but are often seen as insincere and hesitant to implement it. Politicians' actions are exploitative, potentially distorting federalism for personal gain. The bureaucratic framework, bolstered by advancements in technology and resources, has gained authority through its impact on state institutions. To effectively institutionalize the federal system, the bureaucracy must adapt to emerging federal practices, despite occasional irresponsible and unethical behavior.

Overall, research highlights a widespread lack of commitment to the federal system across various sectors of society, encompassing political leaders, government officials, civil society, and the public. Interestingly, each group blames the others for this deficiency. For example, a ward chairperson criticized the bureaucracy for its reluctance towards the new framework and decentralised power, attributing this resistance to adopt self-serving, centralized perspectives. This illustrates a pattern of finger-pointing rather than collective action towards a fully functional federal system..

The research reveals a lack of commitment and dedication to the federal system among various societal groups, including political leaders, government officials, civil society members, and the general populace. Each faction attributed the system's shortcomings to the others' failure to exhibit adequate commitment and dedication. Bureaucrats were criticized for their unwillingness to adapt to the new federal framework and their hesitance to engage with lower levels of government. Political leaders' lack of a coherent, long-term vision for national development and governance, along with their self-interested and inconsistent actions, made the new system susceptible to failure.

Discussion

This article explores the anxieties and uncertainties faced by political and administrative leaders, as well as the public, concerning the delivery of services, gender equity, and social inclusion within Nepal's federal framework. The Constitution of Nepal, the Local Government Operating Act of 2017, and other laws have undeniably bolstered Nepal's federalism by legitimizing local governance. These laws define the principles, objectives, duties, and responsibilities of local governance, granting local governments executive, legislative, and judicial powers for the first time. They also provide financial mechanisms,

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including revenue sharing, federal grants, and borrowing tools. These provisions aim to ensure local autonomy, accountability, transparency, and including women and marginalized groups, as well as facilitate a plan for implementing federalism.

The shift aims to bring democracy closer to the people, enhance local governments' power and responsibility, and make them central hubs for service delivery and economic development. To ensure effective functioning, a new comprehensive legislative framework and revisions to existing legal frameworks are necessary. However, many laws and regulations still need revision, and higher-level governments have complete control over modifying them. Currently, the federal government is issuing executive orders and directives related to managing local governance instead of enacting proper legislative frameworks. The Constitution's vision for local government autonomy is contradicted by the federal government's dominance in regulating local administrations. Existing laws are reviewed and new ones drafted without local government representation, reflecting centralized political and administrative forces. Important legislative issues are not adequately addressed in new laws, and some provisions are inconsistent with the Constitution. To address these issues, necessary laws should be drafted promptly, and local government representatives should be consulted during the review and drafting of relevant laws.

The successful implementation of federalism in Nepal requires coordination of institutional arrangements, such as government leadership and stakeholder participation, and alignment of management structures with public administration objectives. The constitution has established mechanisms to enhance intergovernmental relations, but Nepal's intergovernmental relations remain weak because of unfair resource distribution, a corrupt politico-administrative culture, and inadequate administrative, technical, and financial capacity. The complexity of cooperation between federal and local levels in the functional distribution of power and authority within the current institutional structure has led to a weakening commitment to autonomy and federalism. Even a decade after federalism was implemented, local governments remain unclear about their autonomous roles and responsibilities, and the federal government's centralized approach complicates its implementation. This raises questions about whether the federal system is truly effective in transforming local communities. To address this, the institutional framework should be restructured, ensuring just allocation of power, resources, and authority with clear implementation criteria.

Federalism implementation requires proper structure and arrangement of government institutions at all levels. The balance of power between politicians and bureaucratic institutions is crucial for a functioning democracy. Political leadership should lay the groundwork for efficient service delivery by the bureaucracy, which should deliver services using specialized technical expertise. The placement of skilled bureaucrats is essential for local governments to maintain authority, provide better services, and meet public expectations. However, in Nepal, the lack of experience between politicians and bureaucrats in a federal system has led to challenges in meeting public expectations. The new governance system struggles to balance bureaucratic and political authority, resulting in frustration among elected officials and executive officers. The Civil Service Act, ten years

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after federalism, has not been drafted. Despite this, the change process for civil service employees is nearly complete, and local-level laws govern them. This delay has caused bureaucracy hesitation and public officials' reluctance to transfer to local governments. Reorganizing the bureaucracy to align with the new structure is crucial for local governments to fulfill their duties, meet public expectations, improve service delivery, and support the three-tiered federation.

Local governments need substantial governing authority, resources, and power to achieve successful and sustainable social outcomes. Factors such as resources, social networks, and political legitimacy influence their capacity to engage in effective governance. The Constitution grants local government autonomy, but the lack of essential capacity among elected officials and staff limits their effectiveness. Temporary measures, such as the Employees change Act (2017), have been ineffective because of ongoing conflicts between elected officials and staff over roles and authority. To implement the powers granted by the Constitution, enhance local services and infrastructure, and improve the efficacy of local government operations, institutional and human resource capacity should be strengthened sustainably. This includes increasing local staff, adjusting employee terms and conditions, and implementing effective recruitment, retention, and training strategies.

The Constitution outlines fiscal federalism, covering economic development, income distribution, fiscal transfers, grants, and borrowing across government levels. It also emphasizes local revenue generation and mobilization, supporting local government autonomy and accountability. Local governments meet citizens' needs and deliver services directly to their communities. To enhance service quality and development projects, local government revenue must be increased. The government has attempted to systematize these issues through legislative measures like the Inter-Governmental Fiscal Arrangement Act (2017) and the Local Government Operation Act (2017). Current sources of revenue for local governments include expenditure responsibilities, taxes and fees, sub-national borrowing, and intergovernmental fiscal transfers. However, the fiscal transfer system has remained unsystematic, dominated by higher-level governments. This lack of legislation and capacity for tax administration has led to local governments being less effective in expanding revenue rights. To address these issues, local governments must equip employees with the knowledge and skills to manage funds effectively, and elected officials must be knowledgeable about financial management systems and prepared to make informed budgetary decisions.

The Constitution allows local governments to govern and perform functions within their jurisdictions, but these functions require subsidiary laws planned by them. Local governments need a strong understanding of legal principles and staff to advise elected representatives. Most local governments have developed local laws, but because of inadequate knowledge, these laws are often based on model laws from the Ministry of Federal Affairs and Local Development, without proper consultation with local authorities. This weakens the local legislative process and creates a patron-client relationship between central and local governments. To enhance autonomy and prevent higher levels of government from imposing local legislation, local governments must strengthen their capacity and assert their right to create laws.

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The 2006 People's Movement (Jana Andolan II) in Nepal aimed to restructure the state to foster a more participatory and responsive democracy. The constitution introduced a proportional electoral system and a quota system across all levels of government to ensure accountable governance. The constitutional provision increased the representation of youth and marginalized groups in local-level decision-making processes in both 2017 and 2022 elections. However, constitutional and legislative measures alone are unlikely to ensure meaningful participation and institutionalization of local democracy because of persistent cultural barriers and elite dominance. Elite dominance and the absence of a political culture have led to local governments failing to collaborate on service delivery, planning, and project implementation, rendering public participation ineffective and contributing to a lack of political legitimacy. Local governments have prioritized physical development by promoting inclusive growth through meaningful participation and collaboration with the local community.

Local government success relies on participatory decision-making, policy formulation, planning, and implementation, requiring strong commitment from elected representatives. To establish cooperative federalism and institutionalize local governance, the government should create structures that allow participation in development partners, private sector entities, and individuals. Creative individuals should contribute their vision, knowledge, skills, and perspectives to the planning and policy-making process. Proactive efforts from civil society, development partners, and the private sector are needed to enhance the democratic system at the local level. A psychological paradigm shift is necessary to make local governance more responsive to community demands.

Local governments are crucial to the future of democracy, as they operate within neighborhoods and serve the needs of the people. The Constitution of Nepal and The Local Government Operation Act of 2017 grant local governments significant authority, including participatory policy formulation and planning, as well as the delivery of services that enhance the quality of life in areas such as agriculture, livestock, education, healthcare, rural infrastructure, irrigation, and community water supply and sanitation.

Nepal's local governments are vital in shaping democracy by addressing citizens' needs and taking part in policy-making. However, their constitutional and legal frameworks have not effectively empowered them or ensured operational efficiency. Despite delivering essential services, they are increasingly criticized for the quality of services provided. Factors such as sociocultural dynamics, resource availability, policy gaps, conflicts, political commitment, and reluctance of central power structures contribute to this disparity. To improve local government service delivery, a multifaceted approach is needed. This includes exploring innovative revenue-generating strategies, implementing sociocultural sensitive service delivery models, and adopting a participatory policy framework. Integrating new technologies, fostering shared understanding, and enhancing conflict resolution skills are crucial. Strengthening political commitment, fostering a constructive culture, and promoting decentralization are also essential. Prioritizing transparency, fiscal responsibility, fair selection processes, and reducing bureaucratic inefficiencies are also crucial.

Conclusion

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Nepal's transition to a federal system, while intended to empower local communities and enhance citizen rights, faces significant hurdles, particularly in Karnali Province. Although introducing federalism has spurred increased awareness and engagement, the envisioned potential of the system remains unrealized. This study revealed that structural, functional, and behavioral challenges hinder progress, with a lack of proactive political leadership and bureaucratic inertia undermining effective implementation. The resulting skepticism among the public is fueled by the absence of tangible improvements and a perception of lukewarm government commitment to genuine local empowerment. To fully realize the promise of federalism, Nepal must prioritize establishing a strong governance structure, ensuring fair resource allocation, and fostering accountability and transparency. Critically, local governments need to become more responsive, engage with citizens, provide reliable services, and align policies with community needs. Only through these concerted efforts can the federal system truly deliver meaningful change and establish effective grassroots governance.

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