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An Assessment of Nepal's Federalism in the Context of Policies and Practices

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Abstract

Federalism is a system of governance where diverse ethnic and religious communities own the nation in a single defined political system. As a political institution, it denotes the distribution of political power between the levels of the state's government. Intergovernmental relation is at the centre of this scholarly debate. Intergovernmental relations are an obvious instrument to maximize federalism and make it more functional while ensuring prompt and satisfying public delivery. Though the intergovernmental relations are practiced among the layers and mechanisms of the state, they are a part and parcel of the democratic exercise. This context makes the intergovernmental relations an evolving process because its results are enhanced political, administrative and fiscal maturity in a country. This paper aims to assess the effectiveness of the IGR in Nepal, and the discussions follow the extent of cooperation of three levels of government (Federal, Provincial and Local) for the smooth functioning of the country's financial, administrative, and other works. This paper is based on secondary data sources and explores the gaps in strengthening federalism and intergovernmental relations and their implementation. The results of IGR in Nepal point to some pressing issues in the federal system's operation and the underlying gaps. Governance at all levels is impacted by the poor state of coordination of political actors, lawmakers, and civil servants. The relations between the three levels of government are not that warm. Major gaps are also there in the mobilization, deployment, transfer and promotion of civil servants. The officials hired in line with the Local Self-Governance Act 2055 in the local bodies are deprived of major opportunities. In Nepal's context, the major components of intergovernmental coordination, collaboration and

cooperation are compromised in one or the other way. As there are certain gaps in practicing intergovernmental relations in Nepal, the gaps demand a legal and policy framework to fulfill, but some political interests and politicians' willingness have caused ineffective result in intergovernmental relations.

Keywords: *Intergovernmental relations, IGR, Nepal's federalism, public service delivery, power-sharing*

Introduction

Intergovernmental relations (IGR) are the mechanisms of interrelationships and interdependence among the institutions, elected leaders, and administrative officials at the political, administrative, and fiscal levels (Elazar, 1995). IGR is translated in various forms and shapes, which covers a wide range of relationships to ensure effective public service delivery through government agencies. Also, IGR itself is an evolving process and demands gradual progress in the changing time and context.

Different levels of governments within a state engage in sustained exchanges, interactions, and mutual reliance for executing their functions and upholding their institutional existence. Their interrelationships are structured and facilitated through established political entities and procedures in general. Regardless of whether a state is federal or unitary, there must be the presence of intergovernmental relations (IGR) of some sort. This is because multilayered governance inherently necessitates structured engagement for reconciling the intersecting authorities of different governmental bodies. Nonetheless, the various levels of government are delegated with distinct roles and responsibilities as outlined constitutionally. For ensuring the effective fulfillment of constitutionally defined roles and responsibilities, sustained communication, coordination, and dialogue between the central and lower levels of governments is unavoidable (Gandaki Province Training Academy, 2022).

Federalism is in practice in both autocratic and democratic countries and is in different shapes and structures, determined by several indicators. The party system, democracy, and federalism are dynamic and they are formed and deconstructed based on the concerned country's context, movement, needs, and the changing political milieu. Even in populist political regimes, federalism is practiced but there remain questions about its acceptability, flexibility, and intergovernmental relations. Intergovernmental relations cannot function well and smoothly since they are positioned within different historical, ethnic, political, and economic circumstances. Federalism, being the closest political structure to service recipients, expects citizens to be involved in the political process, as this enables multiple identity groups to develop their own identities (Elazar, 1995).

Federalism, “*a complex and evolving concept*” (Gagnon & Tremblay, 2024, p.1), is both a political association and a national political institution (Elazar, 1995). As a political association, it ‘institutionally recognises, accommodates diversity and *empowers minority communities through self-government*’ (Gagnon & Tremblay, 2024, p.1). Federalism is a way of living together happily in diverse ethnic and religious communities within a single political system. As a political institution, it denotes the distribution of political power between the state’s government. Federal political institutions develop a feeling of self-rule

(constitutional division of powers), shared rule (recognising and agreeing to be partners in the federation as a sub-state of the national government) and democracy (allowing a free, fair and periodic elections to make societies more democratic (Gagnon & Tremblay, 2024, p.1).

Federalism is in practice in both autocratic and democratic countries. The Forum of Federations states that more than 25 countries are operating as federal countries. Federalism comes in different shapes and structures, which are determined by several factors and situational contexts. The party system, democracy and federalism are dynamic. They rise and fall according to societal needs and a changing environment. With the end of the Cold War, federalism has become a more acceptable and flexible political system that can be “adapted to new needs and very different historical, ethnic, political and economic circumstances” (Koller xiii). It has remained a great success with various reforms in the Constitution. Federalism is one of the closest political structures to the citizens who wish to be involved in the political process. It enables multiple identity groups to develop their own identities and provides the best solution for accommodating multicultural societies. (Koller, 2003). Thus, federalism is gaining importance in the modern world.

In recent decades, several countries initiated the establishment of a federal political system through a constitutional revision or a movement to maintain unity within the single political system by resolving internal conflicts and facilitating democratic transition. The main driving factors of gaining popularity include startling developments in science and technology, drastic changes in communications, globalization and economic liberalization, which contributed to interdependence and public awareness about the rights and justice, and a global wave of democratization in the 1990s pushed forward for a more decentralization at state level in advanced countries and the European Union, whereas in newly democratizing countries the desire for self-governance. Many countries have adopted several forms of federal institutions to accommodate regional nationalism and autonomy, racial and ethnic identity and internal conflict (Watts, 2008; Blindenbacher & Koller, 2003), maintaining unity in diversity through constitutional arrangements. Asian countries have adopted due to growing “*tension between nation- and state-building in ethnically plural societies*” (Bhattacharyya, 2021, 4).

Nepal has recently passed the tenth year since the promulgation of its new constitution (Government of Nepal, 2015). The Constitution of Nepal has established the country as a federal democratic republic with a parliamentary system of governance (Government of Nepal, 2015). It structures the state into federal, provincial, and local levels, establishing a secular government to accommodate ethnic, religious, and linguistic diversity by devolving significant power to the local levels to foster inclusive governance. Scholars note that the main driving factors in the adoption of federalism in Nepal were to accommodate demands for balanced development, to ensure the rights of minorities, women, and marginalized groups in all state affairs, and to grant greater autonomy from international influences (Bhattacharyya, 2021).

The federalism in Nepal is the result of the decade-long civil war waged by the Nepal Communist Party (Maoist) and the movement staged by the Madhes-centric political parties

but later on all major political parties accepted this agenda of federalism. There were some key reasons that led Nepal to opt for federalism. The first was to ensure to resolve the civil war, the second was to put an end to caste-based, class, regional, gender-based inequalities; the third was to end the Kathmandu-centric power exercise by decentralizing the state powers and resources, and fourth was to ensure inclusion and representation of all in the state organs. At its core, federalism operates governance as a partnership, implying that the federal and state political actors negotiate and address their shared concerns as equal counterparts. In line with this logic, IGR works to counteract hierarchical relations by creating room for balanced footing between central and regional governments (Afesha, 2015).

IGR is the backbone of federalism and its units, to cooperate, collaborate and work together, share revenues and avoid disputes. Anderson (1960:3) argues that intergovernmental relations are important interactions occurring between governmental institutions of all types and in all spheres' (Cited in the University of Pretoria, n. d.).

In Nepal's multicultural, multilingual, and multiethnic context, there must be strong, creative, and rational intergovernmental relations through robust political, economic, social, and legal coordination, cooperation, and collaboration for making the practice of federalism a success (Gandaki Province Training Academy, 2022).

Statement of the problem

Nepal was transformed from the unitary constitutional monarchy into a federal republic system in 2015. It adopted a multi-level system of governance to manage regional and ethnic diversity, share power among the government levels, and make political system more inclusive. The government requires effective intergovernmental relations among governmental units to maintain coordination, collaboration and coexistence to perform their assigned functions. The Constitution of Nepal 2015 clearly stipulates a mechanism of coordination, collaboration and coexistence between government units in Schedule 5, 6, 8, and 9 as well as this idea is stated in the Intergovernmental Relations Act 2020, and the Local Government Act 2017.

Despite these provisions, politically, there remains confusion over the powers and responsibilities of their jurisdiction, and political interference of the federal government remains a major concern. Such a political pressure from the federal level results in lack of effective coordination of different bodies and in the conflict resolution forums too. After the transformation of the political regime, strengthening bureaucracy is the first step. Public administration of provincial and local governments seems unable to perform their assigned functions effectively due to the lack of coordination. The centrally deputed employees and local employees are less cooperative to each other. Financially, the principles of cooperation, coexistence, and coordination enshrined in the Nepal's Constitution have not become effective. Thus, it aims to assess the state of intergovernmental relations and to suggest ways to strengthen governmental relations.

Objective

The main aim of this paper is to assess the effectiveness of the IGR in Nepal. While the primary objective of this paper is to find out how the three levels of government (Federal, Provincial and Local) are cooperating with each other for the smooth functioning of the country's financial, administrative, and other works, the researcher also aims to find out the following works:

- To find out about present status of intergovernmental relations, gaps and issues regarding its implementation in the context of Nepal.
- To identify key legal, institutional, administrative, and fiscal challenges affecting coordination among federal, provincial, and local governments.
- To find out about Nepal's federal practices considering global theories and comparative experiences and to learn about power-sharing dynamics among the three tiers of government.

Concept of IGR in the Context of Federalism

IGR is a part of the modern political system. Every government has more than one government. IGR is the interactions that take place on various governmental units within a single political system (Poirier & Saunders, 2010), (Afesha, N. 2015). Such an interaction may be vertical, horizontal, sectoral, formal and informal. It includes a wide range of relationships on policy coordination, concluding formal and informal agreements on resource allocation and redistribution among units, launching joint projects and programs, setting up joint bodies and mechanisms for addressing complex issues and dispute resolution, determining each other's roles and sharing information (Poirier, 2018; International IDEA, 2019; Poirier & Saunders, 2010) with varying degrees of jurisdictional authority and autonomy. IGR takes different forms and shapes depending on country-specific historical, geographical, constitutional, structural, social, linguistic, religious and political factors. The design of IGR also differs within federations, according to the policy at stake and over time. (Poirier, 2018; International IDEA, 2019; Poirier & Saunders, 2010).

IGR is essential for achieving national goals, in policy formulation and implementation, accommodating differences among political institutions and processes, increasing accountability of public officials in the use of public funds, as well as building political trust. Thus, IGR is a mechanism of cooperation, coordination, and coexistence, avoiding disputes between federal, state and local governments (Sapru, 2011, p. 225).

The nature and forms of IGR are determined by geography, history, constitutional design, socio-economic and linguistic and religious diversity, and political culture (Poirier & Saunders, 2010). These factors are the sources of the success and failure of IGR in any country. This paper takes IGR as a set of formal and informal mechanisms of interaction, interdependence and coordination in power distribution, managing human, material and financial resources in making federalism successful.

Literature Review

IGR is a part of federalism (a flexible political system) found in every modern government. IGR is a mechanism through which interactions and independence among governments occur (Phillimore, 2013). IGR among federal government units is the practical practice of federalism. What factors affect the effectiveness of intergovernmental relations in conducting interactions among government units?

According to the constitutional approach, federalism means the constitutional division of power. Ambiguity in the constitution weakens the spirit of cooperation and coordination, leading to mistrust and conflict over fiscal and regulatory authority. Consequently, the performance of IGR becomes ineffective (World Bank, 2019; Gandaki Province Training Academy, 2022; Pazi, 2018).

Federalism denotes the separation of jurisdiction. The domination approach puts forward that the executive plays an important role in all intergovernmental relations. Political interference of the central government in the internal matters of sub-governments leads to disputes in IGR. On the other hand, partisan conflicts occur in intergovernmental forums; for example, local government in Nigeria has failed to enjoy autonomy due to excessive interference from other levels of government (Fatile & Adejuwon, 2017). Likewise, during the Obama administration, “*States actively challenged the federal policy*” (Stazyk & Frederickson, Eds., 2018). Brian R. Opeskin (1999) writes, “*This role is preeminent in countries with Westminster-style systems of government because of the dominance of the executive over the parliamentary process*” p.1).

The actor approach argues that political leaders are the key actors of federalism and shape intergovernmental relations. Hence, the nature of the political party system and the electoral system (Cameron, 1999; Phillimore, 2013), the political will (Grin, Schlegel, & Schnabel, 2024), including the challenges from regional-based parties, personality of the Prime Minister vs Chief Minister affect the work of IGR, “*despite what the formal division of powers may say*” (Watts 2008: 119–20, Cited in Phillimore, 2013).

The political values and beliefs, and the masses vary. Similarly, the trust and collaborative culture state that a lack of cooperative culture among federal government units obstructs the development and implementation of policies and responsibilities. According to Phillimore (2013), trust and respect among central, state, local and interorganizational levels are important for IGR. Political culture plays a role in the development and maintenance (the failure) of IGR. Cooperative culture can enhance IGR and “*avoid conflict in the areas of interdependence*” (Chattopadhyay & Whittington, 2019).

Another group of scholars pointed out that intergovernmental relations are the interactions and independence of formal and informal relationships among governments. Weak state institutions and the absence of institutional mechanisms also hamper the effectiveness of IGR. Poirier & Saunders (2015) noted a strong non-politicalized bureaucracy for IGR. Shortage of human resources at provincial and local units leads to dependency on federal,

weak policy implementation, poor service delivery or no service delivery, creates mistrust in intergovernmental relations and dissatisfaction.

Fiscal federalism is the fiscal relationship of the allocation of revenues and expenditures, including a system of transfers among federal units, based on fiscal principles. According to Mann (2015), IGR needs '*effective functioning of intergovernmental fiscal and budgetary frameworks*'. According to the World Bank (2023), a combination of institutional weakness, flawed design, irregularities, "*inappropriate allocation of resources, inefficient revenue systems*" (Boadway & Shah, Eds, 2007), undermines the effective performance of IGR.

Methods of Study

Intergovernmental relations are the foundation of the practical functioning of federalism. Intergovernmental relations is a broad and complex interaction between political actors and administrative officials, policies and power dynamics. This study is based on secondary information such as the constitution, governmental policies documents, Fiscal Commission reports, Ministry of Finance, budget documents, World Bank, ADB, and donor reports, Intergovernmental Fiscal Transfers Act and Local Government Operation Act 2017, academic journals, books and processes to explore the complexity of governmental relations in Nepal. To understand the gap between IGR and its implementation, the needed information is collected from various laws, governmental policies, acts, and academic journals. Likewise, discussions are held with different stakeholders and politicians from local, provincial and federal levels too

Data Presentation

Federalism is a political system that unites separate government units under a single government. Citizens get an opportunity to self-rule at the state and local levels. Intergovernmental relations serve as a bridge for communicating decisions, a guiding principle of operating governments, policies among the leaders, and administrators of central, state and local government. Several factors affect the effective operation of IGR. The following sections discuss the challenges in implementing IGR in Nepal.

Constitutional Overview of the IGR

The Constitution in Article 56(1) and 56(2) has provided the provisions as to how the federal mechanism of the country will look like. The federal, provincial and local level governments are separate and autonomous, but they are interrelated to each other. Schedule 5 has lists of the power only the federation can exercise which are mainly the affairs of the nation regarding the country's sovereignty, security, big financial decisions, treaties, agreements, taxes, and several others like constitutional bodies as well. Schedule 6 lists out the powers only the province can exercise which are mainly related with provincial works like provincial statistics, health services, house and land registration, etc.

And the main part of our study is schedule 7 where the IGR part gains momentum as it shows us about the relations of the federation and the 7 provinces and how they can

cooperate and work together for the betterment of the public. In this schedule, authority over legal matters, family and property laws, environment related laws, professional regulations, land policies, etc. are discussed and these things are required joint responsibility from both level of governments to ensure smooth operation of the country, but that is not the case regarding Nepal as there is always talks of the province not being able to use its powers and the centralized idea of government has only been uprooted from the theoretical part of the country and not in an action as the provinces have to get permission from the federation to carry out its works and if not, there is no budget to spend on development works and to carry out the work of policy making.

The idea that provinces are autonomous has only been right in the pages of the laws and not in reality as the federation doesn't want to lose grasp on the provinces and give them whole autonomy to proceed in the way they want to and that automatically shows that the federation doesn't want federalism in action but in paper.

The elected people are not wary of the powers they hold as per the law and want their decisions to be upheld even if they are unlawful and that gap in legal knowledge reflects on the uneven and incomplete work and the debris it scatters.

Institutional Mechanisms

Article 234 states for the formation of the Inter-Provincial Council (IPC), which is presided over by the Prime Minister and consists of Chief Ministers of all seven provinces and is aimed at resolving political, policy, and coordination disputes. Moreover, the key institutional mechanisms formed to strengthen IGR could be stated in the table 1.

Table 1.

Institutional Mechanisms

| | |
|---|---|
| Office of the Prime Minister and Council of Ministers (OPMCM) | Government of Nepal (Allocation of Business) Rules, 2017 Government of Nepal (Work Performance) Rules, 2016 |
| Inter-Provincial Council | Article 234, the Constitution of Nepal, 2015 Federation, Province and Local Level (Coordination and Interrelation) Act, 2020 (2077) |
| National Coordination Council | Federation, Province and Local Level (Coordination and Interrelation) Act, 2020 (2077) |
| Thematic Committee | Federation, Province and Local Level (Coordination and Interrelation) Act, 2020 (2077) |

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| | |
|--|---|
| Provincial Coordination Council | Federation, Province and Local Level (Coordination and Interrelation) Act, 2020 (2077) |
| National Natural Resources and Fiscal Commission | Articles 250 and 251, the Constitution of Nepal, 2015 National Natural Resources and Fiscal Commission Act, 2074 (2017) |
| District Coordination Committee | Article 220, the Constitution of Nepal Federation, Province and Local Level (Coordination and Interrelation) Act, 2020 (2077) |
| Intergovernmental Fiscal Council | Intergovernmental Fiscal Arrangement Act 2017 (2074) |
| National Development Action Committee (NDAC) | National Planning Commission |
| Ministry of Federal Affairs and General Administration | Government of Nepal (Allocation of Business) Rules, 2017 |
| National Assembly | Part 8, the Constitution of Nepal |
| Supreme Court Constitutional Bench | Article 137, the Constitution of Nepal |
| Local Government Associations | Municipal Association of Nepal (MuAN), National Association of Rural Municipalities in Nepal (NARMIN), and Association of District Coordination Committees of Nepal (ADCCN) |

Source: Intergovernmental Cooperation and Coordination in Nepal: Flagging Some Experiences by Prof. Purna Man Shakya / Senior Advocate / Supreme Court, Nepal. This chart compiled by Bipin Adhikari was accessed on December 25, 2025 from the <https://solconferences.ku.edu.np/wp-content/uploads/2023/11/Purna-Man-Shakya.pdf>

Political Dialogue

Likewise, Article 232 (1) states that relationships among federal, provincial, and local levels must be based on principles of cooperation, coexistence, and coordination. Similarly, clause 2 of Article 323 mentions that the Government of Nepal may, pursuant to this Constitution and the Federal Law, give necessary directions to any Provincial Council of Ministers on matters of national importance and on matters to be coordinated between the provinces, and it shall be the duty of the concerned Provincial Council of Ministers to abide by such directions. Furthermore, clause 8 has the provision that the Government of Nepal may, directly or through the Provincial Government, render necessary assistance to, and give necessary directives to, any Rural Municipal Executive or Municipal Executive, pursuant to

this Constitution and the Federal law and shall be the duty of the Rural Municipal Executive or Municipal Executive to abide by such directives.

Representation

Article 86 has the provision for representation in the National Assembly (the Upper House), which acts as a political link between federal and provincial levels. The Upper House of the Federal Parliament has some linkages to the provincial and local levels given its composition and the members' election. This is because 56 members out of total 59 are elected on the basis of electoral college from the provinces. The electoral college comprises the members of the Provincial Assembly and the chairs and vice-chairs of the local levels.

Provincial and Local Levels Political Relations

Likewise, Article 221 mandates the provision of District Coordination Committees (DCCs) to serve as a political coordinating body between provinces and local levels. Such DCCs will be one each in all 77 districts across the country and has stood a reliable entity to establish provincial and local levels political relations. And the chiefs and deputies of the DCCs have voting rights in the election of the National Assembly Members too.

Moreover, the Local Government Operation Act and Employees Adjustment Act are the two major legal instruments that have prevailed in advancing the formative stage of Nepal's federalism and have contributed to ensure coordination and cooperation in one or the other way.

Table 2

Provincial and Local Levels Political Relations

| Acts | Major provisions | Cause and effects |
|--|--|--|
| Local Government Operation Act Section 85 (1) - Arrangements related to employee adjustment shall be in accordance with the prevailing federal laws. | This provision has been made because employees need to be managed at the local level. | As local government is subordinate to the federal government. |
| Section 85 (2) - Until there is an adjustment of employees, the Government of Nepal may depute any employee working in the civil service to work at the local level. | Until the staff adjustment is completed, civil service employees, except for the civil servants, are disadvantaged at the local level. | At the local level, many employees are appointed from the previous local bodies in accordance with the Local Autonomy Act 2055 BS and Regulations 2056 BS. |

Clause 85 (3) - Permanent employees working at the local level shall be deemed to have been automatically adjusted at the concerned local level

In the case of permanent employees, there is a need to make a policy arrangement.

Due to the predominance of temporary employees, problems have arisen at the local levels and a situation has arisen in the High District/District Court for stability.

Employees of the District Coordination Committee can be deputed at the local level of the district.

Even if the legal existence of the district is accepted, the existing manpower has to be managed.

Most of the employees of the District Coordination Committee (DCC) have been appointed on the basis of temporary and political influence and access.

- Temporary employees at the local level who have to affect the service will lead to political influence and service delivery will be weak.

Section 87 has the provisions relating to competition:

In the vacant posts to be filled out of the approved permanent posts of the local level, the employees who have been working continuously till the time of the commencement of this Act will be given an opportunity to participate in the examination of the first open and internal competitive advertisement to be conducted by the Public Service Commission after the commencement of this Act. Such employees will not have to be of age to appear in the first advertisement examination. If you do not participate or fail in the examination, you will automatically retire !

The provision has been made to address the complaints of the employees unions and unions that there are many temporary employees at the local level and the employees have not been able to perform their duties effectively due to lack of professional stability. On the other hand, the pressure of employees who have crossed the age limit to enter the civil service has also been addressed to defeat them in competitive examinations.

Despite the provision of the Act, due to the writ filed by Richa Shiawakoti and others in the Hon'ble Supreme Court, the employees on temporary posts could not become permanent due to the failure of the local level to open the vacancy, the employees in the previous approved posts were also deprived of becoming permanent due to the promulgation of the provincial law after 2075 BS. There is a provision that the hierarchical system will not be applicable.

Section 90 states that the local level shall adopt a hierarchical system based on classification while forming, operating and managing the local services. This provision has been made to eliminate the discrimination in the employees due to the classification of gazetted and non-gazetted employees.

Source: Filed Study, 2025

The Employees Adjustment Act 2075

The Employees Adjustment Act 2075 is an act to implement and implement federalism in the civil administration. Among the dimensions of federalism, the administrative dimension is the most important. The Act has worked to integrate the disorganized bureaucrats in the three tiers of government under the unitary structural system of the past. It has tried to solve the contradictions seen at the policy level and the problems seen at the practical level. The following are the contradictions and contradictions in the provisions of the Act

Table 3

The Employees Adjustment Act 2075

| Acts | Provisions | Cause and effects |
|---|--|---|
| Clause 7 - Adjustment of grade and grade of employees on the basis of service period and educational qualifications on the basis of adjustment of employees of government service and educational qualifications shall be adjusted from gazetted second class to gazetted first class officers at the level . | As the employees working in the federal level are reluctant to be integrated at the state and local level, they have been encouraged to increase the level and increase the service facilities at the state and local level. | In the past, the employees of the local and provincial level with service period and qualifications have reached the higher posts but the employees in the union have to be at the lower level, so the employees of the seniority of the union have become junior and the employees of the state and local level have become senior |
| Clause 10 - The Government of Nepal shall depute an officer of the civil service to the post of District Coordination Officer and the Chief Administrative Officer of the Rural Municipality or | Since the Civil Service Act has not been formulated after the establishment of the local level, it is necessary to provide administrative leadership to the local level | Since the administrative leadership of the local level is done by the federal civil servants of the federal government, the provinces and local levels have not been able to develop ownership of federalism. |

Municipality

Clause 11 - The post of Chief Secretary of the Province and Secretary of the Ministry of the Province shall be deemed to be the post of the Federal Civil Service.

These posts are mandatory and necessary in the provincial structure

Contrary to the objective of federalism, the provision made to send the civil servants of the Union to the state level to prohibit self-governance will create conflict among the employees.

The Federal, Province and Local Level (Coordination and Interrelation) Act, 2020 has stated eighteen foundations of interrelations among the Federal, Province and Local Level government as follows:

(a) fundamental matters of national interest, (b) preservation of national pride and unity, (c) compliance and implementation of the directive principles, policies and obligations of the state, (d) enforcement of fundamental rights, (e) contribution to respect and implementation of national policies, (f) comprehensiveness and harmony of constitutional provisions, (g) building of a socialism-oriented economy based on democratic values and norms, (h) respect for the existence and functional autonomy of another level while exercising powers in matters of common interest and concern, subject to the Constitution, (i) equal treatment and security among Nepali citizens, (j) mutual coordination, consultation, cooperation and exchange of information in enforcement of law, policy and judicial or administrative decisions, (k) conservation of natural and physical resources, (l) sustainable management of natural, physical and fiscal resources and rational distribution of benefits, (m) prevention of corruption and promotion of good governance, (n) Other matters as provided for in the prevailing law on maintaining coordination and inter-relations between Federal, Province and Local Level. (p. 2-3)

The foundations of interrelations among the three tiers of government emphasize protecting national interests, unity, constitutional harmony, and fundamental rights while ensuring effective implementation of national policies and the state's directive principles. They promote democratic, inclusive, proportional, and participatory governance, support a socialism-oriented economy, and uphold equality, good governance, and anti-corruption measures. These principles stress mutual cooperation, coordination, consultation, and information sharing; respect for the autonomy of each government level; and sustainable,

rational management of natural, physical, and fiscal resources. They also aim to enhance service delivery, facilitate trade and transportation, and address other coordination matters defined by law.

These relations in the act are there to smoothen the road on which the governments drive the country. The policies made by these governments according to the act based on these foundations should have been used as the facilitators to make the mechanism of the government smooth and develop the country by coordination among all three tiers of government. However, there lacks subsequent acts to implement these foundations. Policies are deemed necessary to implement these foundations but the lack of coordination and regular meetings of the authorities to make these policies are the major bottlenecks to implement these bases.

The federation has to make sure that it doesn't encroach upon the exclusive powers and look upon the concurrent powers of the province and local level government while formulating laws and policies. However, the current scenario doesn't recognize the exclusivity of the province and local level government and the laws and policies collide with each other, meaning there is no real federalism or government in practice.

The Government of Nepal should coordinate and consult with provincial governments when making laws and policies on concurrent powers, formulating laws on provincial matters if two or more provinces made the requests for this. Coordination is also required for implementing major national or inter-provincial projects, developing national plans, and operating inter-provincial infrastructure facilities such as national roads, power transmission lines, and irrigation systems. Additionally, consultation is necessary when concluding treaties related to provincial powers, as well as in any other matters the federal government considers appropriate.

The government should coordinate and consult with the local levels when developing plans and policies that local governments are required to follow.

Moreover, the government should coordinate and consult with the provinces and local level in some cases including (a) for enactment of laws and policy formulation on matters of concurrent powers as stated in Schedule 9 of the constitution, (b) on policy matters in course of revenue sharing and introduction of new tax system and (c) on sharing of natural resources and their benefits.

These provisions require consultations and coordination of all three layers of government with one another when creating laws and policies on matters involving shared or concurrent powers. The federal government should consult provinces on issues affecting them, including those under residuary powers. Provinces should coordinate with federal ministries when dealing with concurrent powers in Schedules 7 and 9, and local levels should coordinate with federal and provincial ministries for Schedule 9 matters. Provinces should also consult with local levels when making laws on Schedule 9 matters. However, if a consulted body does not come with an opinion, the process may still move forward without affecting the validity of the action.

There is a National Coordination Council as per Federal, Province and Local Level (Coordination and Interrelation) Act, 2020 which is made for the management of the interrelations among the three levels and ensure smooth functioning of the three tiers of government. But these are the mechanisms for the government to act but the lack of implementation is a serious question. For example, meeting of the Council should be convened once a year but the meetings are not conducted at a regular interval.

The Council is responsible for coordinating federal, provincial, and local governments on laws, policies, and matters of shared powers and national interest. It helps resolve challenges in implementing national plans and laws, supports the development of laws and strategies affecting provinces and local levels, and oversees coordination for major inter-provincial projects. The Council also reviews and analyzes policies and plans across all government levels to strengthen federalism, works to ensure harmonious service delivery, offers recommendations on lawmaking and implementation, and facilitates discussions on issues referred by the federal government, cabinet, committees, or the Provincial Coordination Council.

The Council may form special committees if needed to carry out its job. The Council will define each committee's structure, functions, duties, and powers, while the committees themselves will determine their own meeting procedures and decision-making processes.

To increase coordination between the federal, provincial, and municipal governments as well as the execution of plans, programs, and development initiatives, a thematic committee is formed, which is comprised of a concerned minister from the province, a mayor or local chairperson, and a federal minister. The committee should convene at least once a year and the decisions should be made by a majority of members. The committee may invite stakeholders and experts if needed. The relevant federal ministry manages its secretariat, which is headed by a designated the gazetted first-class officer (equivalent to the joint secretary).

Discussion

The results point some pressing issues of Nepal's federal system's operation and the underlying gaps. Governance at all levels is impacted by poor state of coordination of political actors, lawmakers and civil servants in overall public service delivery to policy formulation and implementation. The relations between the three levels of government are not that warm, and federal mechanisms and instruments encroach upon the local and provincial policies. The federal agencies and officials have a superiority of 'centre' and behave the local and provincial governments as 'other'. Likewise, significant flaws are there in the public service system, such as inadequately designed promotion systems and limitations on interprovincial transfers and compromise in effective and prompt administration. Serious gaps are visible in the mobilization and overall activities relating to bureaucracy due to lack of new Federal Civil Service Act, which was passed from the House of Representatives (HoR) but had to be made some revisions from the National Assembly before sending it to the HoR again. Furthermore, officials recruited under the Local Self-Governance Act 2055 in the local bodies are denied opportunities to progress. The results

suggest that legal channels continue to serve as an instrument to address federalism-related disputes, highlighting the importance of enhancing coordination and reinforcing institutional structures. The system of promotion of the civil servants is not established properly, which has jeopardized the performance of government. The civil servants serving the nation appointed as per the.

Similarly, there is a severe lack in coordination among politicians, political representatives and bureaucrats in policy formulation, implementation and policy reforms step. Relationship between three tiers of government is poor and the encroachment of provincial and local policies by the federal policies are intense. As of now, the reclaim of power by the local and provincial governments by filing cases against the federal government is very low.

Conclusion

Nepal's journey to federalism over the past decade has provided insightful lessons and the indications of how the system may continue to evolve. Although federalism remains in its formative stage, important trends are beginning to emerge in the way intergovernmental relations are structured and practiced. Institutions and mechanisms designed to facilitate cooperation between different levels of government, most notably the Inter Provincial Council are being strengthened and accelerated to ensure smooth coordination and effective governance. These efforts reflect a growing recognition that mere constitutional provisions are not sufficient but the consolidated and well-aligned policy frameworks are imperative to reinforce government capacity and create a more stable foundation for collaboration across provinces. Through the robust institutional arrangements and harmonized policies, Nepal is preparing the ground for a federal system that can strike balance for autonomy with unity and address disputes more constructively, and ultimately foster a cooperative model of governance. In conclusion, the effectiveness of IGR is undermined by the attitudes and behavior of government actors, commitment of the leaders, constitutional setup, jurisdictional authority, institutional capacity and the commitment to maintain fiscal balances.

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