Democracy, Governance and Conflict in Modern World

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Abstract

This paper examines the values of democracy and democratic governance, arguing that while many countries, including Nepal, have long practiced democracy, democratic systems alone are insufficient to ensure peace, development, and effective governance. It highlights how governments that do not prioritize democratic governance risk internal and external conflicts, as evidenced by ongoing conflicts in countries such as Ukraine and Russia, despite their democratic frameworks. By analyzing secondary literature on democracy, governance, and conflict, the paper contends that the quality and practice of democratic governance—beyond the mere existence of democratic institutions—shape the prospects for peace and development.

Using governance indices and secondary data, the paper evaluates the successes and challenges of local democracy globally, with a particular focus on Nepal's post-2006 democratic transformation. It finds that institutional structures, political participation, public accountability, and service delivery mechanisms have often fallen short of meeting the needs and aspirations of the people. Political instability, corruption, and weak institutional capacity continue to undermine effective democratic governance in Nepal and elsewhere.

Additionally, the paper explores fiscal decentralization and federalism as important frameworks for improving economic efficiency, managing ethnic diversity, and addressing regional disparities. Drawing on classical theories such as Oates' Theorem of Decentralisation and Tiebout's model of local preferences, it emphasizes the benefits of tailoring public services to local contexts, especially in large, diverse countries. The Nigerian federal experience is discussed as a case study illustrating the persistent challenges of centralized power, ethnic tensions, and political instability despite constitutional reforms aimed at decentralization.

Introduction

Shahzad and Yasmin (2016) noted that welfare challenges such as poverty and income inequality have remained central priorities for policymakers and have regained focus since the adoption of the Millennium Development Goals (MDGs) in 2000. While considerable progress has been made in formulating development policies to address

these issues, nearly a billion people worldwide still live in extreme poverty and experience significant income disparities. Consequently, understanding the nature, causes, and impacts of poverty and income inequality has become a critical concern and a key area for research aimed at improving the living conditions of the poor.

It is useful to consider federalism through the lens of Agbu (2004), who explains that federalism, in essence, is a way of balancing the desire for unity with the reality of territorial and cultural diversity. It involves building a political structure where both central and regional governments operate with clearly defined powers and responsibilities. As Forje (1981:3) highlights, this structure outlines legal and political boundaries to ensure that both levels of government function either equally or in a coordinated, subordinate way. These boundaries are usually detailed in a written constitution that clarifies what each level of government can and cannot do.

Wheare (1964) argues that for federalism to take root, several conditions are usually present—such as geographic closeness, economic motivations, a shared desire for autonomy, historical connections, common traditions, and a sense of insecurity. Unlike unitary systems, federal structures often face slower decision-making processes because they involve more actors and diverse inputs from local and regional authorities. However, this inclusiveness is seen as a strength, not a flaw. Countries typically choose to federate for reasons related to the economy, politics, or security. From an economic standpoint, shared values, access to larger markets, ports, higher living standards, and better welfare provisions often drive federalization. Politically, federalism can reinforce internal unity and amplify a country's global influence. On the security front,

federalism may offer greater protection against real or perceived threats to national integrity.

Tuminez (2003) reminds us that certain concepts—like nation, nationalism, and empire—often spark intense academic debates. While there are many definitions of nationalism, this discussion adopts a view of nationalism as a political ideology based on three core ideas: 1) that a recognizable nation exists; 2) that this nation is distinct and unique; and 3) that it should have its own independent political identity. Nationalism gains momentum when large groups of people are mobilized to either uphold or dismantle a state—or to create a new one. Ethnic pressures, including conflict, population shifts, and cultural or linguistic demands, can complicate a state's governance. These do not always result in nationalism, but when such pressures lead to demands for independence, they transform into nationalist movements. Here, the term "nation" refers to a community bound by common culture, ethnicity, language, religion, or citizenship—who believe they have the right to political self-rule. This understanding challenges the idea that nations are imaginary or unstable entities. Rather than focusing solely on what defines a nation, the more important question becomes: how is nationhood shaped and institutionalized, especially in states where national identities have been historically constructed and reconstructed—such as in the case of the Soviet Union (Tuminez, 2003).

Klosowicz (2020) explains that conflicts among clans, tribes, and ethnic groups have been present throughout history and across all civilizations. Because these disputes are tied to core identity issues, they tend to be violent, harsh, and bloody. They often persist longer than other types of conflicts, and a victory by one side frequently

results in the extermination (genocide) of the opposing group. These are known as ethnic conflicts. Recently, English-language literature has increasingly distinguished between ethnic conflicts and communal conflicts. Ethnic identity remains one of the most important forms of identity. However, some scholars have started to criticize the concept of identity for being too closely linked to political ideologies, lacking clear operational definitions, and being difficult to precisely define. At the same time, there has been growing interest in what is called ethnic revival. Ethnic identity is formed through the contrast between what is considered one's own and what is foreign. While the idea of the "Other" or foreignness is always part of identity, it holds special importance in ethnic identity. This process highlights belonging to a specific ethnic group while simultaneously separating it from others. Identifying with an ethnic group also involves identification with a particular culture (Klosowicz, 2020).

In Nepal's context, the country has experienced a profound political shift in the 21st century, evolving from an absolute monarchy to a federal democratic republic. Kathmandu, as the capital, has been at the heart of these transformations. Yet, the lived reality of democratic governance often falls short of constitutional ideals. While the federal constitution and local elections mark progress, the day-to-day governance experience for many residents is shaped by inefficiencies, politicization, and social exclusion. This paper therefore explores the following key questions: How are democratic principles embedded in Kathmandu's governance structures? What are the main challenges to ensuring democratic governance in the city? And how do ordinary citizens perceive the quality of that governance?

Research Objectives and Framework

This paper aims to investigate the state of democracy and governance in Kathmandu by addressing the following specific objectives:

- To explore the democratic principles institutionalized in the role of government and governance structures.

- To identify the challenges to democratic governance in the countries including Nepal in the modern world

- To describe the citizens perception on the quality of governance delivered by the democratic government in the world

This paper uses two key theoretical approaches—the Good Governance Framework and Participatory Democracy Theory—to examine governance in today's world. These frameworks offer complementary perspectives on how democratic systems function.

The Good Governance Framework, developed by institutions like the UNDP and the World Bank, focuses on essential principles that make governance effective and fair. These include the rule of law, transparency, accountability, responsiveness, equity, and efficiency in public administration. It serves as a guideline for evaluating how well governments serve their citizens.

On the other hand, Participatory Democracy Theory goes beyond traditional electoral processes. It emphasizes the active involvement of citizens in public decision-making, advocating for inclusion, deliberation, and direct engagement at various levels of governance. This approach stresses that democracy is not just about voting, but about enabling people to have a real voice in shaping the policies that affect their lives.

Methods

This study adopts a qualitative research design, focusing on textual and documentary sources related to governance and democracy in Nepal and comparable political settings. The research relies entirely on secondary data, drawing from a wide range of materials including policy documents, government reports, governance indicators, and academic literature.

For data collection, relevant literature was systematically searched, gathered, and critically reviewed. The analytical approach used is thematic content analysis, which involves identifying recurring themes and patterns within the texts. This method enabled the study to explore key aspects of democratic practices, institutional performance, and citizen experiences in the context of Nepal and broader governance frameworks.

Federalism and Governance: Democracy, Decentralization and Conflicts

According to Iqbal, Din, and Ghani (2012), the "Theorem of Decentralisation" offers a key explanation for how fiscal decentralisation (FD) can enhance economic efficiency. This theory, originally proposed by Oates (1972), argues that people in different regions have different needs and preferences for public services. When a central government tries to deliver the same services uniformly across the country, it often fails to meet these diverse needs effectively. In contrast, local or regional governments are more in tune with their communities and can tailor services to better suit them, leading to higher levels of public welfare.

Moreover, if citizens are free to move, they can choose to live in regions that align more closely with their preferences, as suggested by Tiebout (1956). Oates (1993) also emphasizes that spending on social services and infrastructure tends to be more impactful when done by local governments because they are more aware of regional differences.

The benefits of decentralisation become more noticeable in larger and more diverse countries. In smaller, more homogenous nations, the advantages of tailoring services to regional needs are less significant. As Rodriguez-Pose and Ezcurra (2010) argue (cited in Iqbal et al., 2012), decentralisation works best in countries with a certain size and internal diversity, where people's needs vary widely.

However, not everyone agrees with this optimistic view of decentralisation. Critics argue that many local governments lack the capacity to manage public services effectively. Tanzi (1996) notes that local governments often face challenges such as inefficient bureaucracies, poor public spending systems, and weak tax management. Prud'homme (1995) also highlights that limited financial and technical resources can hinder investment in technology and innovation at the local level.

Agbu (2004) examines Nigeria's federal system and calls for a restructuring to better reflect the country's ethnic and political diversity. The central government in Nigeria gained excessive power during years of military rule, leaving the states weak. Agbu argues that Nigeria needs to revisit its federal structure to allow for greater power-sharing between the central government and the states.

The paper discusses the historical development of federalism in Nigeria and identifies ongoing issues such as the dominance of central power, revenue distribution, state creation, and the

application of the federal character principle. Agbu proposes constitutional reforms that include dividing the country into geopolitical zones, rotating power among these zones, and shifting more authority to state and local governments.

Despite federalism being intended as a tool to manage ethnic and regional tensions, it hasn't fully resolved deep-rooted issues like ethnicity, religious divisions, and sectionalism in Nigeria. Decades of political instability, including a devastating civil war between 1967 and 1970, have tested the limits of the country's unity. Many people, including political leaders and civil society actors, have become disillusioned—some even calling for the breakup of the country. Yet, Nigeria has continued to survive its challenges (Agbu, 2004).

Agbu further reflects on federalism and democracy from a theoretical lens. He notes that after independence, many African leaders saw federalism as a threat to unity and instead preferred centralized, unitary systems of government—similar to those used by colonial powers. These unitary systems kept authority concentrated at the national level, with little power given to regional units. In countries with complex ethnic dynamics, however, federalism is meant to provide a way to spread power and reduce conflict by giving ethnic groups control over their own affairs while still maintaining a national government (Elaigwu, 1994; Long, 1991).

In a related context, Tuminez (2003) discusses the breakup of the Soviet Union, pointing out that while ethnic and nationalist pressures contributed to its collapse, they were not the root causes. One major factor was the rivalry between Russian leader Boris Yeltsin and Soviet President Mikhail Gorbachev. Yeltsin's efforts to outmaneuver Gorbachev unintentionally weakened the Soviet state. Although Ukrainian nationalism played a role in the final disintegration of the USSR in 1991, it was more of a triggering factor than a dominant cause throughout most of Gorbachev's leadership.

Klosowicz (2020) highlights ethnic identity as one of the most important forms of identity. However, some recent scholars have criticized the concept of 'identity' for being overly linked to political ideologies, lacking clear practical application, and being hard to define precisely. At the same time, there has been growing interest in what is termed 'ethnic revival.' Ethnic identity is constructed through distinguishing between what is considered 'one's own' and what is 'foreign.' Although the notion of 'the Other' or the 'foreign' is always relevant to identity, it holds particular importance in ethnic identity. This process stresses membership in a specific ethnic group while simultaneously excluding others. Throughout history and across civilizations, conflicts among clans, tribes, and ethnic groups have been common. Researchers do not agree on a single definition of ethnic conflict. Recently, scholars have increasingly differentiated between ethnic conflicts and communal conflicts. This article aims to examine issues of identity that arise in ethnic and communal conflicts in Sub-Saharan Africa. It draws on a critical review of existing literature and the author's insights gained from extensive research on state dysfunction in Sub-Saharan African countries (Klosowicz, 2020).

Aspinall (2007) offers two key points when looking at how natural resources played a role in the conflict. First, he cautions against overstating their importance. Second, when natural resource

issues did matter, it was mainly because they connected with existing feelings of deprivation and identity struggles already taking shape in Aceh. The idea of "resource wars" is very appealing—economists, business consultants, environmental groups, and anti-globalization activists often assume that large mining projects are at the heart of conflicts wherever they happen. Rebel groups themselves often frame their fight as resistance against harmful multinational companies to gain sympathy and support from the international community (Bob, 2005). In Aceh, a lot of attention has focused on the gas industry and accusations that ExxonMobil backed the Indonesian military, which has been a major theme in nationalist campaigns. But the evidence here suggests the conflict in Aceh mostly followed a different logic, one that wasn't driven by natural resource industries. In fact, other factors explain why resistance started when and where it did under the New Order regime. Early on, GAM's activities didn't line up exactly with where the gas industry operated, so their struggle wasn't mainly fueled by local disputes over land or environmental damage (Aspinall, 2007).

Local levels in Nepal are governed by a directly elected Mayor and Municipal Assembly under the Local Government Operation Act, 2017. Wards serve as the primary administrative units. Despite formal decentralization, governance is influenced by national politics, with party affiliation often shaping local decision-making. The 2017 local elections revived elected leadership after nearly two decades, bringing hopes of improved governance. However, institutional weaknesses, staff shortages, and politicization continue to hinder performance.

Findings and Discussion

The discussion highlights that fiscal decentralisation (FD) can significantly enhance economic efficiency by aligning the provision of public goods and services with the diverse preferences of local populations. Sub-national governments, being closer to the people, are better positioned to understand and meet local needs compared to a central authority. This is especially true in large and heterogeneous countries, where regional differences are more pronounced. Moreover, if citizens are mobile, they can choose to reside in areas that best reflect their service preferences, further improving efficiency. However, the benefits of decentralisation are not guaranteed. Critics argue that many sub-national governments lack the financial, technical, and managerial capacity to deliver services effectively. Inefficiencies in local bureaucracies, poor public spending systems, and inadequate investment in innovation are common challenges that can undermine the potential of FD.

In the context of Nigeria, federalism has faced significant challenges due to the centralisation of power during military rule, which weakened the autonomy of states. Although federalism is intended to manage diversity and promote inclusion, it has struggled to resolve persistent issues related to ethnicity, regional imbalance, and unequal access to resources and political power. Scholars like Agbu argue for restructuring the Nigerian federation to reflect the country's ethnological and political realities, including proposals for rotating power among geopolitical zones and decentralising authority to state and local governments. Despite these challenges, Nigeria has maintained its unity, even surviving a brutal civil war. However, public frustration and

calls for secession reflect the limits of the current federal arrangement in managing national diversity.

The experience of the Soviet Union adds another dimension to this discussion. While ethnic nationalism played a role in its disintegration, it was not the primary cause. Instead, elite power struggles—particularly between Boris Yeltsin and Mikhail Gorbachev—undermined the cohesion of the federal state. This shows that political leadership and institutional design are critical in shaping the success or failure of federal systems. In conclusion, while fiscal decentralisation and federalism offer pathways to more responsive governance and efficient service delivery, their effectiveness depends on the institutional capacity of sub-national units, equitable power-sharing mechanisms, and a deep understanding of a country's unique social and political context.

Information dissemination is uneven across wards. While some digital platforms have improved access, citizens report limited accountability mechanisms. "Corruption in procurement and political favoritism are rampant," observed a civil society representative. Basic services like waste management, road maintenance, and water supply remain inconsistent. Bureaucratic inefficiency and overlapping jurisdiction between central and local agencies contribute to delays. While legal frameworks are in place, enforcement is weak. Marginalized communities, including informal settlers and the urban poor, face systemic exclusion in service access and political representation.

The findings illustrate a paradox of institutional democracy without democratic governance. Although elections and legal provisions exist, the practice of inclusive and accountable governance is limited. In the case of many countries, it reflects broader challenges in democratic transition—where centralization of power, elite domination, and weak institutional capacities obstruct genuine democratization. Furthermore, urban governance in Nepal is entangled in patron-client relationships, reducing space for participatory democracy. The slow pace of digital transformation and public sector reform also impedes transparency and responsiveness.

Conclusion

Fiscal decentralization and federalism hold significant promise for improving economic efficiency and managing ethnic and regional diversity by bringing government closer to local communities. By aligning public services with local preferences, these governance structures can enhance welfare outcomes and accommodate diverse regional needs more effectively than centralized systems. This theoretical advantage is supported by the principle that local governments, being more familiar with their communities, are better positioned to deliver services that reflect local priorities.

However, the realization of these benefits is highly contingent on the capacity of sub-national governments, the design of political institutions, and the broader socio-political environment. Experiences from countries like Nigeria, the Soviet Union, and Nepal illustrate that weak governance, limited resources, and centralized power can undermine decentralization efforts. Moreover, decentralization alone cannot resolve deep-rooted ethnic conflicts or political divisions; it must be complemented by inclusive power-sharing arrangements and sustained political commitment.

In the context of Nepal, democracy exists in form but remains substantively underdeveloped at the local level. Strengthening local governance requires institutional reforms, capacity building, and civic empowerment beyond periodic elections. Effective decentralization demands participatory mechanisms, transparency, intergovernmental coordination, and civic education to foster a democratic culture. Only through these comprehensive measures can decentralization fulfill its potential as a tool for inclusive, responsive, and effective governance.

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