Enhancing local governance in Nepal through federalism: A study of key elements

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Abstract
Federalism and local governance are mutually inclusive and complementary at times but they are different concepts. It involves multiple aspects such as national, political, legislative, institutional, and fiscal dimensions. Federal processes have the potential to influence and shape local governance. The purpose of this study is to investigate the elements of federalism that can improve local governance in Nepal. A descriptive and analytical research design was employed to collect data from 384 respondents via a questionnaire for analysis. While the elements of federalism for enhancing local governance were found to be satisfactory, the study highlights the inadequacies in its implementation. The findings provide valuable insights into Nepal's federalism policy and offer guidelines to policymakers for improving local governance. Additionally, the study emphasizes the need for appropriate policies, robust communication, and information systems to support the federalism process from the federal government.

Keywords: Federalism; Financial resources; Human resources; Transparency; Institutional arrangements

Introduction
Public policy serves the purpose of ensuring the sustainable provision of services to citizens in an efficient, effective, and responsive manner. Consequently, federalism emerges as a significant public policy concern. The term "federal" originates from the Latin word "foedius," which translates to "covenant." Federalism, as a form of government, entails the division and sharing of power between a central authority and regional entities (Thapa, 2007). It represents a political system that upholds distinct political identity while uniting a group of states under a bigger, non-centralized, superior state. The adoption of a federal governance system is observed worldwide as one of the prevailing models of governance (Brand, 2011).

Nepal has implemented a federal system since 2015 by addressing the diversity of the country to create adequate governance, long-lasting peace, and prosperity (Acharya, 2018). The Constitution of Nepal 2015 established a federal structure with three levels of government – Federal (sangh), State/Province (pradesh) and Local Level (palika) (Adhikari, 2020). Decentralization is also addressed under Article 50 (1) of Constitution of Nepal, 2015. It states:

“By acknowledging the sovereignty, independence and integrity of the country to be of utmost importance, the property, equality and freedom of the citizens are to be protected ensuring the rule of law, norms and values of fundamental rights and human rights, gender equality, proportional inclusion, participation and social justice through which a just system is to be maintained in all the spheres of national life along with the establishment of a government system aimed at public welfare and while the relations between the federal units are to be maintained on the basis of cooperation between them, the principle of inclusion in the governance system on the basis of local autonomy and decentralization is to be internalized.”

From the above iterations, it can be seen that federalism is widely considered to be the most robust form of decentralization. Federalism addresses the following policies (Richard, 2013): Providing local autonomy to meet the needs of local people, improving good governance (effectiveness, accountability and responsiveness). Similarly, local governance endeavors to prevent the undue influence of elite groups and cultivate an inclusive democracy, with the aim of mitigating ethnic and cultural conflicts and fostering social harmony. Local governance entails a set of institutions and mechanisms that encompass the comprehensive cycle of planning, implementation, maintenance, evaluation, and monitoring of matters that directly affect the local population.

Federalism and local governance are mutually inclusive and complementary at times but they are different concepts. It involves multiple aspects such as national, political, legislative, institutional, and fiscal dimensions. The federal processes have the potential to influence and shape local governance. For example, if the local governments is to provide services which was provided in national level organizations previously, it may or may not be followed by
Federalization, be it through representative or participatory democratic procedures, the principles of transparency, accountability, or other distinguishing features of effective local governance (UNDP, 2014).

Federalism is widely used in the public affairs management as one of the measures of improving managerial efficiency. It is normally understood as the redistribution of authorities so that there is a system of co-responsibility established between the institutions of governance at the central, regional/provincial and local level within a defined legal and administrative framework. It is about empowering the local government. The essence of federalism and decentralization lays in the delegation of public service delivery responsibilities to local bodies, enhancing their capacity to serve the community (Nepal, 2007 and Thapa, 2007). Hence, this study aims to assess the effectiveness of local governance in Nepal concerning the principles of federalism in Nepal. The specific objective is to examine the key elements of federalism implemented to improve local governance in Nepal.

Problem and research questions

The development challenges of the twenty first century centers around the achievement of an effective governance. To ensure that the development efforts are people-centered, effective local governance plays a crucial role. At the core of local governance lies the objective of promoting social justice and inclusive development. It aims to facilitate the participation and inclusion of marginalized groups in local development processes. Governance, in this context, is characterized by its participatory and people-oriented nature, involving government bodies, private sector agencies, social groups, communities, and civil society at large. Federalism, as a governance framework, envisions local governance as a means to foster local leadership and empower grassroots levels to strengthen local capabilities at local level.

The current Constitution of Nepal, which was enacted on September 20, 2015, has divided the country into seven provinces and three government levels, namely- central, provincial, and local. Article 50(1) of the Constitution outlines the political objective of the state, which aims to establish a governance system that upholds justice, rule of law, basic rights, human rights, gender equity, proportional representation, engagement, and fairness. It also highlights the importance of safeguarding the lives, property, equality, and freedoms of the people, while upholding Nepal's freedom, sovereignty, territorial integrity, and independence. The Constitution further aims to consolidate a federal democratic republican system of governance that fosters an environment conducive to democratic practices and cooperative federalism. It incorporates the principles of local autonomy and decentralization, as well as proportional participation in the governance system.

Given this context, the research question addressed in this study is: To what extent have the elements of federalism been implemented to improve local governance? Answering this question presents a significant challenge in the context of Nepal, where the country is still in the process of implementing federalism.

Literature review

The review of literature in this section encompasses various aspects of decentralization and local governance. The term "centralization" emerged during the post-French Revolution period in France (after 1794), as a new government structure was established. It is important to note that centralization, decentralization, and federalism are not mutually exclusive concepts (Blume & Voigt, 2011). In fact, finding the right balance between these approaches is crucial for ensuring the effectiveness and efficiency of government functioning in most countries.

Federalism is often considered as the youngest form of decentralization. The meaning of Federalism/decentralization may vary in different contexts because of the different ways it is applied. Despite of its growing popularity in the modern era, the word decentralization and federalism still does not have a single, rigid definition. It can be ambiguously used as a term, a concept, a process, a theory, a methodology, or a policy and even a trend. One of the frequently used definitions is that it is the transfer of political, fiscal and administrative powers of public functions from the central or federal government to local government, civil societies and other non-government organizations (Law, 2013). However, it cannot be simply put as the conferring of power from the central level to local level as it is the process of complete redefinition of government structures, procedures and practices to be closer to the citizenry.

The objectives of federalism encompass the following: redistributing power by empowering citizens and their elected representatives, restructuring governance systems, processes, and methodologies, laying the groundwork for participatory social and economic progress, enhancing grassroots democracy, addressing local needs with greater relevance, fostering innovative practices in public service delivery, enhancing the efficiency, effectiveness, quality, and adaptability of public services, and ensuring transparent and accountable local governance. In specific context of
Nepal, Gyawali (2018) has identified that major objective of federalism is to eliminates in equalities arising due to caste, class, language, ethnicity, religion, region, language and gender.

Federalism or decentralization plays a crucial role in strengthening democracy and promoting rural development. It addresses the historical urban bias and promotes more equitable development. It improves the coordination and long-term viability of integrated rural development projects. Federalism also tackles regional disparities and poverty by giving attention to socio-economic factors and facilitating incremental development efforts (Lessmann, 2009). It fosters collaboration between the government and non-governmental organizations (NGOs), while emphasizing transparency, accountability, and the capacity of institutions to respond effectively. However, the successful implementation and sustainability of federalism depend on strong and committed political leadership at both the national and local levels. Government officials should be willing and able to share power, authority, and financial resources. Additionally, political leaders need to embrace the participation of groups not directly controlled by the central government or dominant political party in planning and management processes (Cheema, 2007).

**Federal Governance**

A federal government assumes the responsibility to establish and enforce societal rules, manage the foreign affairs and defense system, oversee the economy, and provide services to the public. Federalism promotes political participation as well by granting power to various levels of government and advocates for fostering economic equality throughout the country. The multi-level structure of federalism allows for diverse government actions and accommodates a range of opinions. Some significant and successful examples of federal government which can be taken into consideration are India, Switzerland, Brazil, Canada, Australia. The government of United States is also founded upon the principles of federalism and republicanism, and the power is divided and shared amongst the central and state government i.e. decentralized form of government.

UNDP (1998) with regards to decentralized governance observed that the decentralized government form is the balance between power and authority of the central and other levels of government (state) and such balance is achieved by participatory approach. Hence, the aim of this government structure is to ensure that the concerns and voices of poor and marginalized sections of the populations are heard through good governance.

The new Public Management movement of the 1990s focused on the government being decentralized, market-oriented and more ingenious so that they could offer their public with utmost quality services. As per the movement, it was stated that the government should "steer rather than row" i.e. instead of always delivering the services directly it should oversee the service provision by encouraging local community to solve problems on their own and privatize activities which can be effectively and efficiently carried by private sectors as well as NGOs.

There have been pressures for governments to federalism in the 21st century. A favorable national business environment has been fostered as foreign direct investment has witnessed growth in recent times. With the establishment of well-developed "location assets" in various nooks and corners and enhancement in the ability of local governments to offer essential services including infrastructure, a high quality of life, and other forms of support, foreign-owned domestic firms have received strong backing which also creates a strong business climate causing inclination for federalism as well.

**Local Governance**

Local governance comprises a diverse array of mechanisms, processes and institutions that empower citizens and groups to voice their needs and interests, reconcile any differences that arise in local community, and uphold the rights and obligations of stakeholders of the local community. UNDP (2004) outlines key components for successful local governance and such comprise of aspects such as participation of the citizens, local stakeholders and their cooperation, information exchange from actors of different sectors, accountability in the institutions and dedicated focus on poverty alleviation. Supporting the local as well as national governance processes require and share a significant level of synergy and coherence because of their inherent nature encompassing similar aspects. Hence, it is vital to apply governance principles at the local level in order to enhance and fortify local governance processes.

As highlighted by Kauzya (n.d.), robust institutions are required at both local government levels as well as center of the federal structure in order to promoting effective local governance and foster collaboration among various stakeholders. Haque (2009) in this regard has emphasized that efficient mechanism instilled in local governance plays a pivotal and important role in ensuring social justice as well as drive the economic development.

The research by Olsen (2007) points out that primary distinctions between decentralization and local governance lie in the nature of interaction that is carried out amongst the government and civil society in presence of private sector as well. Decentralization concerns institutional and organizational changes in the public sector and its support,
whereas local governance is more concerned with fostering the development of an environment that facilitates inclusive processes which engages multiple stakeholders (including the public and private sectors) and the civil society as well.

Rojas (2014) on this studied the knowledge and insights gained by renowned specialists and professionals and identified the important policy insights and suggestions for local governance and decentralization. The study of Rojas (2014) argued that achieving poverty reduction through decentralized governance requires ongoing commitment, coordination, and enhanced capacities of all stakeholders at different levels. Similarly, for a decentralized government an enabling environment should be created at both national and central level as such is crucial in facilitating the devolution of power and authority to the local level which in turn will empower local community. Furthermore, the study also shows that it is necessary to prioritize both fiscal and administrative decentralization apart from decentralization from political perspective as such are pivotal in effectively contributing to poverty reduction efforts. Finally, the study also argued that the participatory monitoring and evaluation should be emphasized at all level to ensure effective decentralization. Hence, it can be said that, the initiatives taken for decentralization should be tailored to the specific context to motivate local communities towards their own development.

The study of Hesselbarth (2007) and Richard (2013) identified five key issues that were concerned with the core of decentralization process. These five preconditions and issued identified from the above research were there by regarded as essential components for formulating a national strategy on federalism. Furthermore, issues identified also identified the favorable conditions which are necessary for successful federalism and decentralization, and thereby create atmosphere of coordinated support for federalism, decentralization, as well as local governance. The key components for a viable national federalism strategy as identified in the study included the establishment of a legal framework to govern federalism, allocation of financial resources to support local governments, development of human resources and robust capacity of the institutions, promotion of accountability and transparency, and implement of institutional arrangements which can facilitate the federalism process.

Based on the aforementioned literature, effective federalism can be said to have a significant impact on enhancing the efficiency, fairness, sustainability, and cost-effectiveness of local services provided by local government. Such are achieved through increased accountability towards citizens, responsiveness towards their problem, and local participation. By involving communities in the overall process of decision-making, planning, implementation, and monitoring and supporting such through suitable resources and institutions, federalism can enhance the well-being of disadvantaged and marginalized segments of the population, that ultimately leads to reduction in poverty.

**Legal Framework for Federalism**

The Local Government Operating Act of 2017 and accompanying regulations marked a significant milestone in Nepal's federalism process. These laws have enhanced and strengthened the existing legal framework for federalism in the country. The laws in place primarily confer legitimacy to the notion of governance by adequately defining the principles, goals, obligation and responsibilities with respect to local governance. Additionally, the act also establishes mechanisms for financial assistance and aid to local governments, along with the likes of assignment of revenue, grants from federal government, and tools to promote domestic borrowing. These provisions ensure operational independence, accountability, and transparency, and also promote the representation of women and disadvantaged groups. Moreover, these laws have facilitated the development of an implementation plan for federalism and decentralization (Hesselbarth, 2007).

**Financial Resources for Local Governments**

In the domain of the federalism, a significant importance lies in ensuring that adequate financial resources are present for local governance and its administration. The availability of such financial resources for local governance entails the transfer of appropriate budgets and well-trained personnel to effectively fulfill tasks such as assigning local revenue taxes or conducting agriculture extension activities. At present, local governments generate a mere 1-2 percent of their revenue (Hesselbarth, 2007).

**Competent Human Resources Management**

Efficient execution and oversight of devolved functions necessitate competent human resources and robust institutional strengthening. Adherence to prescribed standards for accounting, auditing and overall financial reporting as well as ensuring proper transparency and answerability are intricately linked to the capabilities and expertise of the workforce and the level of institutional strengthening in place. Hesselbarth (2007) states that without these essential components, the planning, implementation, and management of devolved functions would be challenging to achieve.
Transparency and Accountability

In a broader social context, transparency entails a state of openness. It serves as a mechanism for ensuring public officials' accountability and combating corruption. Moreover, it concerns with the availability and ease of access to information for individuals that affected by public decisions and the implementation of such, as noted by Adhikari (2013). Furthermore, accountability refers to the extent of which the ones that are governed can effectively exert ability to shape or exert influence on their governors, as highlighted by Rijal (2011). The overall notion of transparency, ethics and accountability therefore encompasses the traits of answerability, blame worthiness, and liability. In this regard, it has been argued by Hesselbarth (2007) that the absence of elected local government to administer the local bodies has had a significant detrimental impact on local accountability.

Institutional Arrangements in Support of the Federalism Process

The management of the federalism process encompasses institutional arrangements and coordination of various elements that comprises of the leadership position in the government, the participation of key stakeholders and parties and the integration of structures of management with wider agenda of public administration (Hasselbarth, 2007). The government system and federalism are closely intertwined, and the achievement of the objectives of the local administrative and government body largely relies on the nature relationship amongst local and federal government. In terms of concept, both local as well as federal governments share a common objective of enhancing the well-being of the public by ensuring the sufficient delivery of goods as well as service to the public at large (Rijal, 2011).

Research methods

This study is based on research design which is descriptive asking what question and also incorporates analytical research process to answer the why question. The design of a study also depends on the stage of advancement of knowledge in the research area (Wolff & Pant, 2005). To collect the data and responses, an interview of respondents was conducted in 2022 to analyze the research topic "Enhancing Local Governance in Nepal through Federalism: A Study of Key Elements". The respondents for this study were primarily from geographical area of the capital city i.e., Kathmandu. The population in the study comprised of people from the community as well as the leaders in the local level, various academics, and officers representing government, employees of the municipality and metropolitan offices of Kathmandu along with NGO officials. A total sample size of 384 respondents was selected and for the selection process sampling technique which was used was ‘purposive quota sampling’. The quota for the respondents used in this research was determined based on the convenience of researcher, scope of research and size and basis of the population.

Analysis of Elements of Federalism/Decentralization

This research conducted provides an overview of five essential prerequisites for a national federalism strategy. These prerequisites are crucial for the successful implementation of federalism/decentralization and for a coordinated federalism policy that supports local governance (Richard, 2013; Hasselbarth, 2007). The five elements include establishing a legal framework for federalism, ensuring adequate financial resources for local governments, strengthening human resources and institutional capabilities, promoting accountability as well as transparency, and implementing institutional dispositionsin supporting the process of federalism. Various perspectives from the respondents regarding the execution of these elements of federalism are presented in Table 1.

Table 1
Execution of the Elements of Federalism

<table>
<thead>
<tr>
<th>Element of Federalism</th>
<th>Extent of Execution level</th>
<th>Rank</th>
<th>Weighted Mean Score (Range = 1 to 5)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>VH</td>
<td>H</td>
<td>N</td>
</tr>
<tr>
<td>Legal framework for federalism</td>
<td>80</td>
<td>145</td>
<td>125</td>
</tr>
<tr>
<td>Institutional arrangements in support of federalism process</td>
<td>70</td>
<td>169</td>
<td>75</td>
</tr>
<tr>
<td>Transparency and accountability</td>
<td>10</td>
<td>55</td>
<td>155</td>
</tr>
<tr>
<td>Financial resources for local governments;</td>
<td>8</td>
<td>45</td>
<td>227</td>
</tr>
<tr>
<td>Adequate Strength of Institutions &amp; Provision of Human resource to comply with local competencies</td>
<td>22</td>
<td>60</td>
<td>125</td>
</tr>
</tbody>
</table>

Number of Respondents= 384
The analysis of the respondents' perspectives on the execution of federalism elements, as presented in Table 01, reveals interesting findings. Firstly, the implementation of the legal framework for federalism and the establishment of institutional arrangements at the central level were perceived to be strong, with weighted mean scores of 3.67 and 3.57 respectively, surpassing the median value of 3.0. The majority of respondents attributed this strength to various factors which includes the likes of women representation, transparency and accountability, representation of marginalized groups and women, autonomy, and the execution of the federalism implementation plan in an effective manner. Moreover, the strong leadership role was identified as a key factor contributing to the robustness of the institutional arrangements.

Conversely, the areas of financial resource allocation for local governance, competent human resources management, and transparency and accountability were perceived as weak, with weighted mean scores of 2.84, 2.77, and 2.60 respectively, falling below the median value of 3.0.

The respondents highlighted several causes for these weaknesses, such as inadequate budget allocation, insufficient transparency measures, the presence of unskilled and untrained human resources, nepotism, favoritism, limited revenue generation capacity, inadequate institutional strengthening, deficient human resource planning, absence of standardized accounting, financial reporting and auditing practices, lack of openness, pervasive irregularities, corruption, and ineffective communication and information dissemination.

These findings shed light on the current state of the execution of federalism elements in the context of Nepal, highlighting areas of strength and areas that require immediate attention and improvement.

**Conclusion and implications**

The findings of this study on the execution of federalism elements in Nepal reveal both strengths and weaknesses in the implementation process. The legal framework for federalism and institutional arrangements at the central level were perceived as strong, attributed to factors such as autonomy, accountability, transparency, and effective execution of the federalism implementation plan. However, areas such as financial resource allocation for local governance, competent human resources management, and transparency and accountability were identified as weak, highlighting issues like inadequate budget allocation, unskilled personnel, and limited transparency measures. These findings emphasize the importance of strengthening the legal framework, enhancing financial resources for local governments, improving human resources management, promoting transparency and accountability, and reinforcing institutional arrangements to ensure the success of federalism and effective local governance in Nepal. Addressing these areas will contribute to a more robust and equitable federalism system.

In summary, the study underscores the need to focus on key aspects such as the legal framework, financial resources, human resources, transparency and accountability, and institutional arrangements in the execution of federalism. Strengthening these elements will require measures like regular review of the legal framework, strategic resource allocation, capacity-building initiatives, transparency-enhancing measures, and effective coordination among government levels. By addressing these issues, policymakers and stakeholders can drive a successful federalism process, promote local governance, and enhance the overall functioning of the system in Nepal.

**Limitations and direction for further research**

This study specifically examines the elements of federalism and decentralization as means to enhance local governance. The primary data was collected from a single area, selected based on the researcher's convenience. It is important to note that the findings and perceptions derived from this analysis may not fully represent the entire nation. Additionally, despite efforts to raise awareness among respondents about federalism, decentralization, and local governance, there may be inherent biases in the responses due to variations in the respondents' levels of understanding and knowledge, which were not accounted for in this study.

Given that this study was conducted during the early stages of the federalism implementation process, it is worth considering that respondents' perspectives may have been influenced by the initiation period and the belief that federalism alone can address all issues. The study primarily focuses on assessing the level of execution and success of federalism and decentralization, as it is assumed that effective implementation of these principles would automatically lead to improved local governance. However, this study does not investigate the cause-and-effect relationship between federalism, decentralization, and effective local governance. To better understand the actual relationship between these factors, further research exploring the cause-and-effect dynamics is recommended.
References


