

# **Resource Federalism and Conflict: An Analysis of Federal and Provincial Government Relations in Nepal**

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## **Abstract**

This paper examines the relationship between federal and provincial governments in Nepal in the context of resource distribution, conflict, and potential interventions for resolution—focusing on natural, human, and financial resources. A qualitative research methodology was employed, using data collected from literature reviews, interviews, key informant interviews, and focus group discussions. The study explores resource distribution with an emphasis on constitutional provisions and current practices. It highlights the tensions between the two levels of government concerning the utilization and jurisdiction over natural resources. Furthermore, it addresses conflicts related to human resource management and mobilization, including the roles of provincial police, provincial civil servants, and the authority for appointing provincial secretaries and chief administrative officers at the local level. In addition, the paper discusses financial conflicts involving federal grants, budgeting, and the broader mechanisms of intergovernmental fiscal transfers. It also explores the roles of the National Natural Resource and Fiscal Commission and the Interstate Council in resolving conflicts related to resource allocation and mobilization.

**Keywords:** Federalism, Resource distribution, Interstate Council, Jurisdiction, Conflict resolution.

## **Introduction**

Federalism in Nepal was adopted in 2015 to establish effective governance, sustainable peace, and economic growth by addressing the country's diversity (Constitution of Nepal, 2015, Preamble). In 2015, the government concluded a lengthy political transition and restructured the country into 7 provinces and 753 local levels with the formal implementation of a federal constitution (Chandrika & Acharya, 2020).

Legislation supporting centralized governance and broad participation poses a major challenge to Nepal's federalism. The gap between decentralization principles and their practical execution

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emphasizes the need for changes that ensure decision-making at the lowest levels of administration. Addressing these issues is crucial for local empowerment and democratic government in Nepal. This will ensure societal benefits through decentralization (Acharya, 2021).

The article explores the dynamics of resource distribution and conflict in Nepal. The term "resource" in this article is limited to natural, human, and financial resources. This article focuses on coordination issues, jurisdictional and institutional conflicts, and province-specific capabilities. It suggests strategies for improved resource management, collaboration, and customized regulations to promote balanced development, minimize conflicts, and ensure national unity for economic and social progress in Nepal.

## **Objectives**

The main aim of the study is to explore the resource distribution mechanism in the federal context of Nepal, focusing on the federal and provincial governments. The specific objectives are listed:

- To explore the context of resource distribution and the existing conflict between different tiers of government.
- To identify possible conflict resolution mechanisms for the existing conflict between different tiers of government.

## **Concept and Model of Federalism in Nepal**

Kharel (2022) explores federalism as a form of governance that combines a national government with local administrations. The study examines its benefits and downsides, focusing on Nepal's suitability for federalism. Kharel, in his paper, highlights advantages such as the decentralization of power, local fulfillment, public engagement, and preservation of ethnic cultures. He also insists that issues like budget allocation, political unrest, inadequate governance, and shifting public attitudes pose challenges to the durability of federalism.

Nepal Administrative Staff College (2023) highlights the federal structure in Nepal and progress in administrative changes and capabilities but also identifies challenges like coordination, resource allocation, and political tensions. The report suggests improvements in collaboration, equitable resource allocation, and skill development for enhanced governance.

A democratic federal system with financial independence for subnational governments, equality, enhanced public services, citizen involvement, and strategic public sector reform is a major aim of executing federalism in Nepal. Furthermore, the constitution stipulated the establishment of an autonomous NNRF (National Natural Resources and Fiscal Commission) responsible for formulating the allocation of intergovernmental transfers and overseeing their distribution, which is still in the phase of implementation (Bahl et al., 2020).

The Asia Foundation's report on Nepal's transition to federalism highlights the significant shift from centralization to regional authority, aiming to address ethnic and regional inequalities. Despite challenges like bureaucratic delays and resource distribution, the shift offers opportunities for improved local administration and regional progress (Asia Foundation, 2024). The model of federation in Nepal is a hybrid that is different from the Western model of federalism because of the consideration of ethnicity, adding territorial and viability factors in Nepali federalism. Also, the division of the state into seven provinces was made based on the identity and capability of the states, considering geography, resources, and efficiency.

## **Fiscal Federalism and Intergovernmental Fiscal Transfer**

Adhikari (2019) defined fiscal federalism as a political and administrative system that blends the confederation model with federalism, in which he describes fiscal inequality as a result of an imbalance between revenue power and expenditure responsibilities. Another pressing issue for making the federal system less contradictory and complicated was fiscal equilibrium. It was less contentious and more practical, focusing on the effective delivery of goods and services through the efficient use of resources at any level of government. According to Smiley (1987), fiscal federalism in Canada often leads to conflicts due to federal control over revenue, regional interests, and political agendas. Balancing federal authority with provincial autonomy is crucial for maintaining stability and efficiency.

The World Bank Group (2024) report, *Nepal Fiscal Federalism Update*, evaluates Nepal's fiscal federalism, highlighting progress and challenges and offering policy recommendations for improved governance, financial management, and resource distribution. Dhakal (2023) observed that Nepal has not successfully implemented fiscal federalism, highlighting the need for appropriate financial federalism for effective service delivery.

Bird et al. (2002) examine Australia's intergovernmental fiscal transfer (IFT) system, which utilizes the Commonwealth Grant Commission to distribute funds to states and territories according to their fiscal capability and expenditure demands. Hansen (2022) highlights the Brazilian IFT, where the state distributes federal money according to the population and per capita GDP of provinces. The study carried out by Mukherjee et al. (2017) indicates that the Finance Commission conducts India's intergovernmental fiscal transfers (IFT) based on revenue sharing and grants. Bodway et al. (2007) indicated that the Canadian IFT system uses equalization grants to reduce fiscal disparities, whereas Dougherty et al. (2024) studied the IFT in the USA, which employs categorical and block funds to states, highlighting their distinct purposes.

## **Federalism Practice and Conflicts**

Lamsal (2020) explains that twenty-eight countries, including Nepal, have adopted federalism as their political system, resulting in distinct administrative and political structures. The shift from

federalism to a unitary system can occur due to resource constraints, political disagreements, and conflict, with key factors determining power and resource distribution. Harrison (2013) explores the Alberta oil sands dispute, highlighting the political complexities of balancing environmental protection with economic development, often resulting in tension between federal and local governments. The 2018 Canadian cannabis legalization highlighted the conflict between federal and provincial governments, with some jurisdictions increasing the consumption age and others establishing government-controlled retail monopolies, emphasizing the federal control over cannabis regulations (Government of Canada, 2018). The Canadian federal government enacted a carbon tax on provinces that did not have carbon pricing programs meeting federal standards. This plan ignited substantial debate from provinces like Ontario, Saskatchewan, and Alberta. They argued that the federal carbon tax overstepped provincial sovereignty regarding natural resources and taxation laws (Government of Canada, 2019).

The Krishna-Godavari Basin water conflict in India involves states competing for water allocation from the rivers, causing unequal usage. Despite government tribunals, disputes persist due to excessive utilization and mishandling, highlighting challenges in federal water management (Kumar & Sinha, 2021; Prasad & Rao, 2019). The 2012 Murray-Darling Basin Plan aims for sustainability but faces opposition from state governments over water distribution, balancing environmental and agricultural needs amid climate change (Grafton, 2019; McCallum, 2021). The legalization of marijuana in the United States creates a complex legal dilemma due to conflicting federal and state regulations. From a federal perspective, marijuana is categorized as a Schedule I controlled substance according to the Controlled Substances Act (U.S. Drug Enforcement Administration, n.d.).

## **Conflict Resolution Practice**

According to Ghosh (2020), under Article 263 of the Constitution of India, the Inter-State Council (ISC) was established with the responsibility of facilitating coordination between the states and the federal government. The Inter-State Council plays a vital role in handling interstate disputes and encouraging cooperative federalism. It does so by bringing together representatives from both the central and state governments to discuss and resolve matters of mutual importance. Although the primary focus of federalism is on planning and development, the National Development Council (NDC) also functions as a forum for resolving disagreements about economic policies and the distribution of resources (Kumar, 2018). The broad powers of the central government, as well as its authority to remove state governments, might worsen conflicts rather than resolve them (Singh, 2021).

According to the U.S. legal system, federal legislation and intergovernmental agreements are the primary means by which conflicts between the federal and state governments are resolved. Despite the fact that its decisions can be slow and subject to diverse judicial ideologies, the Supreme Court plays a vital role in interpreting constitutional issues (Epstein & Knight, 2021; McCormick, 2022).

According to Hamilton (2019), federal legislation, supported by the Supremacy Clause, acts as a dispute resolution mechanism by giving precedence to federal laws over state statutes. According to Svava and Watson (2020), research on intergovernmental agreements—established between federal and state authorities—assists in the process of cooperative problem-solving. The Canadian government resolves conflicts through judicial review, federal-provincial discussions, and constitutional provisions (Hogg, 2018; Savoie, 2019).

## **Theoretical Framework**

The analytical part is guided by Resource Dependency Theory and a resolution approach, considering the different natures of conflict, including legal, procedural, and institutional conflicts. RDT highlights power differences between organizations and their external resource suppliers, frequently resulting in conflict. Organizations rely on essential resources, and individuals who control these resources possess considerable influence, potentially leading to conflicts (Pfeffer & Salancik, 1978). This dependence causes conflict, especially when organizations face challenges in fulfilling their resource requirements (Hillman, Withers, & Collins, 2009). Thus, in this paper, Resource Dependency Theory highlights federal-provincial conflicts arising from provinces' reliance on federal grants and also addresses conflicts regarding budget allocations and conditional funding that limit provincial autonomy.

## **Research Methodology**

The methodology in this article reflects the approach used in my thesis, using some of the data that has been reanalyzed along with additional data for a comprehensive analysis. This enhances the findings while maintaining consistency with the original research. This study uses a qualitative research approach to examine resource distribution between federal and provincial administrations, including the allocation of human, natural, and financial resources. The researchers used purposeful sampling to select cases from Bagmati Province, utilizing both primary and secondary data. Ghimire (2023) highlights that there is conflict between the federal government and the Bagmati provincial government. Also, the capital of Nepal, Kathmandu, lies in Bagmati Province, meaning federal and provincial institutions coexist in close proximity. This makes conflicts more visible and politically sensitive. Furthermore, Bagmati Province contributes around 37% of GDP (Provincial Contribution to GDP Announced, 2023); the issues related to resource distribution and revenue make it an ideal case for studying intergovernmental fiscal conflicts. Therefore, studying the conflict between the federal and Bagmati provincial governments could be effective. The study adheres to trustworthiness and ethical standards, using qualitative content analysis methods.

## **Constitutional Provisions of Resource Distribution in Nepal**

The federal government is responsible for matters such as national defense, foreign policy, and monetary regulation. In contrast, provincial governments manage local affairs, including education,

healthcare, and regional infrastructure. This division is designed to achieve a balance in governance, with the federal government overseeing national-level concerns, provincial governments handling regional matters, and local governments addressing grassroots issues. The specific allocation of authority is outlined in constitutional schedules to ensure rationality and avoid duplication or conflict among the three levels of government (Constitution of Nepal, 2015, Article 56).

Provincial and local governments possess significant legislative, executive, and budgetary powers to support local governance and decentralization. They share dual legislative authority with the federal government to ensure that policy matters reflect both national and regional interests. Provincial governments are responsible for overseeing regional public services, facilities, and economic activities and work in collaboration with local governments to ensure efficient service delivery and development initiatives. However, legal issues have emerged due to unclear jurisdictional boundaries defining the rights and responsibilities of different levels of government. This ambiguity hinders provinces from exercising their exclusive constitutional rights, including their capacity to enact legislation independently. In many cases, provincial and local governments cannot legislate without federal approval, limiting their financial autonomy. To enhance governance and decentralize responsibilities effectively, the federal government should clearly define these rights and transfer them to the provinces. Legislative clarity is essential for promoting efficient provincial administration and achieving equitable federalism, allowing provinces to contribute meaningfully to national development while addressing local needs (Constitution of Nepal, 2015, Schedules 6 and 7).

The Constitution of Nepal grants specific jurisdictions to the federal, provincial, and local governments, assigning them distinct powers and responsibilities. Each level of government has the authority to enact legislation, prepare annual budgets, and formulate policies and programs related to financial matters, as listed in Schedule 9. The federal level is authorized to set national policies, standards, and regulations on these issues. All three levels are involved in budgeting, ensuring equitable distribution of benefits from natural resource utilization, obtaining foreign aid, and managing public debt. Each tier is also empowered to impose taxes within its jurisdiction and generate revenue. The federal government is responsible for creating regulations that ensure the fair allocation of revenue (Constitution of Nepal, 2015, Schedule 9).

Revenue distribution among different levels of government must be fair and transparent. Federal legislation on revenue distribution should consider national priorities, the autonomy and financial capacity of provincial and local governments, their revenue-generating capabilities, developmental needs, and efforts to address regional imbalances, poverty, and deprivation. Provisions should also account for contingency needs and temporary emergencies (Constitution of Nepal, 2015).

Intergovernmental fiscal transfers play a critical role in balancing regional development and promoting good governance in Nepal. The Constitution establishes the National Natural Resources and Fiscal Commission (NNRFC) to promote fairness in the allocation of resources between the federal and provincial governments. The commission's primary objective is to address regional

disparities and ensure equitable development. Fiscal transfers are classified as unconditional (which provinces can use at their discretion) and conditional (which are earmarked for specific projects or sectors). Equalization payments are provided to reduce budgetary disparities among provinces and to ensure the uniform provision of public services (Constitution of Nepal, 2015, Articles 250, 251). The Financial Procedures and Fiscal Responsibility Act (2018) outlines the procedures for fiscal transfers, with the NNRFC evaluating factors such as population, development needs, and fiscal capacity to ensure fairness. These fiscal transfers are essential for promoting balanced development and empowering provincial governments to fulfill their constitutional responsibilities effectively.

## **Natural Resource Conflict Between Federal and Provincial Governments**

Upreti (2001) notes that natural resource governance in Nepal is shaped by policies, institutions, and procedures that aim to ensure citizen participation and sustainable management. However, ongoing conflicts arise over the appropriation, distribution, and control of natural resources.

Khanel (2021) identifies challenges in Nepal's natural resource management system, including governance disputes, corruption, and exploitation. Addressing these issues requires all three levels of government to possess technical expertise, ensure policy coherence, and understand relevant social, economic, and political processes. Coordinating water resource management is particularly emphasized as an area needing improvement.

According to a provincial assembly member interviewed, the provincial administration faces significant challenges in managing national parks due to a lack of jurisdiction. This has resulted in issues such as infrastructure damage, floods, and landslides. The provincial Minister for Forests and Environment expressed frustration over the province's inability to act, leading to public dissatisfaction. Hydropower projects located within national parks have introduced chemical pollutants into local ecosystems. Additionally, legal loopholes have hindered the regulation of resource extraction activities, such as stone, sand, and gravel mining. The core of the conflict lies in the federal government's dominance and reluctance to devolve constitutionally assigned powers to the provinces. Provincial governance is weakened by political disputes, and District Forest Officers reportedly ignore directives from provincial forest ministers. The provincial assembly member argues that the federal government undermines the very existence of provincial authority.

The interview and related literature further indicate that a former provincial minister for labor, employment, and transportation filed a constitutional petition against the Urban Area Public Transport (Management) Authority Act, which assigns control of public transportation in three districts of Bagmati Province to the federal government. The petition argues that transport management falls within provincial jurisdiction. This legal action was triggered by the Department of Irrigation's tender notice regarding the Prosperous Tarai Madhesh Special Irrigation Program, a federal initiative. The province objected to the federal government's unilateral action in isolating three districts from the province's other thirteen. The provincial government perceives such federal

overreach as undermining its authority and impeding its capacity to address local resource management and governance, thereby contributing to persistent intergovernmental disputes.

## **Human Resource and Administrative Conflicts**

Interviews and group discussions revealed that centralized control by the federal government severely restricts provincial governments' access to and control over human resources, thereby limiting their ability to carry out administrative functions and respond to local needs. This has resulted in law enforcement disputes, especially concerning the creation and oversight of provincial police forces. The absence of provincial control over police hampers the ability to address local security challenges, delaying the implementation of provincial police and negatively impacting public safety and service delivery. The lack of a dedicated provincial law enforcement authority highlights broader gaps in administrative and governance structures.

According to a provincial assembly member, the provinces' inability to develop and supervise their police forces diminishes their authority and autonomy, potentially reducing public trust in local law enforcement. This situation places additional responsibilities on federal agencies, which may not be able to meet the unique security needs of different regions consistently.

Based on the literature and findings, it can be argued that the federal government's refusal to acknowledge provincial authority over police services creates significant economic and administrative challenges. The centralization of policing powers limits provincial governments' capacity to address local security needs, thereby compromising public safety and hindering the development of effective law enforcement systems. A reassessment of the distribution of authority between federal and provincial levels is necessary to resolve these issues.

Furthermore, the federal government retains the power to appoint Chief Administrative Officers (CAOs) in local governments, as per the Local Government Operations Act (2017). Interview data suggest that this provision undermines the authority and responsibilities of provincial governments. Local governments often disregard directives from provincial authorities, worsening coordination and reducing administrative efficiency. A robust administrative structure at the provincial level is still lacking, and mobilizing employees remains a significant challenge.

Interview findings further suggest that administrative challenges faced by provincial governments stem from constraints imposed by federal laws. The federal government continues to enforce its administrative framework at sub-national levels, even though provincial and local governments currently bear around 60% of administrative responsibilities. Overlapping mandates between federal and provincial ministries exacerbate inefficiencies and confusion. To resolve these administrative issues, the federal government must grant provinces the authority to appoint their own secretaries and administrative personnel. Clearly defining jurisdictional responsibilities and eliminating



overlaps would improve administrative efficiency and service delivery across all tiers of government.

## **Financial Conflict**

Economic issues frequently lead to disagreements between federal and provincial administrations, particularly regarding resource distribution, taxation, and spending priorities. These conflicts can significantly affect economic stability and development. Therefore, negotiation and cooperation are necessary to achieve equitable resolutions. The National Planning Commission, established under the 2015 Constitution of Nepal, is tasked with developing strategies for fiscal allocation in five key areas of federal public finance. However, it continues to dominate the process, which contradicts constitutional goals and adversely impacts the future of the federal budget system and fiscal federalism. The government's decision to dissolve the National Planning Commission and enhance the National Natural Resource and Fiscal Commission is inappropriate, considering the nation's nascent federal polity (Wagle, 2022).

The constitution mandates intergovernmental fiscal transfers to address the gap between the authority to generate revenue and the corresponding responsibilities. The federal government can provide four types of grants to sub-national levels: fiscal equalization, conditional, special, and matching grants. Out of the total allocation of Rs. 299 billion by the federal government for the fiscal year 2022–2023, conditional grants constitute 61% of the budget. Despite the need to increase fiscal equalization funds and reduce conditional grants based on principles of grant distribution, the opposite has been occurring. The current budget arrangement is unfavorable for provincial and local levels, with a decline in fiscal transfers and a negative budget ratio. The provincial legislator expressed concern over the significant reduction in the province's budget, which dropped from Rs. 70.09 billion to Rs. 62 billion, raising doubts about its ability to meet citizens' needs. Additionally, the legislature stated that the federal government heavily influences the province's budget formulation, causing delays and uncertainties that hinder strategic planning and resource deployment (Ghimire, 2020).

In an interview, a former minister argued that the federal government's strong influence on provincial budget formulation causes delays and uncertainty. This interdependence restricts the province's capacity to plan and allocate resources effectively. During his tenure as Minister of Culture and Tourism, funds for projects were usually assigned to the Ministry of Forests or the Department of Archaeology, where the federal forest ministry retained most decision-making power. A provincial assembly member also noted discrepancies in budget allocation, stating that the president of a ward has greater financial authority than a member of the Provincial Legislative Assembly. The province's budget continues to shrink annually, limiting its ability to implement development projects and deliver essential services. This dependency hampers the province's resource planning and deployment.

The Bagmati province budget for fiscal year 2081/82 is expected to decrease due to reduced internal revenue and a decline in federal subsidies and grants. Provincial ministries' budgets have been cut by 11%, receiving only 48% of the federal budget (Dahal, 2024).

The Constitution of Nepal introduced a three-tier federal structure, granting the federal government substantial authority to generate revenue while delegating operational responsibilities to subnational levels. However, provinces face financial challenges due to limited control over revenue sources. The provincial government projected total revenue, grants, and other sources of Rs. 62.7 billion during the previous fiscal year but managed to collect only 41.43 percent (Rs. 25.98 billion) by mid-April. Subsidies from the federal government were lower than anticipated, and certain revenue streams declined, leading to reduced income (Dahal, 2024).

In October 2023, the Bagmati provincial government filed a lawsuit against the federal government seeking to annul the Urban Area Public Transport (Management) Authority Act, which grants the federal government power to oversee public transportation in three districts of the Federal Capital. The provincial government reported collecting Rs. 11.12 billion, or 88.77 percent, of the total transport revenue of Rs. 12.53 billion in Bagmati province (Ghimire, 2023).

During an interview, a provincial assembly member argued that the province's economic weakness and lack of financial autonomy stem from its heavy reliance on federal grants. The provincial government and assembly face challenges in achieving economic sustainability due to insufficient local tax revenues to meet budgetary needs. The member expressed that the province struggles to efficiently collect revenue within its jurisdiction, with key sources of income underutilized. Federal government intervention limits the province's autonomy in making independent decisions and implementing tax collection plans.

Based on literature and findings, it can be argued that the Federal Parliament holds the authority to enact laws ensuring effective cooperation between government tiers. Their relationship should be grounded in collaboration, coexistence, and synchronization. The Government of Nepal can provide instructions to Provincial Councils of Ministers on national matters and issues requiring coordination among provinces. If an action threatens the country's sovereignty, territorial integrity, nationality, or independence, the President may issue warnings, suspend actions, or dissolve the concerned body. The Federal Parliament can legislate on any subject listed in Schedule 6, with such laws remaining effective until repealed by relevant Provincial Assemblies. Furthermore, the Government of Nepal may support and issue directives to Rural Municipal or Municipal Executives, directly or via provincial governments. Provinces are obligated to assist one another in enforcing laws and implementing judicial and administrative decisions.

## **Conflict Resolution Strategy**

The Inter-Province Council, chaired by the Prime Minister, has been established to resolve disputes. The Council can invite a Minister from the Government of Nepal, a Minister from the relevant

province responsible for the disputed area, and an expert with relevant expertise. The Federal Parliament is responsible for passing laws that foster effective cooperation among the three tiers of government, while Provincial Assemblies ensure coordination between provincial and local levels (Constitution of Nepal, 2015, Article 234).

Findings indicate that the federal parliament faces challenges due to pending legislation that hinders the functionality of both federal and provincial governments. Addressing these issues requires a comprehensive approach emphasizing legislative efficiency, public service reform, police coordination, and budgetary analysis. Expediting federal legislative processes could provide timely directives but risks producing inadequately formulated laws. Therefore, establishing an efficient, collaborative process that incorporates provincial input is essential to align federal legislation with regional needs.

The literature and findings suggest that implementing a Federal Civil Service Act could improve the efficiency and alignment of provincial civil services with federal standards, promoting intergovernmental collaboration and better service delivery. Engaging provincial officials throughout the development process and implementing gradual reforms with sufficient support can effectively address these challenges.

Police reform, including the creation of a comprehensive Police Act and reintegration initiatives, can standardize policing practices and enhance cooperation between federal and provincial law enforcement agencies. Involving police leadership and officers in reform planning and establishing clear collaboration frameworks is crucial for gaining support and ensuring effective implementation.

A thorough study of fiscal federalism can provide insights to improve fiscal arrangements, reduce disputes, and promote equitable resource allocation. Implementing these strategies can help achieve a balanced distribution of authority, reducing duplication and conflicts in local governance.

## **Conclusion**

Based on the findings and the literature, it can be concluded that the conflict between the federal and provincial governments primarily revolves around resource distribution and power sharing. This is evident from the use of Article 137(2)(a) of the Constitution, which allows requests to the Supreme Court to investigate inter-jurisdictional disputes between governments claiming federal interference in resource distribution and mobilization.

The influence of national politics should not be replicated in the political affairs of the provinces, as this has contributed to poor performance and instability at the provincial level. Provinces should engage in political discourse independently and rely on the judicial system to resolve jurisdictional conflicts. Successful negotiation and cooperation are essential for federalism to thrive. If federalism

fails to meet the aspirations of the people, demands for the restoration of a Hindu state and monarchy may gain greater momentum in the future (Shrestha, 2024).

From a theoretical perspective, Resource Dependence Theory (RDT) explains that provincial governments depend on the federal government for resources, which leads to conflicts between the two levels of government. In Nepal, ongoing conflicts between federal and provincial governments risk undermining federalism, resulting in inefficiency and questioning its effectiveness. Resolving these issues in accordance with the Constitution and legislation is crucial to maintaining balance, ensuring equitable resource allocation, and promoting more efficient governance.

Conflict resolution strategies should involve coordination, judicial intervention, and collaboration. Institutional conflicts between federal and provincial governments should be settled through inter-state councils and intergovernmental agreements. Judicial review is vital for evaluating legislative measures and identifying potential sources of legal discord. Equitable resource allocation across all levels of government is essential to prevent disputes and foster stability and cooperation.

The management of fiscal transfers in Nepal should emphasize transparency and performance-based grants distributed through the National Natural Resource and Fiscal Commission (NNRFC). This approach will promote equitable resource distribution, enhance coordination, and ensure compliance with intergovernmental fiscal transfer (IFT) practices, reflecting need-based grants, revenue sharing, and a focus on balanced development.

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