



# Open Co Hub

## **Political Economy Factors Limiting the Effectiveness of Decentralization in Nepal**

**Acronyms**

CPA	Comprehensive Peace Agreement
CA	Constituent Assembly
LGOA	Local Government Operations Act
CFUG	Community Forest User Group
INGOs	International Non-Governmental Organizations
MCC	Millennium Challenge Corporation

## Glossary

Gaun gaun singha durbar power and resources	Singha Durbar will reach every village which implies devolution of
Afno Manche	Patronism -patronage our people
Panchayat bewastha	Partyless political system
Bewastha	Arrangement
Bikendrikaran	Decentralization
Sanghiyata	Federalism
Vaisya	An emerging social cluster in Madhes which is comprised of Teli, Sudhi, Kanu, Halwai and Baniya
Dalit	A caste group which is most marginalized and has endured the most socioeconomic and political discrimination over the known history
Yadavs	A Madhesi caste group
Hindu Rashtra	Hindu State
Pahadi people	People of hill
Tahkuris	A group in Chhetri Caste – the second highest entitlement allotted in Nepal's Muluki Ain (1854)
Brahmins	A caste group that is allotted the highest entitlement in the Muluki Ain (1854)
namuna kanoon	Sample law
Parbatiya	People of hills

# Table of Contents

<b>Introduction</b>	<b>3</b>
Context: Nepal's Political Development	3
Nepali state and its polity	3
Objective of the Study	4
Rationale of the Study	4
Research Approach – The Process	5
Stakeholder Mapping	5
Review of key documents and literature	6
Political Economy Analysis	6
Analysis	7
Coverage of the study	8
<b>Nepal's Trajectory of Decentralization</b>	<b>9</b>
Decentralization: transferring power and resources	9
Devolution vs. Federalism: Making sense of Stakeholder's Understanding of the Federalism	10
Nepal's Experiments with Local Governance	11
Federalism – the current structure of decentralization	12
The Federalism of Nepal: Is it a Madhesi Child that has to be nurtured by the people of Madhesh only?	13
Provincial Governance in Nepal	16
Local Government Under this Federal Structure	17
<b>Findings and Discussions</b>	<b>20</b>
Context Analysis	20
Factors at Play in Nepal's Pursuit of Federalism	24
Hopes and Disenchantments	24
Kathmandu-centric Polity	25
Exclusionary institutions limiting women and other marginalized groups' engagement	27
Phoren Hand	28
Afno-Manche (patronism -patronage)	29
<b>Conclusion</b>	<b>30</b>
<b>Recommendations</b>	<b>30</b>

## Executive Summary

- **Federalism is fairly a new concept in Nepal:** Under this structure, the level of decentralization has remained challenging for stakeholders to cope with. However, the majority of the stakeholders are optimistic as they believe that, with time, decentralization will become embedded in Nepal's polity and society. There are some stakeholders who mistakenly perceive the current decentralization under federalism as analogous with past decentralizations. The fundamental difference between the two decentralizations is that the previous ones were dictated by powers and authorities sitting in Kathmandu, while the current one empowers all three tiers of government to make their own decisions.
- **The evolution of new forms of marginalization:** As power has been transferred to provincial and local levels, new forms of negotiation also started taking place. In Karnali Province the conflict between Thakuris and Brahmins on the question of who should hold the power has become apparent. In Province Two, a new form of marginalization is emerging among people from upper castes and were traditionally the main power holders. They were unable to sustain their long held power electorally, as they are a minority population in the province. There is consequently, a degree of discontent among them. Similarly, Yadavs, with 13% population in the province, emerged as the largest beneficiary of the new electoral system. On the other hand Dalits and Muslims, making up approximately 20% and 12% of the population, respectively, in the province, have meager representation. Dalits have only two mayors in the province among the 136 mayors in the province. They do not have any representation in the federal House of Representatives as well as in the provincial assembly. Muslims fare a bit better than Dalits with eight mayors (6%), nine representatives in the provincial assembly and two House of Representatives in the federal parliament. Women have the right to participate in government institutions under the constitution; however, their participation, at best, is simply numerical and often takes place in the form of tokenism. Any meaningful participation has yet to be realized.
- **Hopes and Disenchantments:** After the adoption of federalism and the successful conduction of three tiered elections, there was hope that Nepal would see an era of political stability. Such hopes of stability and prosperity further heightened when KP Sharma Oli's UML in coalition with Maoist party garnered almost two-third majority in the 2017 election. Unfortunately, Oli's political adventures brought in an era of political upheaval that lasted more than a year amidst a health emergency which ended with his removal from office. People also held hopes that the new system would bring efficient ways of service deliveries, but not much has changed.
- **Kathmandu-centric Polity:** After the unification of Nepal, Kathmandu acquired a central place in Nepali politics. The demands for decentralization and federalism have been heavily related to the disproportionate concentration of power in Kathmandu, leaving other parts of the country behind. It was expected that under the arrangement of federalism and decentralization there would be a transfer of power and resources to every corner of the country. In fact the slogan that invigorated the demand for federalism was 'gaun gaun singha durbar' (the Singha Durbar will reach every village). However, as time passed it became evident that the view of Kathmandu as a higher authority remains prevalent. The bureaucracy in provinces and local governments is still guided by the federal government. This makes bureaucrats unaccountable to the provincial and local

governments, eventually creating rifts. This has become one of the major factors impeding the implementation of norms in decentralization.

- **Phoren-Hand:** During the course of the study we found many people using the phrase ‘phoren-hand’ as an entity that is either dictating the adoption of federalism or as an entity that is impeding the success of federalism. The people who feel that a *phoren-hand* is imposing federalism in Nepal want Nepal to get rid of *Hindu Rashtra* and other indigenous forms of governance. On the other hand there’s the group that believes a *phoren-hand* is trying to make federalism fail in Nepal. They believe there are neighboring countries who have geopolitical interests in Nepal and their interests are better met by the Kathmandu-centric political establishment.
- **Afno Manche (our people):** *Afno Manche* is a reality in Nepal in which people of an extended family or caste group prefer to give opportunities to those who belong to their group. In a federal arrangement this is also asserting its space and the beneficiaries of the newly adopted systems are the people who fall in the coterie of the *afno manche*. Elected representatives and other people in the positions of power are greatly oriented towards their ‘*afno manche*’ which compromises the very idea of devolved power and resources.

# 1. Introduction

## Nepali state and polity

From absolute monarchy to federalism, Nepal has come a long way since it was unified as a nation in the 1700s. Nepal has gone through various periods of internal political upheaval and instability in the process. From 1951 – when democracy was first introduced in Nepal – the country experimented with different forms of governance as different interest groups contested for power and resources.

Less than 10 years after instating democracy, in 1960, the then King Mahendra dissolved the parliament and assumed total control of government. The political machinery of the party system was nullified, and a new form of political order was conceptualized called Panchayat *bewastha* (partyless panchayat system). In this system the actual power of the government to deliver on development issues rested in the hands of the king with the system being administered from the king's palace.<sup>1</sup> During this period various efforts were made to decentralize both power and resources. Four layers of political administration were created for this – including village *panchayat*, district *panchayat*, town *panchayat* and national *panchayat*. Each of these governmental layers had their respective jurisdictions but was guided by Kathmandu in matters of policy and the rules of the games were set from Kathmandu.<sup>2</sup>

Large public demonstrations against the monarchy in 1991 led to the abandonment of the *panchayat* system in favor of a constitutional monarchy. With this development, multiparty democracy was reintroduced in Nepal. From 1991 to 2015 political upheavals continued. Maoists began their decade long aggression against the government in 1996. The Maoists claimed they were fighting against the social inequalities created by the caste system and historical systematic discrimination against large sections of the Nepali population. This conflict ended in 2006<sup>3</sup> and is said to have claimed more than 13,000 lives.<sup>4</sup> The Maoists joined mainstream politics after signing the comprehensive peace agreement (CPA) in 2006 and participated in the election for the first constituent assembly. Their leader – Pushpa Kamal Dahal – became the Prime Minister and he led the constitution drafting process. The constitution was delivered by the second Constituent Assembly (CA) in 2015 following numerous protests from various groups citing concerns that the under-draft constitution did not contain adequate rights for certain groups.

---

<sup>1</sup> B. Henry, et.al. 1990. Decentralization in Nepal. World Development. Vol. 18, No. 1, pp. 61-75, 1990. Princeton University, New Jersey

<sup>2</sup> B. Henry, et.al. 1990. Decentralization in Nepal. World Development. Vol. 18, No. 1, pp. 61-75, 1990. Princeton University, New Jersey

<sup>3</sup> Truth and Reconciliation Commission, Nepal. 2015. [trc.gov.np/about-commission/](http://trc.gov.np/about-commission/) [retrieved 25/6/2021]

<sup>4</sup> Human Rights Watch. 2020. No Law, No Justice, No State for Victims: The Culture of Impunity in Post-Conflict Nepal. <https://www.hrw.org/report/2020/11/20/no-law-no-justice-no-state-victims/culture-impunity-post-conflict-nepal> [retrieved 25/6/2021]

Note: the data is contested and one of the most frequently cited figures is over 17000 killed in the same period. See <https://www.bbc.com/news/world-asia-39621496>

The Constitution of Nepal (2015) institutionalized federalism in Nepal and with that, three levels of governments – federal, provincial government (7 provincial governments), and local government (753 local governments) – were formed. Aligning with the federal structure, a smooth implementation of the constitution, creation of the three levels of government and successful execution of elections in 2017 were accomplished. The Nepal Communist Party won the landslide victory in the elections and K.P. Sharma Oli started his second stint of his premiership as the most powerful prime minister in the history of democratic Nepal. Many believed the formation of his two-thirds majority government heralded a new dawn of stability, optimism, development and prosperity which I would help to institutionalize federalism.

### **Objective of the Study**

The study aims to identify the political and economic factors that limit the effectiveness of decentralization in Nepal. The findings aim to provide information and nuance around the members of subnational governments, civil society actors, academics, and donors to create a better understanding of the political economy factors that hinder the effective implementation of decentralization in Nepal.

### **Rationale of the Study**

After the promulgation of the constitution in 2015 and the successful execution of local, provincial, and federal elections in 2017, the dream of making Nepal a federal state was accomplished. However, federalism came with a new set of challenges, especially in terms of institutionalizing the changes enshrined in the constitution of Nepal. There are ongoing challenges and there is a need to examine the various factors and players that will affect the outcome of any deliberation or process. Conducting a political economy analysis is key to understanding the motives of individuals, groups or institutions and how this prompts them to act as either facilitators or as spoilers. The provincial and local governments are working in a new structure with new sets of resources. The findings will help correctly identify power holders, their understanding and motivations as with who or what influences them will help to more effectively design engagement strategies.



## 2. Research Methodology

The research utilized multiple approaches to collect data, and analyze the state of the process of decentralization. This was done by mapping out the factors (political and economic) that constrain the effectiveness of decentralization in Nepal. For this purpose two key activities were conducted: 1) stakeholder mapping; and 2) political economy analysis where key stakeholders were interviewed to understand their perceptions and perspectives about the progress of decentralization; and 3) a review of key documents and literature such as the constitution of Nepal, local governance acts and some other literatures on the political economy of Nepal's decentralization.

### 1. Stakeholder Mapping

A framework of stakeholder mapping consisting of a set of questions in a given sequence was used to conduct the mapping sessions. This framework intended to map out stakeholders who are party to Nepal's federalism. With the help of the framework (provided by IRI), a toolkit<sup>5</sup> was created for facilitators (of the stakeholder-mapping sessions) to run the sessions smoothly and to make the process consistent across all the four Provinces – 1, 2, Lumbini Province and Karnali Province<sup>6</sup>. In each of the Provinces, two sessions were conducted with an average of eight people in each session. In Province 2, only one session was conducted with 14 participants. As it was logistically more feasible to bring together key stakeholders for an engaging discussion.

In addition to the stakeholder mapping sessions, individual interviews were conducted with the representatives of sub-national governments who were unwilling or unable to participate in the stakeholder mapping sessions. Table 1 summarises the sectors stakeholders were chosen from in the stakeholder mapping sessions. These stakeholders represent groups that are key in the functioning of the subnational government. Despite serious efforts to bring in voices from women, their participation was low. Only 29 percent of those attending were women, which validates the patriarchal nature of the Nepali society.

**Table 1: Representatives attending stakeholder mapping sessions**

Participants	Male	Female	Total
Government officials	11	1	12
Civil society <sup>7</sup>	18	4	22
Political Party Members <sup>8</sup> (Local and provincial elected representatives, political party leaders)	10	5	15

<sup>5</sup> Add the toolkit as an Annex

<sup>6</sup> The participants felt offended when we used the numbers while talking about these provinces as they found not taking the names of their respective provinces was not recognizing their provincial names. Indeed, the names of the provinces have also generated non-violent conflict.

<sup>7</sup> Civil Society, in the context of this study, includes journalists, academics, NGOs and activists

<sup>8</sup> Nepali Congress; Rashtriya Janata Party; Nepal Communist Party; Federal Socialist Forum-Nepal; CPN (Maoist)

Business - entrepreneurs, private sector associations	13	5	18
<b>Total</b>	<b>52</b>	<b>15</b>	<b>67</b>

## 2. Review of key documents and literature

The constitution of Nepal (2015) and Local Government Operations Acts (LGOA) (2017) were reviewed to develop a proper understanding of Nepal's federal arrangement. Apart from these, other relevant literature review was carried out to better understand the context and factors affecting the decentralization process in Nepal. The research focused on the trajectory of Nepal's experiments with decentralization, as well as the perception of different stakeholders.

## 3. Political Economy Analysis

After the stakeholder mapping exercise, interviews were conducted with key stakeholders from four provinces. In addition to these stakeholders, others, including experts who are well versed on the issues of federalism but may not be related specifically with one province or the other were also interviewed. These interviews employed a political economy approach to identify the factors hindering the newly adopted decentralization process. Interviews were carried out over phone due to ongoing restrictions because of the COVID-19 pandemic.

Table 2 gives a summary of the various groups that were interviewed for this study. The interviews with these stakeholders were primarily conducted to understand their perspectives of the subnational government. Government officials inform the study about their experiences of working in a new system and the opportunities and challenges that they face in doing so. Likewise, civil society members have been actively advocating for a strengthened subnational government. Thus, the study aimed to understand their views and concerns around the developments (political and institution-building) and how they see the evolving trends. Similarly, the study participants from different political parties were interviewed to get their views as well on the new government structures and how they see progress moving forward. We intentionally reached out to women and those representing the third gender to ensure inclusive and diverse perspectives.

**Table 2: Summary of the stakeholders interviewed for political economy analysis**

Participants	Male	Female	Third Gender	Total
Government officials	8	0	0	8
Civil society <sup>9</sup>	10	4	2	16

<sup>9</sup> Civil Society for our reference is comprised of journalists, academics, NGOs and activists

Political Party Members <sup>10</sup> (Local and provincial elected representatives, political party leaders)	7	3	0	10
<b>Total</b>	<b>25</b>	<b>7</b>	<b>2</b>	<b>34</b>

## Analysis

The findings are divided into two sub-sections. The first provides contextual analysis regarding Nepal's trajectory of decentralization and how it has since evolved to represent the current form of decentralization and federalism. This narrative brings clarity to the ambiguous understanding the stakeholders hold regarding decentralization and federalism. Such ambiguity was evident throughout our stakeholder mapping engagements. The second subsection directly addresses the key question the study aims to answer - the political and economic factors that limit the effectiveness of decentralization in Nepal. The previous subsection (the contextual analysis) is crucial as it lays a foundational context of the narratives in the following subsection.

## Coverage of the study

The scope of the study is limited to identifying the factors that limit the effectiveness of decentralization in Nepal. The study does not capture other issues related to Nepal's political development or decentralization.

---

<sup>10</sup> Nepali Congress; Rashtriya Janata Party; Nepal Communist Party; Federal Socialist Forum-Nepal; CPN (Maoist)

Figure 1: Nepal's provincial map indicating the provinces the study was conducted



*Note: the provinces highlighted in red are the study provinces*

This study was carried out over the period of three months and spread over four provinces One, Two, Lumbini Province and Karnali Province (see figure 1). The stakeholders are primarily from the four provinces, with some based in Kathmandu. Stakeholders from both Kathmandu and the four provinces were interviewed to understand their unique perspectives on how the process of decentralization has emerged and progressed over time.

It is also important to state that the findings of the study, specifically those identifying political and economic factors that limit the effectiveness of decentralization, are 'symptomatic' at best. It is too early to reach a concrete conclusion on the specific factors that are affecting the institutionalization process. Nevertheless, the symptoms are representative of the trends in the area of concentration. Such information can shed light on the evolving patterns regarding decentralization and federalism in Nepal.

### 3. Context Analysis: Nepal's Trajectory of Decentralization

While federalism is new to Nepal, decentralization is not. It is therefore important to examine the previous forms of governance Nepal has experimented with in its efforts to decentralize power and resources. Certain stakeholders, especially those representing political parties, have a nuanced understanding of federalism and conflate current efforts with those of previous governance structures. In our discussions and interviews, we found representatives at the subnational level using *bikendrikaran* (decentralization) interchangeably with *sanghiyata* (federalism). [See Appendix 1 for more details]

#### Devolution vs. Federalism: Making Sense of Stakeholder's Understanding of Federalism in Nepal

Stakeholders in the study demonstrated a convoluted understanding around different forms of governance. The majority of their conversations centered on how federalism and the multiple layers of government have made the current form of governance resource-intensive. For example, during our conversations with representatives from political parties, especially in the areas that have significant economic activity (Butwal and Biratnagar), concerns were expressed surrounding the economic viability of federalism in Nepal. They cited the previous forms of decentralization – be that during the *panchayat* era or after the adoption of multiparty democracy – as less expensive and viable models for their local contexts. While the concerns of the stakeholders can be deemed legitimate, when looked superficially<sup>11</sup>, from an economic point of view, they did not seem to understand federalism as a way to empower provincial and local governments, and promote inclusion through equitable resource distribution. Based on the definitions of various forms of decentralization (See appendix 1) and the nature of decentralized institutions Nepal has had in the past, it is evident that many stakeholders do not wholly understand what the constitution envisions for an equitable and fair Nepal. Previous arrangements under the *panchayat* and post-multiparty democracy in Nepal were, at best, administrative branches of the central government with little power handed over to local government units. During the *panchayat* era, policies and rules for government structures were drafted in Kathmandu, and government units in villages and districts were dictated by their respective ministries or departments.<sup>12</sup> Through the Local Self Governance Act in 1999, more autonomy was provided to local bodies. This action coincided with the armed Maoist conflict and local elections were not held until 2017 (which was only possible after the adoption of federalism). Consequently, Nepalis have lacked strong local governments and have not benefited from any of the decentralization processes. Thus, an inability to differentiate or envision real power transfer from Kathmandu to the villages has formed.

---

<sup>11</sup> Many services that were previously accessible only in district headquarters or even in Kathmandu now are accessible in their local municipalities and provincial offices. For example for School Leaving Certificates one had to travel all the way to Kathmandu which was very expensive. Similarly now the provincial offices are furnishing with the tasks of labour permit approvals for foreign employment for which one had to travel all the way to Kathmandu.

<sup>12</sup> B. Henry, et.al. 1990. Decentralization in Nepal. World Development. Vol. 18, No. 1, pp. 61-75, 1990. Princeton University, New Jersey

## Nepal's Experiments with Local Governance

Local bodies were first introduced in 1919 by the Rana regime with the creation of Kathmandu Municipality, however, the scope of such action was limited to Kathmandu.<sup>13</sup> At the end of the Rana regime in 1948, a new constitution was promulgated. With its inception there was a horizontal diffusion of power and limited sub-national bodies were created, allowing for citizenry participation in governance. However, these measures were never fully implemented.<sup>14</sup> Furthermore, in 1951 the newly adopted constitution the practice of 'incorporating the essence of democratic governance to the local level' was partially reinstated through 'block development programmes of 1951'.<sup>15</sup>

It was only in the 1960s, when municipalities, such as local governance mechanisms, came into being when partyless *panchayat* were adopted in Nepal.<sup>16</sup> Nepal's experimentation with decentralization under the panchayat had two tiered local governments – District Panchayats (75) and Village/Municipal Panchayats. The Panchayat system was essentially one that positioned all power in Kathmandu concentrating with the monarch as the central figure. From this perspective it can be concluded that the system of local governance during the panchayat era was deconcentration and delegation of power and resources. In fact some infer that the motives behind decentralization were merely an effort to 'expand central control over local politics', as it was insignificant for the development of autonomous municipal government institutions.<sup>17</sup>

## Federalism – the current structure of decentralization

The debate around federalism started in the 1960s, but it was the Maoist-led movement in the 1990s which provided the initial impetus for the idea. This was later capitalized upon by the Madhesh movement in 2006 with the success of the Second People's Movement. Maoist's orientation of federalism focused on restructuring the state along ethnic lines. It did not directly seek to bring federalism into a federal state model. However, it was the demands from Madesh that led to the implementation of the Nepal constitution in 2015 - in which Nepal was declared a federal republic with three levels of governance - Federal, Provincial and Local.

Perceptions surrounding the fate of federalism are relatively contested. On one hand some of the stakeholders believe that federalism in Nepal was instituted to cater to the demands of people living in Madhes and with the creation of Province 2, other provinces were trivialised. While other

---

<sup>13</sup> Institute for Integrated Development Studies in Nepal. (2003). Public efforts on decentralization in Nepal (Vol. 1). Kathmandu: Institute for Integrated Development Studies in Nepal.

<sup>14</sup> Adhikari. R. 2010. Local Governance Institutions in Nepal: Status and Challenges. Thesis submitted at North South University Dhaka, Bangladesh

<sup>15</sup> Adhikari. R. 2010. Local Governance Institutions in Nepal: Status and Challenges. Thesis submitted at North South University Dhaka, Bangladesh

<sup>16</sup> Institute for Integrated Development Studies in Nepal. (2003). Public efforts on decentralization in Nepal (Vol. 1). Kathmandu: Institute for Integrated Development

<sup>17</sup> Lumsali, R. R. (2012). Local service delivery and decentralization in Nepal. In S. Acharya, K. Yatri, & J. Ban (Eds.), Local governance in Nepal (pp. 17-42). Kathmandu: MIREST Nepal.

stakeholders perceive this way of thinking as a justification to eliminate their responsibilities. Thus, if the Madhesi stakeholders fail to institutionalize federalism, the fate of the structure seems bleak.

Nevertheless, the stakeholders across the four provinces held firm opinions that federalism is inevitable for Nepal. In Province Two disenchantment was higher in comparison to other provinces, however, people still had faith in this new arrangement. Amongst the Province Two stakeholders there is a pervasive belief that despite all the challenges they are enduring, this arrangement will remain. There was a strong feeling that it was not wise to currently draw conclusions on the fate of federalism, but it has been institutionalized and will be gradually strengthened. Similarly, in Province One, stakeholders held grievances regarding the change in the system of governance, however, they were still in favor of federalism. Additionally, in Karnali Province, the participants of the stakeholder mapping sessions collectively believed that the federal system was needed. With stakeholders perceiving it as the only route that would facilitate the proper utilization of their rich resources.

The key voice of opposition to federalism was raised in Lumbini Province with stakeholders citing the system as too expensive. Nevertheless, it is important to note that the study was conducted in Butwal, the default capital city of the province,<sup>18</sup> which is also the fastest emerging economic hub and thus is heavily influenced by industrial interests. Thus, it seems fair to conclude that each province in general perceives federalism positively, however, their underlying expectations regarding what federalism should facilitate differs. While the Karnali province focuses on the development federalism enables, Province Two is focused on the recognition of identity, regional autonomy and proportional representation in regards to the new system.

Regardless of how stakeholders everywhere feel about federalism in Nepal, the institutional requirements of the system have forced the stakeholders of various provinces to assert the rights of their respective provinces. It appears that the Chief Ministers of other provinces have requested that the Chief Minister of Province Two raise issues of common concern because they are constrained by their central party leadership and, therefore, cannot raise issues that are specific to subnational governments.

## Provincial Governance in Nepal

Unlike the local government – irrespective of the form and power it had - the provincial government is completely new to Nepal. Within the three tiers of government the provincial tier is the intermediary tier between local and federal governments. The provincial government is envisioned as the bridge between local and federal government, in line with the constitutional provision of Nepal to create ‘cooperative federalism’. Furthermore, the constitution gives distinct powers and sources of revenues to the provincial government and does the same for the other two tiers of government. Under article 56 part (1) of the Constitution of Nepal all tiers of government (local, provincial, federal) are permitted to exercise the authority of the state in accordance with prevailing laws.

---

<sup>18</sup> The new provincial capital has moved to Deukhuri in Dang district.

A significant portion of research participants hold the opinion that Nepal does not need decentralization or *Sanghiyata* (federalism), specifically in reference to the provincial government. Participants do however readily acknowledge the federal government and local government. It is important to note that the federal government has not significantly departed from its previous ways of functioning. However, the local government, a completely new arrangement, has managed to create its space in polity and in areas it does not exist, there are issues in service delivery. Many people believe that if the provincial government did not exist the function of governance would remain unaffected.

## Local Government Under this Federal Structure

Local government under the newly adopted federal mechanism is a government from the federal government that holds absolute authority on areas regarding local development, tax collection systems and the sourcing of tax revenues. With the advent of local government, access to basic services has increased.

The Local Government Operation Act (2017) gives local governments the authority to formulate laws and policies suited to their constituents. Such laws and policies have to align with the constitutional spirit of human rights, social justice, national sovereignty and security.

Local government is the lowest institution within the tiered forms of government, and the majority of participants agree that it is an important structure. Since the 2017 elections, it has established itself as an important form of governance. There are two main viewpoints among the participants regarding the trends and directions of federalism. With one set of the participants stating that, “It is too early to give any verdict if it has to be given, it should be based on how much federalism managed to penetrate into the lives of the people.” Local government specifically has deeply penetrated the daily lives of the general public. With the other set of participants saying that, ‘People want local government because it has become part of their daily life. However, the provincial government remains nonexistent in the daily lives of the people. This is why many feel that the provincial government should not exist.’ Within this group those in favor of the provincial government say that, “Federalism was only possible with the three tiers of government. Therefore, any acknowledgement of local government requires that the provincial government is also acknowledged. Another perspective on the issues highlights that the provincial government operates as a shock absorber and serves as a bridge between federal and local government. This ‘shock absorber’ characteristic allows the local government to function without pressure from the federal government. If this layer did not exist, the local government would eventually meet the fate that various experiments with decentralization have met in the past.”

However, with all the apparent success of the local government, there have been multiple instances of conflict. A participant who was the runner-up in the local elections suggested, “The arrangement should be made in such a way that local government does not belong to a specific political party. The problem with political parties leading local governments is that it is prone to biased decisions.” He argued that, “Everyone knows who belongs to which political party and the decisions are made to benefit the people who are on their side. So, to receive benefits from the



institution of local government, one has to have voted for the political party in charge of the affairs.”

Nepal’s federal arrangement essentially gives rise to penetrated decentralization. Meaning there are both powers offered within each tier of government that are their sole jurisdiction, as well as powers that are shared with other tiers of government. The powers that come under sole jurisdiction have to be performed under the idea of self-rule while powers that are shared with other tiers of governments have to be executed under the idea of shared-rule. Article 57 clearly states what ‘powers’ and how said powers must be exercised within each tier of government . However, in paras 6 and 7 it requires that the laws formulated by each tier of government have to align with higher authorities – provincial governments have to be in accordance with the federal government and local governments have to be in accordance with provincial governments. This gives rise to higher authorities encroaching on the jurisdiction of lower authorities. [Please see Annex 2 for schedules of the constitution that outlines the power allocated to each level of government]

### **State-building through a federal Nepal**

The unification of Nepal in 1778 brought various principalities and people of different cultures together. Power and resources were concentrated in the hands of a handful of ruling elites until 1951. After 1951, their power was contested and various groups began to gain their rights, including freedom and increased access to services. However, these groups were perceived as privileged in the eyes of the state. The limited democracy Nepal had achieved in 1951, was eliminated by King Mahendra. In 1960 he suspended the constitution, dissolved the elected parliament and introduced the Panchayat system. The system was partyless, dictated by the monarchy, and the elected representatives were directly chosen by the central government.

After 1991, there were numerous experiments and efforts to rid Nepal of its historical discrimination and social injustices. During this era social groups that were previously silent began to advocate for their rights and identities to be recognized. Consequently, a number of social groups gained recognition under the census. Where previously less than 100 social groups were represented in 2001, 125 were recognized by 2011.

The Maoist movement (1996-2006) initially promised to eliminate discriminatory practices and ensure social justice. Their movement successfully facilitated the fall of monarchy, ensured identity-based rights in the constitution and brought about various socio-political changes.

However, this presentation of events conceals the reality of issues Nepal still faces. In 2020 five boys were lynched in Rukum district. They came to the area along with their friend to marry his girlfriend and were lynched because of his caste. The Rukum district is the place in which the Maoist movement started. The aforementioned event points out one of the fundamental issues with the Maoist analysis of Nepal’s problem. The Maoist analysis perceives the feudal structure as the cause of social, economic and political injustices. While deeper analysis reveals caste based

values and discrimination is still prevalent in the Nepalese psyche and remains pervasive in every system that Nepal creates.

This incident, and others, reveals the underlying issues in the structures that were perceived as curing the social problems of Nepal. From here we find that the interim constitution of 2007 and then the final constitution of 2015 prioritize social justice and development.

The marginalisation in unitary Nepal was directly facilitated by Kathmandu, as all institutions of consequence were based there. Now, as state powers become more decentralized and devolved, there are new rules of power and a quest to effectively utilize resources. The region that is now Province Two historically held only one identity group, the Madhesi people. However, that same populace is now categorized into many sub-groups due to the shifts in social circumstances. These sub-groups have become more assertive and managed to acquire greater influence and power through their respective resources. For example, The Yadavas (13%) have land and a large population size positioning them in a position to effectively advocate and organize to assert their rights. However, Unlike the Yadavs, Dalits, despite their large makeup of the population (approx. 20%) lack the resources to organize in the same manner. The Muslim population (12%) struggles to negotiate and advocate for their population as they lack social capital in Nepal's centuries old Hindu system. This social division is further exacerbated by feelings of apprehension from neighboring India. Due to this lack of social capital the Muslim population tends to express closeness with the major political establishment of Kathmandu. The upper caste populace also feels anxious with their declining space in the new system as the Yadavs have gained more power. Upper caste people in the region have historically had greater access to institutions and power compared to other populations. All of these circumstances are now in a state of flux, as provinces and local governments now have specified powers and resources.

Many commentators worry that the Madhes will eventually become another epicenter of the political crisis in Nepal. They find 'the region has too many groups of people and each group has differing interests. Among these divisions, religion stands at the most prevalent. The upper caste in Madhes side with Monarchists, as they hope it will bring the Hindu Rashtra. The problem with the Hindu Rashtra is that it will eliminate all of the achievements of democratisation.' Further elaborating and stating, the claim 'in fact there are collectives and associations of Pahadi people and upper caste people in Janakpur - the capital of Province Two.'

The renegotiation of power on the basis of identity has occurred in other provinces in various forms with the adoption of federalism. For example, in Karnali Province, the clash of power has emerged amongst the Thakuri and Brahmin populations. The Thakuri population were the traditional power holders of that region. This changed with the adoption of federalism and the Brahmin is now asserting their power. Such conflict is not limited to who forms the government, it is also about the combination of bureaucracy and politics. The Thakuris and Brahmins are constantly clashing with one another as they each attempt to control the centers of power in the regions. However, this time it has occurred in such a blatant manner that even the general public

understands what is going on.” He explains further stating that, “No matter what type of institution there is, each group will want to hold the majority of power.

#### **4. Findings and Discussions**

Nepal’s implementation of federalism under the new constitution is a relatively recent development. Thus, nearly all the stakeholders and experts in the study who put forth their opinion stressed that ‘it is too early to identify what factors are limiting the effectiveness of decentralization.’ The opinions and experiences of the stakeholders engaging in the process of decentralization gave mixed responses on how they perceive the actual progress of decentralization. The majority believes that decentralization has yet to be fully institutionalized as envisioned in the constitution. However, they are optimistic that in due time it will manage to fully align with the constitutional vision. Some of the participants believe that the structure of the federal system needs only two tiers of government, specifically, federal and local government, instead of the current three tiers. These two broad perceptions indicate that participants have seen that the progress of decentralization has been impeded by certain factors. The variables or factors discussed here should be seen as merely symptomatic to what works and what does not work.

#### **Factors at Play in Nepal’s Pursuit of Federalism**

##### **- Hopes and Disenchantments**

Nepal is a country that has a tumultuous history with its execution of democracy. In barely six decades of democratic life, Nepal has had 38 Prime Ministers. In 2015, with the implementation of the new constitution, there were high hopes for political stability and prosperity. Later in 2017, two leaders Pushpa Kama Dahal (Prachanda) and Prime Minister KP Sharma Oli created a left wing alliance and secured a two-third majority. Many people, regardless of ideological orientation, were happy, expecting stability in the country. However, such hopes quickly vanished.

In addition to political stability, there were also high expectations amongst the general public regarding the restructuring of state apparatuses. People expected there to be easier access to basic necessities and increased business efficiency. However, people have seen little change in how public services are operating. For example, the government continues to fail to supply adequate quantities of seeds and fertilizer to farmers who should procure these resources from them, leading to the continuation of illegal import of these items from India.

Similarly, people from the business community have found it more complicated under the new system to file required paperwork compared to the previous system of unitary government. This has led to many in the business community disliking the new arrangement. Although they acknowledge that this is a transition period, they still want a quicker re-structuring at the implementation level. For instance, if enterprises want to acquire a license, they must still approach the federal government, which is very expensive and time-consuming. Furthermore, the system of tax-collection at the local level is unorganized and difficult to navigate, further straining the

business community. A political activist said, “There is no coherent system on how taxes are collected . Paperwork has to be done in one place and the money has to be paid in another. There are hardly any clear instructions from officials on how to furnish these documents. Imagine the level of hassle we have to go through just to pay our taxes.”

Likewise, the people who expected changes in the power centers and the stakeholders at the helm of these power centers feel disillusioned with the fact that the old political establishment still holds power and influence.

#### - Kathmandu-centric Polity

Kathmandu’s significance in Nepal goes back to the mid-18th century when Prithvi Narayan Shah, the unifier of Nepal, saw the valley from a hill-top and became determined to make it the center of Nepal. Since its establishment it has always served as the center of Nepal’s polity. The evolution of the state and its relationship with general society relationship had everything to do with this equation that’s why when the slogan ‘gaun gaun ma singha durbar’<sup>19</sup> (the power that was held absolutely in Kathmandu will be devolved to local institutions and villages) was raised in favor of federalism. It became a catchphrase for hopes amongst the people, that they will one day hold the power.

Despite the changes brought by the new constitution, the established Kathmandu-centric system in Nepal is deeply rooted. This has made it extremely difficult, in practice, to implement changes that go against this mentality. The old institutions that were supposed to restructure and shift into new mechanisms have yet to materialize. The new institutions that have been created by the new system are gradually beginning to model the old system.

The bureaucracy is primarily guided and directed by the federal government. The local government does, however, have full power to make its own laws within their local contexts. Unfortunately, many local governments did not prepare laws for their constituencies. Local governments were provided with a ‘namuna kanoon’ (sample law) and were expected to make laws with this template. However, many local governments simply implemented the ‘sample laws’ as they received them. Under the current arrangement, the Provincial Government is largely on the receiving end of this disconnect. One of the participants in the study lamented that, ‘the provincial government gets the treatment of an illegitimate child to whom no one wants to embrace in the manner it deserves to be embraced.’ Another respondent says, ‘it is not only the federal government or Kathmandu-centric stakeholders who give provincial governments a secondary importance. Many senior leaders from the Madhes do not want to leave their spaces in the federal government to spend more time in their provinces. Government officials’ are highly influenced by the center (Kathmandu). This mismatch results in impediments and hinders their work. This attitude amongst bureaucrats has led to technical complexities. For example, they are not obligated to listen to their line-managers in the provinces as they are not fully held accountable to them. This reduces the provincial government to just a ‘symbolic’ entity. A provincial legislator says, ‘a

---

<sup>19</sup>[https://kathmandupost.com/national/2019/08/22/single-public-office-working-for-six-districts?fbclid=IwAR3PLJInpYI xYImxkwqPplg-kMdfZAKw4c\\_769XnJuepJ4M1eVSetuRSn1s](https://kathmandupost.com/national/2019/08/22/single-public-office-working-for-six-districts?fbclid=IwAR3PLJInpYI xYImxkwqPplg-kMdfZAKw4c_769XnJuepJ4M1eVSetuRSn1s)

provincial minister does not know when his or her secretary is transferred by Kathmandu nor when they will receive a new one'. These impediments have created serious discontent. This comment was made in reference to a minister slapping his secretary. Said minister claimed that the secretaries behave as if they are the government and the provincial elected governments don't matter.

#### **- Exclusionary institutions limiting women and other marginalized groups' engagement**

The essence of the constitution of Nepal is not limited to geographically devolving the power and resources of the state to provincial and local institutions. Rather, it strives to address the historical inequalities, inequities and discrimination the people of various groups and identities have endured for centuries. Some of the research participants, both men and women, see the 'mentality of patriarchy' as another problem that hinders the effectiveness of the new system. A female participant, who was previously an elected member, said, 'the division of men and women is extremely pervasive and does not allow for the meaningful participation of women.' The mention of 'meaningful participation' indicates that women are simply tokenized to meet the constitutional obligations of institutions to provide spaces to women. Many people believe that women's real and meaningful participation has yet to be realized.

When it comes to mindsets, it is not limited to patriarchal thought. Other aspects of life in relation to federalism have been affected. The trajectory of Nepal's ruling era, in which rulers emerged from specific geographical spaces (Prabhatiya) has a serious impact on how people experience and perceive federalism today. Under this previous arrangement Nepal was described as a 'one nation, one language, one religion'. This narrative is often employed by Kathmandu-centric politicians. Such attitudes go against the spirit of federalism and the devolution of power.

Religion is another component of the 'Prabhatiya' mentality. 'Forward-caste groups' within Province Two seem to be more comfortable with 'Kathmandu-centric elites'. According to them, this class of people has been the beneficiary of the system since the era that Nepal was ruled by kings. Similarly, the 'radical Hindus' of Province Two also hold similar views. Stating that, 'the radical Hindus believe that the return to monarchy would re-establish a Hindu state which would reinstate the golden old days of the Hindu Rashtra', however, the participants believe that 'the monarchy would not allow a decentralized Nepal as monarchy contradicts the idea of federalism in Nepal'.

#### **- Phoren Hand (Foreign Hand)**

One of the factors that limit the effectiveness of decentralization is interference from foreign stakeholders. Respondents used the term 'phoren-hand'<sup>20</sup> to indicate foreign interference in domestic affairs. Different stakeholders held different opinions about this issue. Some see geopolitics as a key factor when neighboring countries have a major stake in the matter at hand. A

---

<sup>20</sup> Foreign powers are often blamed for the events in South Asian countries for which they use this phrase and the pronunciation sounds like 'ph'. Many commentators have used this phrase. For example this column by Deepak Thapa, a celebrated columnist in Nepal uses this phrase <https://kathmandupost.com/opinion/2014/01/30/the-great-unknown>

respondent bringing the issue into perspective laments, 'see Madhesi people think that they resemble India in language and culture so India is on their side. When in reality it is not. India has its own vested interests and only cares about themselves. They work to ensure that the Kathmandu establishment is on India's side. India does not care about social justice and development in Nepal'. This is interesting given that Nepal's constitution is fundamentally about achieving development by doing away with the historical social injustices that were inflicted on the various social groups of Nepal. On the other hand India's constitution is tilted towards national security which makes a very complicated equation. This gets reflected by another respondent who says 'India does not want a Nepal with this federal structure. I recall an Indian representative in Nepal said it four years ago when Nepal was just getting into this structure, 'Why do you need federalism? Nepal was alright the way it was'.

The perception about the phoren hand is different in different provinces. For example, some in Lumbini Province feel 'federalism was not needed in Nepal and this was imposed by outsiders' – the *phoren-hand*. Even it came out very strongly that the INGOs have been a very powerful stakeholder in constitution writing. While angrily making his point of why Nepal does not need federalism as of now a participant who was a college lecturer said, "The people here do not understand how to participate in the state's various institutions. We should have first educated our people and then only graduate towards these advanced and ideal systems. Without adequate knowledge, people are being used by powerful players here.'

Likewise some see the 'phoren hand' to be the western countries who influence the policies as well process through foreign aid. A stakeholder mentioned MCC and argued that that's a medium to influence Nepal's policies. A researcher on the Panchayat system says 'the foreign aid has been the most important factor driving Nepal's policies. It influenced Nepal's policies and governance system during the Panchayat system. The same is affecting me even now'.

Nepal's constitution is fundamentally inclined towards doing away with historical injustices inflicted by the ruling elites. But the current political system of today (just like any other time in the history of modern Nepal) is hugely influenced by other parties (especially India) and they are least bothered about social justice in Nepal. They side with the most powerful establishment in Kathmandu and get their works done. In this process the Madhes becomes a double victim; the narrative in Kathmandu and among the ultranationalists is that India is with Madhes and its cause while it is not. This interplay of India with Nepal's elites in Kathmandu not only victimises madhes and its people but is not conducive for Nepal's stable democracy. And federalism is an indispensable part and parcel of this democracy. Any threat to this arrangement will have consequences for the fate of democracy in Nepal. And it is evident that the political elites of Kathmandu either openly oppose or belittle federalism maintain a frightening silence.

But the mention here of the *phoren-hand* was different than it was in other Provinces. Here the *phoren-hand* did not let federalism function the way it should have ideally functioned. Like one of them said and many seconded, "foreign powers are trying to disrupt the new arrangement (byawastha) and favoring the power to be held with Kathmandu only." But they shied away to name who this *phoren-hand* is.

## - Afno-Manche (nepotism, patronage)

'*Afno-manchhe*' was a terminology that dominated the discussion on stakeholders in the process of stakeholder mapping, especially when talking about the 'closeness' from the 'center' and 'helpfulness' in their attitudes while discharging their duties. This implies that mere power or position may not matter. What matters is the sharing of resources and the distribution of power to help only those within your close circle. This is parallel with nepotism where *afno-manchhe* (my people/our people)<sup>21</sup> get all the benefits and resources. This notion determines where a particular stakeholder will belong given his/her belongingness or association with an individual of more power. During the interviews the stakeholders recalled that this practice of benefitting the people of associations is not only a stand-alone practice of nepotism. This is something that is deeply rooted in caste, class and geography which eventually affect the devolution process by hindering the actual transfer of power or the freedom to decide in the respective jurisdiction of that individual.

## Conclusion

The quest for federalism started frantically after the conclusion of Maoist armed conflict in 2006. The concerted effort for federalism in Nepal brought constitutional arrangement to institutionalize decentralization. This created three governments with clear jurisdictions. The institutional changes happening in the country after the subnational governments came into being give an unclear direction on where these institutions are heading. It appears that there may have been too many expectations around change too early, which gave rise to disenchantment around federalism. This occurred at least in part due to stakeholders having an ambiguous understanding of federalism.

When it comes to the factors that play into affecting the functioning of decentralization or federalism, the context becomes important. The mainstream political parties were not willing to go for a federalized Nepal in its current configuration. They were apprehensive about it back then and they are apprehensive about it even now. This context somewhat downplays the significance of federalism that Nepal has adopted now. The political class, especially the one centered in Kathmandu whose politics revolves around the center do not feel the need to engage in institutionalising the decentralization and strengthening it. Those who are situated in the provinces do not have enough power to challenge the Kathmandu-centric power of their own parties. They act like just 'units of the federal' system. Almost all the stakeholders with differential expectations believe that federalism is for a good cause.

---

<sup>21</sup>For a reference, Dor Bahadur Bista, one of the most discussed intellectuals from Nepal on the issues of development deconstructs the idea of *afno manche* in his book *Fatalism and Development* and argues that this culture is by and far the most important factor that limits development. *Afno-manchhe* is something like nepotism but it is more than that. In the context of Nepal where caste has been a guiding instrument, people belonging from same caste groups and having any kind of linkages with each other tend to favour those kinds of people. For example, a participant in Surkhet puts it like, 'there are some people in Surkhet valley who are migrants from Gulmi district - a district in province 05 - and they happen to be Gyawalis. Any and every Gyawali in Gulmi somehow becomes their uncle or brother. If anything happens they will try to incorporate their those '*afno-manchhe*'

## Recommendation

- The expectation that federalism is the panacea for all the evils in Nepal is unrealistic. And the hope that this will bring instant change is also leading to disenchantment when some institutions, especially provincial ones don't work the way they were expected to. Thus legitimate expectations - expectations that can be delivered by fledgling federal institutions - and a due time process is required for federalism to find its path.
- A proper understanding about the current arrangement of decentralization and federalism is critical to build legitimate expectations. Also it is essential to avoid creating disillusion and disenchantment among the people and stakeholders.
- As the majority stakeholders feel that federalism is a cause for better development and they differ in their approaches it is important to help them identify how federalism will help shape the development process in a better way.
- Numerous social groups that were seen under a collective umbrella now have reasons to assert their unique identities. For example, in unitary Nepal, all the Madhesis were just one social group broadly but the decentralization of power and resources creates new dynamics at the local and provincial levels. There are patterns that can be surfaced quite easily, but for a comprehensive understanding a study is needed to understand this in a more nuanced way. This understanding and eventual advocacy and capacity strengthening of the potential social groups who are likely to fall behind is essential in order to not repeat the mistakes seen under the unitary system.

## Appendix 1

**Devolution:** 'Devolution is the creation or strengthening--financially or legally--of subnational units of government, the activities of which are substantially outside the direct control of the central government. Under devolution, local units of government are autonomous and independent, and their legal status makes them separate or distinct from the central government.'<sup>22</sup> For example, Mawhood (1987), cited in Adhikari (2010)<sup>23</sup> identifies five main features of devolution:

1. It should be a local body that is constitutionally separate from the central government and responsible for a range of significant local services.
2. It should have its own treasury, budget, and accounts along with substantial authority to raise its own revenue.
3. It should employ its own competent staff who it can hire, fire and promote.
4. A majority-elected council, operating on party lines, should decide policy and determine internal procedures.
5. Central government administrators should serve purely as external advisors and inspectors and have no role within the local authority.

---

<sup>22</sup>Rondinelli et. al. 1983. Decentralization in Developing Countries: A Review of Recent Experience. World Bank. Washington DC.

<sup>23</sup> Adhikari. R. 2010. Local Governance Institutions in Nepal: Status and Challenges. Thesis submitted at North South University Dhaka, Bangladesh



**Deconcentration:** ‘Deconcentration is the handing over of some amount of administrative authority or responsibility to lower levels within central government ministries and agencies. It is a shifting of the workload from centrally located officials to staff or offices outside of the national capital. Deconcentration, when it is more than mere reorganization, gives some discretion to field agents to plan and implement programs and projects, or to adjust central directives to local conditions, within guidelines set by central ministry or agency headquarters.’<sup>24</sup>

**Delegation:** ‘Delegation transfers managerial responsibility for specifically defined functions to organizations that are outside the regular bureaucratic structure and that are only indirectly controlled by the central government.’<sup>25</sup>

## Appendix 2

### SCHEDULE 5

(RELATED TO ARTICLE 57(1) AND 109)

#### List of Federal Powers/Jurisdiction

Serial Number	Subjects
1.	Related to defense and army
	a) Protection of national unity and territorial integrity
	b) Related to national security
2.	Central police, armed police force, national intelligence and investigation, peace and security
3.	Central planning, central bank, financial policy, currency and banking, monetary policy, foreign grants, aids and loans.
4.	Monitoring and regulation of telecommunication, central telecom, radio frequency distribution, television and postal service

<sup>24</sup> Rondinelli et. al. 1983. *Decentralization in Developing Countries: A Review of Recent Experience*. World Bank. Washington DC.

<sup>25</sup> Rondinelli et. al. 1983. *Decentralization in Developing Countries: A Review of Recent Experience*. World Bank. Washington DC.

5	Customs, excise-duty, value added tax (VAT), corporate income tax, individual income tax, tax on remuneration, passport fee, visa fee, tourism fee, service charge, penalties and fines
6.	Federal civil service, judicial service and other government services
7.	Policies and criteria related protection and multi-dimensional use of water resources
8.	International and inter-provincial electricity transmission lines
9.	Central statistics (national and international standards and qualities)
10.	Central level mega projects for electricity, irrigation and other projects
11.	Central university, central level academies, university standard and regulation, central library
12.	Central health policy (setting standard, quality and monitoring of the health services, national/special service provider hospitals, traditional treatment services, control of communicable diseases)
13.	Federal legislature, federal executive, local level affairs, special structures
14.	International trades, exchange, ports and quarantines
15.	Civil aviation, international airports
16.	Foreign and diplomatic affairs, international relations and related to United Nations
17.	International treaties and agreements, extradition, mutual legal assistance and international border, international border river
18.	National transport policy, train and national highways management
19.	Laws related to Supreme Court, High Courts, District Courts and Judicial Administration
20.	Citizenship, passport, visa, and immigration
21.	Nuclear energy, atmosphere and space related
22.	Intellectual property (including patent, design, copyright)
23.	War and defense
24.	Factory and production of arms and ammunitions
25.	Standards and metrology
26.	Mining, exploration
27.	National and international ecology management, national parks, wildlife reserves and wetlands, national forest policy, carbon services
28.	Insurance policy, securities, cooperative regulations
29.	Land use policy, housing development policy, tourism policy, environment adaptation
30.	Formulating criminal and civil laws
31.	Security press
32.	Social security and poverty alleviation
33.	Constitutional bodies and commissions of national importance
34.	Ancient monuments and places of archaeological importance
	Issues not listed in the federation, province and local level power or concurrent level

35	power lists, along with other issues not mentioned in this constitution and law
----	---

## SCHEDULE 6

(RELATED WITH ARTICLE 57 (2), 162 (4), 197, 231 (3), 232 (7), 274 (4) AND 296 (4))

### List of Provincial Powers/Jurisdiction

Serial Number	Subjects
1 .	Provincial police administration as well as law and order
2 .	Banks and operation of financial institutions according to the policy of Nepal Rastra Bank, cooperatives, and foreign grants and aids with consent from the center
3 .	Radio, FM, television operation
4 .	Land and house registration fee, vehicle tax, entertainment tax, advertisement tax, tax on tourism and agricultural income, service charge and penalties and fines
5 .	Provincial civil service, and other government services
6 .	Provincial statistics
7 .	Provincial level electricity, irrigation projects, drinking water, transport
8 .	Provincial level university, education, and higher libraries museums
9 .	Health service
10 .	Related to Provincial Assembly, provincial cabinet
11 .	Trade/Business within the province
12 .	Provincial highways
13 .	Provincial investigation bureau
14 .	Infrastructure management and other necessary matters of province government offices
1 .	Provincial public service commission

5 .	
1 6 .	Land management, record-keeping of the land
1 7 .	Exploration and management of mines
1 8 .	Protection and use of language, culture, script, fine arts and religion
1 9 .	Management of national forest, water resources and ecology within the province
2 0 .	Agriculture and livestock development, factories, industrialization, business, transportation
2 1 .	Guthi (community trust/endowment) management

## SCHEDULE 7

(RELATED TO ARTICLE 57(3), 109, 162 (4), AND 197)

### List of Concurrent (federal and provincial) Powers/Jurisdiction

Serial Number	Subjects
1.	Criminal and civil work procedures and evidences and oath of office (legal recognition, public act and records and judicial process)
2.	Supply, distribution, price control, standard and monitoring of essential goods and services
3.	Preventive detention, jail and custody management on the matters of national security and management of law and orders
4.	Transfer of accused as well according those in custody and jail from one province to another.
5.	Laws related to family affairs (marriage, property transfer, divorce, endangered, orphan, adopted child, successors and joint family).
6.	Receiving property, acquisition and creation of rights
7.	Matters related to contracts, cooperatives, collaborations and agencies
8.	Matters related to bankruptcy and insolvency
9.	Medicine and pesticides
10.	Planning, family planning and population management
11.	Matters related to social security and employment, trade union, resolution of industrial disputes, labor rights and disputes
12.	Medical, legal, audit, engineering, ayurved, veterinary services, Amchi and other professions
13.	Province border rivers, waterways, environment protection, biodiversity
14.	Related to mass communication
15.	Industries and minerals and infrastructures
16.	Casino, lottery
17.	Natural and man-made disaster preparedness, rescue, relief and rehabilitation
18.	Tourism, drinking water and sanitation
19.	Movies, cinema halls and sports
20.	Insurance operation and management
21.	Poverty alleviation and industrialization
22.	Scientific research, science and technology and human resource development

23.	Inter-provincial forest, wildlife, birds, mountains, national parks and water uses
24.	Land policy and related legal provisions
25.	Employment and aid to unemployed

SCHEDULE 8  
(RELATED TO 57 (4), 214 (2), 221 (2) AND 226 (1))

**List of Powers/Jurisdiction for Local Level**

Serial number	Subjects
1.	Municipal police
2.	Cooperatives
3	FM operation
4	Local tax (property tax, house rent tax, fee on registration of houses and land, vehicle tax), service fee, tourism fee, advertisement tax, business tax, land tax (land revenue), fines, entertainment tax
5.	Management of local services
6.	Local statistics and record keeping
7.	Local development projects and programs
8.	Basic and secondary education
9.	Basic health and sanitation
10.	Management of local markets, environment conservation and biological diversity
11.	Local roads, rural roads, agriculture roads, irrigation
12.	Village assembly, Municipal assembly, district assembly, local courts, dispute settlement and mediation
13.	Management of local records
14.	Distribution of land, building ownership certificates
15.	Farming and livestock, agriculture production management, livestock health, cooperative
16.	Management of senior citizens, people with physical disability and disabled
17.	Collection of statistics of unemployed people
18.	Management, operation and control of agriculture extension
19.	Drinking water, small electricity projects, alternative energy
20	Disaster management
21.	Conservation of Watershed, wetland, wildlife, mines and minerals
22.	Preservation and development of language, culture and fine arts



# SCHEDULE 9

(RELATED TO 57 (5), 109, 162 (4), 197, 214 (2), 221 (2) AND 226 (1))

## List of concurrent Powers/Jurisdiction for Federation, Province and Local Level

Serial number	Subjects
1 .	Cooperatives
2 .	Education, Health and Newspapers/Magazines
3	Health
4	Agriculture
5 .	Services like electricity, drinking water, irrigation
6 .	Service fee, registration fee, fine, tourism fee and royalty received from natural resources
7 .	Forest, wildlife, birds, water use, environment, ecology and biodiversity
8 .	Mines and minerals
9 .	Disaster management
1 0 .	Social security and poverty alleviation
1 1 .	Registration of personal incidents, birth, death, marriage and statistics
1 2 .	Archaeology, ancient monuments and museums
1 3 .	Management of landless
1 4 .	Royalty received from natural resources
1 5 .	Permission for vehicles