

## **Abstract**

In 2015, Nepal underwent a transformative constitutional shift, bidding farewell to its unitary and centralized governance model. The newly adopted constitution ushered in a federal structure, strategically dispersing legislative and executive powers across three distinct tiers of government: local, provincial, and federal. Empowering each level to legislate, devise plans, craft policies, and manage resources within their demarcated jurisdictions, the constitution meticulously outlines exclusive and concurrent responsibilities in Schedules 5 to 9.

Article 232 of the constitution emphasizes that the interactions among federal, provincial, and local governments should embody the principles of cooperation, co-existence, and coordination. The crux of successful federalism, therefore, hinges on fostering effective and efficient relationships between these three governance levels.

Since the pivotal 2017 elections, the gears of governance have been set in motion at all three levels. However, grappling with the monumental task of transitioning from a unitary to a federal system, each tier, with a spotlight on the federal government, shoulders the weight of reshaping legal, administrative, political, and fiscal structures. This metamorphosis is not without its challenges, as uncertainties and ambiguities surface, particularly concerning the allocation of resources, delineation of jurisdictions, legislative authority, employee integration, and the administrative management of provincial and local governments.

Presently, ongoing discussions revolve around three pivotal issues concerning federalism. Firstly, the implementation of a functional power-sharing model among the three government tiers necessitates the development of concrete laws and policies. Secondly, operational challenges persist in the realm of federalism, encompassing critical aspects such as a) defining the overarching direction of the new federal structure about power devolution and efficient service delivery, b) enhancing communication and coordination among the three government tiers regarding the practical division of power and authorities, and c) addressing the operational costs essential for the sustainable functioning of federalism.

One can contend that the nascent federal structure poses a myriad of challenges. Prominent among the administrative hurdles is the effective management of bureaucracy within the federal framework and the recruitment or placement of well-trained and well-intentioned personnel at the local and provincial government levels. Addressing legal challenges is equally paramount, especially in formulating laws and policies that safeguard citizens' rights while minimizing contradictions and confusion across all governmental tiers, fostering a pro-people orientation in the new federal structure.

Economically, the implementation of the new federal system is perceived as financially burdensome, requiring Nepal to establish both administrative and physical infrastructures anew. Additionally, there is a pressing need to devise mechanisms for the equitable allocation

and distribution of financial and natural resources among provinces. Presently, provincial and local governments heavily rely on federal funding, underscoring the importance of exploring locally viable economic development opportunities. Resource mobilization issues, such as the proportional distribution of resources, bolstering the fiscal management and decision-making capabilities of local and provincial governments, mitigating corruption risks, and investing in structural public policy changes, remain salient challenges.

In essence, the discourse predominantly centers on administrative, political, and fiscal facets of federalism, with limited attention given to discussions involving social dynamics, behavioral aspects, and civic participation within the federal framework.