

A Brief Report on the Event

Interaction on Federalism Implementation: Learning and Experience



November 2024
Lalitpur, Nepal

Provincial-Level Interaction Program Across All Seven Provinces¹

Organized by: Federalism & Localization Center

Date: September 2024

Background

The Federalism & Localization Center (FLC) is a non-profit organization committed to strengthening federalism, democracy, inclusion, and intergovernmental relations in Nepal. With representation from major political parties, sectoral experts, and all provinces, FLC focuses on research, training, and policy advocacy in areas such as federalism, governance reform, and public finance. It envisions becoming a resource hub for provincial-level governance, collaborating with governments, parliaments, political leaders, and civil society to achieve constitutional goals of peace, good governance, development, and prosperity.

Established in August 2024, FLC has swiftly demonstrated its impact by organizing interaction programs on “Implementation of Federalism: Learning and Experience” in all seven provincial capitals during September 2024. Facilitated by FLC Chairperson Dr. Khim Lal Devkota, these programs featured active participation from Chief Ministers, former Chief Ministers, Opposition leaders, Ministers, Principal secretaries, and other key officials. Representatives from Local Government associations, civil society, and about 72 participants attended each event, which were coordinated in collaboration with the Office of the Chief Minister and Council of Ministers (OCMCM). The discussions provided a platform for all participants to share their insights and experiences, fostering dialogue on federalism's implementation at the provincial level.

Objective of the program

The key objective of the program was to foster dialogue and collaboration among stakeholders to enhance the implementation of federalism in Nepal.

Specific Objectives:

- To share achievements in federalism implementation among participants.

¹ Report by Prakash Pantha, Executive Director, Federalism & Localization Center

- To discuss issues and challenges faced by provincial and local governments in federalism implementation.
- To facilitate coordination between federal, provincial, and local units for effective governance.
- To empower provincial and local representatives by enhancing their understanding of roles within the federal system.

Unique Aspects of the Program

Each program provided a platform for political and bureaucratic stakeholders to discuss pressing provincial issues in a structured format. These sessions stood out from traditional programs due to:

- **Focus on Practical Engagement:** Programs encouraged real-world discussions, using open dialogue instead of formal lectures. This approach led to targeted conversations on provincial governance, constitutional rights, and federal challenges.
- **Efficient Time Management:** Time was closely monitored in all sessions, with minimal formalities to ensure productive discussions. The use of lead questions displayed on a screen in all provinces facilitated structured conversations, allowing participants to stay focused on key issues.
- **Open Discussions:** The program allowed for the direct exchange of ideas without formality, fostering an environment for participants to voice concerns and suggestions openly.

Program Venue and participants

Table 1 below provides an overview of the provincial-level interaction programs held in September 2024. Each event took place in the provincial capital and featured active participation from Chief Ministers, Ministers, Speakers, provincial parliamentary leaders, secretaries and other related bureaucrats, representatives from the media, and other stakeholders.

Table 1 : Provincial Interaction Programs: Schedule and Key Participants

Province	Date	Venue	Key Participants
Gandaki	2-Sep-24	Pokhara	Chief Minister, Opposition Party Leaders , Ministers, Principal secretary and secretaries (60)

Province	Date	Venue	Key Participants
Koshi	5-Sep-24	Biratnagar	Chief Minister, Opposition Party Leaders, Ministers, Principal secretary and secretaries (66)
Madhesh	7-Sep-24	Janakpur	Chief Minister, House Speaker, Opposition Party Leaders, Ministers, Principal secretary and secretaries (56)
Bagmati	10-Sep-24	Hetauda	Chief Minister, Former Chief Minister, Opposition Party Leaders, Ministers, Principal secretary and secretaries (98)
Lumbini	18-Sep-24	Dang Deukhuri	Chief Minister, House Speaker, Opposition Party Leaders, Ministers, Principal secretary and secretaries (84)
Karnali	20-Sep-24	Surkhet	Chief Minister, House Speaker, Former Chief Minister & opposition Party Leader, Ministers, Principal secretary and secretaries (58)
Sudurpaschim	22-Sep-24	Dhangadi	Chief Minister, House Speaker, Former chief ministers , Opposition Party Leaders, Ministers, Principal secretary and secretaries (81)

Note: The numeric figures in parentheses indicate the number of participants.

Chief Ministers' Versions at the Program

Honorable Surendra Raj Pandey, Chief Minister of Gandaki Province

In the September 2, 2024, session held in Pokhara, Chief Minister Surendra Raj Pandey emphasized the necessity of shifting political leaders' mindsets for effectively institutionalizing federalism. He criticized the lack of action on decisions made during a 2023 National Coordination Council meeting, despite then Prime Minister Pushpa Kamal Dahal's commitment. Pandey pointed out the centralization of power and the absence of political will, underlining that federalism can only succeed if provinces are granted greater autonomy. He also called for better resource allocation and stronger provincial governance mechanisms.

Honorable Hikmat Kumar Karki, Chief Minister of Koshi Province

At the September 5, 2024, session in Biratnagar, Chief Minister Hikmat Kumar Karki raised concerns about the provincial leaders' failure to fully understand the importance of federalism. He criticized the centralist attitude that has sparked calls for dismantling the federal system. Karki advocated for stronger provincial powers, suggesting a revised fiscal sharing model that gives more resources to provinces

and local governments. He also discussed the failure of the Fiscal Commission to align with the constitutional mandate, calling for a more balanced resource distribution.

Honorable Satish Kumar Singh, Chief Minister of Madhesh Province

Speaking at the September 7, 2024, session in Janakpur, Chief Minister Satish Kumar Singh stressed that the full realization of federalism requires provinces to exercise their constitutional rights. He criticized the federal government's reluctance to transfer power, hindering the growth of federalism. Singh highlighted Madhesh's progress in infrastructure and governance despite limited resources and called for equitable resource distribution. He also proposed that Nepal's governance should become more streamlined, suggesting a reduction in the number of ministries at the federal level.

Honorable Bahadur Singh Lama, Chief Minister of Bagmati Province

In the September 10, 2024, session in Hetauda, Chief Minister Bahadur Singh Lama discussed the critical issue of police administration under the control of the federal government. He pointed out that provincial government without control over its police is ineffective and stressed the need for better coordination between the federal and provincial governments. Lama also noted that although Bagmati Province has made significant strides in developing infrastructure and enacting laws, the lack of control over police forces continues to undermine provincial governance.

Honorable Chet Narayan Acharya, Chief Minister of Lumbini Province

During the September 18, 2024, session in Dang Deukhuri, Chief Minister Chet Narayan Acharya criticized the federal government for reducing the fiscal equalization grant, which has significantly strained provinces fiscal resources . He also emphasized Lumbini's success in expanding its road network and development initiatives but lamented the federal government's continued control over essential services like police and civil servants. Acharya urged a reassessment of fiscal and administrative powers to ensure the proper functioning of federalism in Nepal.

Honorable Yam Lal Kandel, Chief Minister of Karnali Province

At the September 20, 2024, session in Surkhet, Chief Minister Yam Lal Kandel acknowledged both the successes and ongoing challenges of federalism in Karnali Province. He emphasized that while political leaders influence the implementation of federalism, much progress has been made. Kandel called for improved policy implementation, transparency, and adjustments in fiscal distribution to ensure fairness across all provinces. He also raised concerns about political interference and the lack of trained personnel willing to serve in remote areas.

Honorable Kamal Bahadur Shah, Chief Minister of Sudurpaschim Province

In the September 22, 2024, session in Dhangadi, Chief Minister Kamal Bahadur Shah reflected on Sudurpaschim's challenges and achievements. He mentioned the 17-point proposal to the National Coordination Council, addressing the fiscal imbalances and resource allocation issues faced by the province. Shah also discussed the ongoing issues with the federal government's interpretation of laws and its impact on provincial governance. Despite these challenges, he expressed optimism about the future of federalism in Sudurpaschim, emphasizing the need for continued dialogue and collaboration.

Key Messages Conveyed

1. Strengthening Federalism

The programs emphasized that federalism, if effectively implemented, can address disparities, enhance governance, and foster sustainable development. Participants expressed a commitment to federalism and recognized its potential as a transformative governance model.

2. Clarification of Powers and Legal Harmonization

A recurring concern was the unclear division of powers among federal, provincial, and local governments, leading to overlapping jurisdictions and duplicated laws. The solution lies in defining roles and harmonizing legislation across all three tiers to ensure efficient governance and legal clarity.

3. Fiscal Autonomy and Financial Equity

The discussions highlighted the provinces' heavy reliance on federal transfers, delays in fund disbursement, and restricted grants. Greater fiscal autonomy, coupled with timely and equitable fi transfers, is essential for enabling provinces to address development priorities.

4. Political Stability and Leadership Accountability

Frequent leadership changes undermine provincial governance. Introducing the direct election of Chief Ministers and extending proportional representation to the executive branch were identified as measures to enhance stability and inclusivity.

5. Strengthening Bureaucratic Capacity

The current bureaucratic system, characterized by short-term appointments and dual employment, hampers provincial administration. Reforms such as longer tenures for secretaries and improved incentives for professionals were proposed to enhance administrative effectiveness.

6. Infrastructure Development and Resource Mobilization

Provinces face challenges in implementing infrastructure projects due to financial constraints, logistical issues, and political interference. Focusing on large-scale transformative projects and streamlining procurement processes were identified as pathways to unlocking provincial potential.

7. Improved Coordination Among Government Levels

Weak coordination among federal, provincial, and local governments hampers policy implementation and resource sharing. Activating intergovernmental bodies and strengthening collaborative mechanisms are vital for resolving disputes and aligning priorities.

8. Promoting Public-Private Partnerships (PPPs)

Provinces should actively pursue PPPs to leverage private sector investments, particularly in sectors like agroforestry, tourism, and trade. Cross-border collaborations with neighboring countries could further enhance economic opportunities.

9. Addressing Public Frustration and Accountability

Public dissatisfaction with provincial inefficiencies and political instability needs to be addressed through transparent governance, direct engagement with citizens, and empowering provincial leaders to act independently.

Key Provincial Issues

1. Unclear Division of Powers

- Ambiguity in the allocation of powers between federal, provincial, and local levels leads to inefficiency and redundancy.
- Replication of federal laws by provinces without contextual adaptation causes legal confusion.

2. Legal and Administrative Conflicts

- Inconsistencies between federal and provincial laws undermine governance (e.g., differences in recognition of provincial secretaries' ranks).
- Federal control over police, bureaucrats and sectors like education, forestry limits provincial authority.

3. Weak Intergovernmental Coordination

- Intergovernmental platforms such as the Inter-Provincial Council, National Coordination Council, Intergovernmental Fiscal Council, and sectoral committees, fail to meet regularly or implement decisions.

4. Financial Dependency and Inequitable Transfers

- Provinces rely heavily on federal transfers, which are often delayed and restrictive.
- Fiscal equalization grants are inadequate to address disparities among provinces.

5. Human Resource Shortages

- Key provincial ministries operate with limited personnel, impacting governance and project execution.
- The dual employment system fosters a lack of commitment among deputed federal employees.

6. Resistance to Federalism

- Centralized mindsets among political leaders and bureaucrats hinder federalization efforts.

- Questions about the sustainability of federalism arise due to high operational costs and inefficiencies.
- 7. Delayed Infrastructure Development**
- Provinces, especially remote ones, face logistical and bureaucratic hurdles in implementing infrastructure projects.
 - Political interference affects project selection and execution.
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Recommendations

1. Clarify Powers and Responsibilities

- Clearly delineate the roles and authorities of federal, provincial, and local levels to eliminate overlaps and inefficiencies.
- Provide technical and legal support to provinces for contextualizing and implementing laws tailored to their unique needs.

2. Harmonize Legal and Administrative Frameworks

- Develop mechanisms to align federal and provincial laws, ensuring consistency and reducing administrative conflicts.
- Delegate authority in key sectors, such as policing, education, and forestry, to empower provincial governments and enhance their decision-making capabilities.

3. Strengthen Intergovernmental Coordination

- Regularize and institutionalize the meetings of intergovernmental platforms like the Inter-Provincial Council and sectoral committees to facilitate collaboration.
- Foster partnerships between provinces and local governments to enhance resource-sharing and reduce duplication.

4. Enhance Fiscal Autonomy and Equitability

- Grant provinces greater authority to mobilize their own resources, reducing dependency on federal transfers.
- Revise the fiscal transfer system to ensure timeliness and address disparities through fiscal needs-based allocations.

5. Build Human and Institutional Capacity

- Address staffing shortages by recruiting skilled personnel and enhancing training programs for provincial employees.
- Reform the dual employment system to ensure that deputed federal employees are fully committed to provincial responsibilities.

6. Accelerate Infrastructure Development

- Simplify bureaucratic procedures for procurement and project approval to minimize delays in infrastructure projects.
- Focus investments on remote and underdeveloped provinces , with a priority on roads, healthcare, and education infrastructure.

7. Foster Political federalization

- Encourage political parties to empower provincial leaders and ensure decision-making is aligned with provincial and local priorities.
- Reduce central interference in provincial governance to promote autonomous decision-making.

8. Promote Awareness and Support for Federalism

- Conduct campaigns to educate political leaders, bureaucrats, and citizens about the benefits and goals of federalism.
- Establish programs to enhance public understanding of provincial governance and its role in service delivery.

Conclusion

The provincial-level interaction programs organized by the Federalism & Localization Center (FLC) across all seven provinces in Nepal in September 2024 highlighted the importance of federalism for effective governance and development. The discussions underscored the challenges and opportunities in implementing federalism, emphasizing the need for clearer division of powers, improved coordination, greater fiscal autonomy, and stronger provincial governance mechanisms. Chief Ministers, political leaders, and bureaucrats from various provinces actively shared their insights, stressing the need for better resource distribution, enhanced infrastructure development, and greater political stability to fully realize the potential of federalism in Nepal. Despite the ongoing challenges, these programs demonstrated a collective commitment to addressing the shortcomings of federalism and advancing the constitutional goals of peace, good governance, and development.

Way Forward

To move forward, it is crucial to focus on the key recommendations emerging from the interaction programs. These include clarifying the roles and responsibilities of federal, provincial, and local governments, harmonizing legal frameworks, and strengthening intergovernmental coordination. Efforts must be made to enhance fiscal autonomy for provinces, ensure equitable resource allocation, and address human resource shortages through recruitment and capacity-building programs. Additionally, accelerating infrastructure development, particularly in remote areas, and fostering political federalization will be vital to ensure that provinces can effectively govern and serve their populations. Public awareness campaigns and continuous dialogue among stakeholders will be essential for building a broader understanding and support for federalism in Nepal. These measures, when implemented, will pave the way for a more efficient, inclusive, and prosperous federal system.

Annexes

1. Photographs from the Interaction Programs

Koshi Province



Madhesh Province



Bagmati Province



Gandaki Province



Lumbini Province



Karnali Province



Sudurpachim Province



2. Articles Based on the Programs in the Kathmandu Post and Kantipur National Dailies

1. [Chief Ministers' Insights on Federalism](#) (Kathmandu Post, September 17, 2024)
2. [Empowering Provinces](#) (Kathmandu Post, October 1, 2024)
3. [Provincial Struggles and Opportunities](#) (Kathmandu Post, October 17, 2024)
4. [State Questions](#) (Kantipur, Ashoj 15, 2081)
5. [Ukusmukus of the State Level](#) (Kantipur, Kartik 6, 2081)
6. [Federalism Insights from Local Leaders](#) (Kathmandu Post, October 29, 2024)
7. [The Local Governments' Question: What About Federalism?](#) (Kantipur, Kartik 22, 2081)
8. [Chief Minsters' -concerns-at-kantipur-conclave](#) (Kathmandu Post, November 26, 2024)