

Intergovernmental Relations in Federal Nepal

A Study of the Gandaki Province



Gandaki Province Training Academy

(An ISO 9001:2015 Certified Academy)

Gandaki Province, Pokhara, Nepal



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Greetings

Nepal's federalism is grounded on the principle of coordination, cooperation, and coexistence. The constitution of Nepal has made several provisions for intergovernmental relations among the levels of government. As the country has experienced the newer form of governance under republican and federal set up, many of the constitutional provisions are yet to be functional and become fully institutionalized. The intergovernmental relation has, thus, become a pivotal issue for the success of federalism in Nepal.

The study carried out by the Gandaki Province Training Academy on the status of intergovernmental relations with particular reference to the Gandaki Province has explored both the efforts made by the Gandaki Province to forge intergovernmental relations, as well as, identified the gaps between constitutional and legal provisions and its practices. The findings and recommendations presented in this report will be significantly important in institutionalizing the principles of intergovernmental relations both in vertical and horizontal levels.

I would like to congratulate the Gandaki Province Training Academy for its efforts to strengthen provincial government and local levels through training, research, and dialogues on contemporary issues. This study has opened the discourses on intergovernmental relations and sub-national governance. I believe that the findings of this study will be helpful not only for the levels of government but also to the academia, researchers and all others who are interested in fiscal federalism, sub-national governance, and intergovernmental relations. I would like to express my sincere thanks to all who have directly and indirectly contributed to carrying out of the research and bringing this report in shape.

Krishna Chandra Nepali Pokharel

May, 2022



GANDAKI PROVINCE TRAINING ACADEMY

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Acknowledgement

Intergovernmental Relations have become a prominent issue in Nepalese federalism after the promulgation of a new constitution in 2015. Nepal's federal form of governance is grounded on the principle of coordination, cooperation, and coexistence. Federation, Province, and Local Level (Coordination and Interrelation) Act, 2020 has further elaborated the interrelationships among the levels of government. Intergovernmental fiscal transfer has been a successful case as one of the key characteristics of Intergovernmental relations in Nepal's federalism. However, several provisions made by the constitution as well as by the act are yet to be institutionalized and become fully functional.

This report is an output of the study carried out by the Gandaki Province Training Academy to assess the status of intergovernmental relations in Nepal with reference to the Gandaki Province. The objective of the study is to identify gaps between existing constitutional and legal provisions and their application in practice; to provide policy input to the levels of government for vertical and horizontal intergovernmental relations; and to make recommendations and suggest a way ahead to the levels of government for better intergovernmental relations.

I would like to express my appreciation to the members of the study team Dr. Lekh Nath Bhattarai, Dr. Uma Nath Baral and Mr. Girdhari Subedi. I am grateful to the members of federal and provincial parliament; chief of local levels; experts, academics and all other respondents who provided their valuable information for the purpose of the research. I believe that the findings of this study will provide policy input to the levels of government regarding intergovernmental relations; and be instrumental to those who are interested in fiscal federalism, sub-national governance, and intergovernmental relations.

May, 2022

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Executive Summary

Intergovernmental relation (IGR) refers to the fundamental relationship that exists between and among the different levels of government within a state. It is more common in federal system of government rather than in unitary system. In federalism, at least two levels of constitutional governments are framed as national and sub-national governments at the central and regional levels. These governments function on the basic principles of self-rule and shared rule. The state constitution specifies the absolute and concurrent jurisdictions of the levels of government. The governments interact and consult with each other and are interdependent for efficient functioning and accomplishing the tasks of their jurisdictions. The relationships are generally forwarded by the establishment of political institutions and processes. Many businesses and subjects, as well as, problems and challenges are encountered during the functioning of the governments which must be managed through interactions and institutional practices by the central and the sub-national units. Therefore, interactions and dialogues are essential in between and among the national and sub-national governments. IGR is supposed to act as a bridge between the constitutional units both vertically and horizontally to bring a degree of coordination and cooperation. Most federal countries around the world have fairly formal IGR processes in place to assist the governments in sharing ideas, coordinating activities and resolving differences.

The uprising of the greater number of people in the April 2005 proved to be the milestone in Nepal's transition from a unitary to a federal system. Federalism was expected to be the best alternative to give all segments of Nepali society a proportional representation in exercising the sources and power of the state. Along with reducing the disparity between mainstream and marginalized communities, the federal system was expected to ensure the proportional development of all regions. The Constitution of Nepal 2015 envisions a federal system with three levels of government: federal government at the center, state or provincial governments at regions, and local governments at the local levels. According to the constitution, three levels of governments have been functioning and executing their roles and responsibilities since the 2017 election.

The federal constitution establishes the federal government, seven provincial governments, and seven hundred fifty-three local governments. Nepali federalism is based on the principles of unity, centralization and symmetry. Aside from the central government, provincial and local governments have substantial authorities including legislative and executive powers. In its, the Constitution provides schedules form 5 to 9, absolute and concurrent lists to the levels of government based on self and shared

rule. The constitution mentions and divides political and fiscal powers among the three levels of government. According to the constitution, the level of governments must interact and be interdependent through the principles of cooperation, coexistence, and coordination. Thus, IGR is an essential and significant component of Nepal's federal system, allowing the country to achieve the goal of federal democracy. Therefore, it is essential to discuss about the IGR in Nepal's federalism and to understand its existing legal provisions and practices.

This study focuses on the policy and practices of IGR with special reference to Gandaki Province. The purpose of this study is to investigate the problems and challenges of its implementation, as well as to identify potential solutions for necessary improvements in functioning the IGR in Gandaki province. Primary and secondary sources have been used to obtain the required information and facts under the descriptive and explorative research design. A questionnaire survey was carried out with the provincial assembly members, bureaucratic leaderships and the chiefs and deputy chiefs, as well as chief administrative officers of different municipalities and rural municipalities across the Gandaki province. Apart from these, observation during the interaction programmes on functioning of the local government organized in different municipalities and rural municipalities were also carried out to acquire necessary information. Relevant literatures were used to supplement for accomplishing the task of this study.

Nepali federal constitution has adopted the formal and institutional mechanisms for maintaining the IGR between the national and the sub-national governments. Hence, the interactions and interrelationships between and among the federal units; and fiscal federalism are some of the most important and pressing issues for the successful and result oriented implementation of the federal system. Several formal policies and mechanisms are in place to manage the IGR. Self-rule and shared rule along with overlapping jurisdictions between three levels of government necessitate their interrelationships. Constitutional and legal provisions have prescribed the contents, bases, mechanisms and processes of IGR. Inter-provincial Council (IPC), National Coordination Council (NCC), National Natural Resource and Fiscal Commission (NNRAFC), Province Coordination Council (PCC) and different subject committees are examples of institutional mechanisms to execute the IGR between and among the the levels of government.

The IGR and fiscal federalism appear to be satisfactory in terms of policy and law provisions, though some revisions in content and processes are required. In terms of functionality, effective implementation is required. The NCC and IPC are the major political mechanism for maintaining the IGR between and among the federal, provincial,

and local governments, as well as between and among the federal, provincial, and intra-provincial governments. Formulating laws and mobilizing resources has been difficult for the province and local governments. Various ambiguities have arisen as a result of the concurrent lists and overlapping jurisdictions. The NCC and IPC have coordinating roles between federal units in developing and enforcing policies and laws, preparing plan and implementing development activities, and so on. Hence, consolidating the nascent federalism that has just been transferred from a long unitary system is a difficult task. As a result, governments at all levels face a variety of problems and challenges in carrying out their roles and responsibilities. Intergovernmental mechanisms rely heavily on the willingness of the federal government, which plays a leadership role in these institutions, to be active and well-functioning.

A multiple number of roles and responsibilities are overlapping among the three levels of government. Such as tax, cooperative, police administration, forest and land, mine, education, health, FM radio, etc. Such provisions and concurrent lists should be defined and mentioned as the clear jurisdiction by the initiation of the NCC and IPC. However, these mechanisms have been found to be unsatisfactory in terms of carrying out their constitutional and legal obligations, particularly in the natural resources, security and development projects. In addition to the federal government failing to enact the necessary laws, Gandaki Province encountered difficulties in implementing the concurrent lists mentioned in the constitution. Similarly, Gandaki Province anticipates additional federal government assistance in land acquisition, deployment of civil servants, mobilization of natural resources, security premises, and a variety of other matters. It has partially met some of its demands, but it still has a long way to go with federal government coordination. Gandaki Province Council must also coordinate and co-opt roles and responsibilities between provinces and local levels, as well as between local levels, in order to formulate and implement the necessary laws and policies. This province has been performing some of these roles and responsibilities, but not in the extent as expected by local governments.

Despite some practical issues, fiscal federalism appears to be progressing in the Gandaki Province. As the stakeholders' knowledge of the content and components of fiscal federalism is found to be limited and insufficient, there is a need for capacity building and rigorous interactions among the levels of government. The federal government bears the primary responsibility for the successful implementation of fiscal federalism, but sub-national governments should also be active in initiating and discharging responsibilities. The Constitution has also established the National Natural Resource and Fiscal Council(NNRAFC) to manage fiscal relations between federal units. It must be efficient and impartial in designing and implementing the

standard modality of revenue allocation and intergovernmental fiscal transfer.

Federal, Provincial and Local Governments must work together to make federalism more efficient and effective. In order to resolve issues and conflicts between and among Federal, Provincial and Local Governments, as well as between Provinces or Local Governments, informal and formal dialogues, discussions, and interactions are required. To determine the processes and mechanisms for enforcing IGR, laws and policies are enacted. As defined by the laws, the NCC, IPC, PCC, and NNRAFC, as well as other mechanisms, should begin to carry out the tasks of IGR as outlined in Nepal's Constitution.

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ACRONYMS AND ABBREVIATIONS

CA	:	Constituent Assembly
CPN-UML	:	Communist Party of Nepal, United Marxist, and Leninist
DDC	:	District Development Committee
DRCN	:	Democracy Resource Center Nepal
GoN	:	Government of Nepal
HDI	:	Human Development Index
IGR	:	Intergovernmental Relations
IGFA	:	Intergovernmental Fiscal Arrangement
IPC	:	Inter-Province Council
IPFC	:	Inter-Province Fiscal Council
KIOPF	:	Korea Institute of Public Finance.
LB	:	Local Bodies
LSGA	:	Local self Government Act
MTEF	:	Midium Term Expenditure Framework
NA	:	National Assembly
NC	:	Nepali Congress
NCC	:	National Coordination Council
NCPM	:	Communist Party of Nepal, Maoist
NNRAFC	:	National Natural Resources and Fiscal Commission
OECD	:	Organization for Economic Cooperation and Development
PAM	:	Province Assembly Member
PCC	:	Province Coordination Council
STA	:	Single Tax Administration
VDC	:	Village Development Committee

CHAPTER I INTRODUCTION

1.1 Background of the Study

In modern politics, the state articulates and executes its interests through the government. The government not only represents the state, but also brings a realization of the state to the people. The major function of the government is to maintain law and order. It also delivers the state's services and opportunities to the people in general. In a democracy, governments are formed by the people and are held accountable to them. The forms of governments depend on the nature and the type of political system adopted by the state as decentralized or the division of power as unitary or federal respectively. The government may be categorized into central and its sub-units as local in a unitary system. In a unitary country due to the devolution of power by the laws, central and local governments may discuss their businesses and affairs. Therefore, they interact for maintaining good relationships in performing their roles and responsibilities.

In a federal system, the government's can be categorized as national/central/federal, sub-national and constituent units. Federalism is defined as organizing a nation into two or more levels of government that has formal authority over its region and the people. However, if various levels of authority govern the state, they have formal and informal interrelations in the political, legal, administrative, financial and other sectors. Thus, governments within the state exchange, interact and interdepend on each other for their performance and existence. These relationships are generally forwarded by creating political institution/s and processes. Therefore, all states, whether federal or unitary, have intergovernmental relations (IGR) of some sort, provided they have more than one level of government. However, governments at different levels have distinct roles and responsibilities provided by the Constitution and laws of the nation. For smooth functioning of these roles and responsibilities, interactions and dialogues are essential between the central and its sub-national governments. Anderson (1960:3) says 'intergovernmental relations are important interactions occurring between governmental institutions of all types and in all spheres' (Cited in the University of Pretoria, n. d.).

Intergovernmental relation is generally treated as the relationship between and among different governments within a single country. In this perspective, IGR significantly prevails in federalism, where different levels of government should interact and interdepend on formally or informally for enforcing their constitutional

jurisdictions. Hence, such relations are essential for implementing and enforcing the common sphere bilaterally and multilaterally between the different levels of government. On the other hand, however, intergovernmental relations are the interactions and interdependences between and among the various governments within the federal system that have occurred for enabling cooperative policy making. Therefore, it is believed that the intergovernmental relations act as a 'bridge-building role to bring a degree of coordination and cooperation to divided powers in the federal system' (Krane and Leach, 2007).

Most federal countries have quite formal processes of IGR to help the governments to share ideas, coordinate their activities and resolve their differences. Intergovernmental relations work at collaborative, conflictual, coercive, egalitarian, hierarchical and symmetrical levels. In cooperative federalism, alternatively redrawing the 'bright lines' between governments implies a more complete and coherent set of IGR institutions and processes to govern the inevitable concurrency of government responsibilities (Wanna et al., 2009). A minimum level of consultation, cooperation, coordination between governments, conflict resolution mechanisms, and the willingness to adapt to the changing circumstances between governments is at least necessary to imply the concurrent jurisdictions. "How can be done effectively and efficiently is a crucial question, as is the issue of whether cooperative IGR may come at the expense of democratic accountability" (Poirier and Saunders 2010: 8). IGR is defined as "the various combinations of interdependences and influences among public officials - elected and administrative - in all types and levels of governmental units with particular emphasis on financial, policy and political issues" (Krane and Wright 1998, 1168). In another work, the author outlines the four significant epoches of IGR that have core administrative implications: legal and political, welfare state interdependence, government/nongovernmental organization (NGO) partnerships, and collaborative networks (Agranoff, 2010).

From party-less panchayat system to multiparty democracy in 1990, monarchy to republic in 2006 and unitary to a federal system in 2015, Nepal has been transformed by immense political changes in the past three decades. These changes were a result of various political upheavals such as movements, mass protests, conflicts, and demonstrations. Nepal had practiced a unitary form of governance for a long time, where decision-making power and state resources were highly capital-centric. Nepal is diverse in terms of geography, population, history, culture, language, religion, social system etc. Therefore, it is said that the federal structure of the state is more appropriate in countries with diverse communities (Khanal, 2009). There was no

meaningful inclusion of marginalized regions and communities in state affairs, even in post-1990's democracy. Therefore, inclusion and participation in decision-making and state power had been the main agenda of Nepali politics for a long, particularly during and after post mass revolution in 2006 (Baral, 2013). It was expected that federalism is the best way for allowing proportional representation in exercising the sources and power of the state to all strata of the population.

Along with reducing the disparity between mainstream and marginalized communities, it was also anticipated that the proportional development of all regions would be ensured by the federal system (Baral, 2075 BS). Though federalism is regarded as an essential political system in Nepal for inclusion and division of powers, it is a complicated and costly political system because each federal unit has its structures and expenditures (Sharma, 2014). However, Nepal was declared a federal republic country after a long struggle for seeking participatory and inclusive democracy.

In Nepal, the outline of federalism in terms of ethnic states was strongly introduced by the CPN-Maoist party during the insurgency between 1995 to 2006. However, there was no provision mentioned regarding federalism in the interim constitution 2007. Then Madhesh insurgency took place against the interim constitution demanding federalism. Therefore, the interim constitution was amended and introduced the federal provision (Hachhethu, 2009; Baral, 2013). The first Constituent Assembly was failed on the issue of federalism as whether Nepal would adopt ethnic or geographical federalism. However, the second Constituent Assembly succeeded in enacting the new constitution, which adopted the federal political system (Baral, 2075 BS). The constitution of Nepal was promulgated on 20th September 2015, and it mentions three levels of government federal at the center, state or provincial governments at provinces, and local governments at the local level. As per the constitutional provision, since the 2017 elections, three levels of governments have been functioning and executing their roles and responsibilities.

Federalism is generally understood as distributing powers and resources among the central, regional and local units. There is one federal government, seven provincial governments and seven hundred fifty-three local governments. The federal provincial and local governments have gigantic authority, including legislative and executive powers. Constitution has mentioned absolute and concurrent jurisdictions to each level of government as per intergovernmental relations of self and shared rules. The Constitution has mentioned and divided the political and fiscal powers among the three tiers of government. Schedule 5 allocates the 35 different powers and functions to the federal government, 21 to the provincial and 22 to the local governments

followed by Schedule 6 and 8 respectively. In addition, there are 25 and 15 state authorities and powers as the concurrent jurisdictions between federal and provincial governments, and among the federal, provincial, and local governments mentioned in Schedule 7 and 9 respectively of the constitution. Nepali federalism is centralized, beyond the structured and vested powers and jurisdictions into the provincial and local government, all residuary power, including pivotal power in fiscal affairs vested with the federal/central government. Likewise, Nepali federalism is symmetric and reciprocal, where provinces are cooperative and interdependent. No province is provided with extra jurisdiction and privilege than other provinces. However, these governments should interact and interdepend by the principle of 'cooperation, coexistence and coordination' (GoN, 2015). Therefore, IGR is an integral and significant part of every federal system, a form of oil or friction in any federal machine.

1.2 Statement of the Problem

Nepal has been a unitary state since its formation at the begging of the 21st century. As a result, almost all state structures have the traditional mindset of a unitary system. The system is difficult to change but it is not impossible to proceed in a federal manner (Hachhethu, 2009). Along with proclaimed and implemented federal republic constitution, there are significant challenges on implementing constitutional provisions of three levels of governments in Nepal. Normally, federalism requires democracy and the rule of law because non-democratic regimes usually do not permit genuine autonomy for constituent units (Anderson; 2008:4). The federal structure is the new system in Nepali democracy, which is also an opportunity to change the centralized mindset of people through effective delivery of services at the local level. At the same time, mismanagement of the new federal structure could trigger multifaceted conflicts (Gyawali, 2018). Hence, in this federal system the three governments, particularly the federal government faces the burden of transforming the legal, administrative, political, and fiscal structures established under the unitary system. Many uncertainties and ambiguities, predominantly concerning the distribution of resources, jurisdictions, lawmaking, and employee integration have surfaced during this process (DRCN, 2020).

Though all three-level governments have their own identity, they should cooperate and coordinate with each other for carrying out the constitutional responsibilities in an effective manner (DRCN, 2019). The government has to bring under control the provincial level offices from the center. Along with this, it needs to set up new structures and institutions for the better functioning of its jurisdiction. Likewise, it also requires essential restructuring for the well-functioning of the local government. As between

the federal and the local governments, the provincial governments are anticipated to play the role of coordination (Poudel, 2018). Along with physical support, both levels of government could survive only with policy and financial backing from the federal government. The complexities of federalism could be simplified through transparent and systematic principles, laws, structures, and procedures of interrelation between the governments (Paudel and Sapkota, 2018). Therefore, IGR is a means to manage the collective and cooperative effort, capacity, leadership, and resources in each subject and direct these as effectively as possible towards the government's developmental and service delivery objectives (Layman, 2013). The federal, provincial, and local governments play crucial roles accomplishing of the constitutional provisions of the federal system. There are formal mechanisms as constitutional and legal provisions and processes to forward the intergovernmental relations. However, intergovernmental relation is the crucial backup for fulfilling the constitutional responsibilities of three levels of government, succeeding the federal system in Nepal.

The legislative members and secretaries of bureaucracy at the provincial government, and chiefs and deputy chiefs along with administrative officers at the local governments have practiced and gained five years of experience in the course of their federal jobs. Their experiences and ideas will be important for implementing intergovernmental relations in terms of policymaking and strengthening the fiscal and development projects at the Provincial and Local Levels. This is the time for reviewing the policy and its execution and for finding the gap in IGR for the further success of federalism in Nepal. This study explores the undertakings of federal and Gandaki province in relation with IGR. From that perspective, the research questions are elevated as follows:

- How are the state power and sources allocated between the three tiers of the federal structure?
- What are the legal provisions to maintain IGR among the three tiers of governments for the success of federalism?
- What are the experiences on IGR for executing the federal system in Nepal?
- How does the political representatives and administrative officials of the Gandaki Province feel and how do they perceive the intergovernmental relations regarding policy making, development and fiscal sphere?
- What are the gaps between the policy and implementation of IGR?

1.3 Objectives of the Study

The general objective of the study is to discuss the concept and to understand the existing legal provisions and its practices of IGR in Nepal. This research focuses on the Gandaki Province and has the following specific objectives:

- To identify and analyze the policy and practices of all the three levels of government in regard to their intergovernmental relations.
- To analyze the knowledge, experiences, and perceptions of political and administrative authorities on IGR.
- To explore the problems and challenges in intergovernmental relations and recommend suggestions for its necessary improvements.

1.4 Methodology of the Study

This study has been conducted in regard to the intergovernmental relations through the federal lens. The federal, provincial and local governments have traveled five years' journey of federalism. During this journey, political and bureaucratic leaders had encountered with various experiences. They had to organize or participate in different interrelational activities between or among federal, provincial and local governments. This study describes and explores these activities and the perceptions of intergovernmental relations with the functioning of the federal system. For this purpose, primary and secondary sources of data are used for obtaining the required information and facts under the descriptive and explorative research design.

In fulfilling the objectives of this study, the required data is culled from the primary source and most of the findings are quantitative in nature. To obtain the required data, a questionnaire survey was administered among the legislative members of the Gandaki Province, bureaucratic authorities involved in the policy administrative officer, the chiefs and deputy chiefs, as well as the administrative officers of different municipalities and rural municipalities across the Gandaki Province.

The research team had distributed 60 sets of questionnaires in hard and soft copies to the provincial members and 11 secretaries. Out of them only 11 provincial assembly members and 3 officials (around 20 percent) had sent back filled up questionnaires. Likewise, questionnaire survey was administered to 36 chiefs, deputy chiefs, and chief administrative officers from 12 different local governments of the Gandaki province. Out of the total sampled local governments, six municipalities and six rural municipalities were selected by conducting the judgmental sampling. While sampling the respondents from provincial and local governments, representation of gender, education level, political party affiliations, current position held by the person

and ethnic diversity, were taken into consideration. Out of the 36 questionnaires administered at the local level, 22 chief, deputy chief and administrative officer responded back. In comparison with the members of the provincial government, local government's members co-opted with the research work. However, out of the 107 distributed questionnaires, only 36 (33.6 percent) completed questionnaires were received. Most of the decision-makers and responsible authorities of the province were reluctant to share their knowledge, ideas, and experiences regarding the functioning of federalism. For obtaining the necessary data, the researchers had also conducted some short interviews as informal discussions with some of the respondents who participated in the survey. Apart from these, the researchers' observation during the interaction programs on the functioning of the local government in federalism, organized in different municipalities and rural municipalities also supplemented the required information for accomplishing the objectives of this study. Information collected through the interviews and observations were mostly qualitative in nature.

The survey instruments were edited and coded to facilitate the computer software entry. The responses were entered in the computer spread sheet and required tables and summary results were obtained using the data analysis software IBM SPSS 20.

Apart from the survey and the informal conversations with the stakeholders, the views and opinions of the researchers and academicians published in research reports and newspaper articles on the Nepalese and global context were also reviewed and analyzed. Similarly, laws, regulations and policy papers promulgated by the concerned governmental ministries and departments to execute the federal system were also extensively consulted, reviewed, analyzed and inferences were drawn as per the needs of the study.

The draft report prepared by the research team was submitted to the Gandaki Province Training Academy and presented in an interaction program organized by the Academy. The report was revised and updated according to the feedback received during the presentation of the draft report. Expert suggestions were also been incorporated in the final report.

1.5 Scope and Limitations of the Study

The scope of the study is to cover existing provisions and practices of the issues of intergovernmental relations in federal Nepal. The efforts have been made to cover the issues based on the global federalism principles and practices based on the reviews of the available literature and tried to compare to what extent the principles, provisions and practices were followed in current Nepalese federalism exercises of Nepal.

The study revealed the fact that the study could not be comprehensive enough due to the unfavorable environment during the study period, limited time, as well as financial constraints. Therefore, the report is to be considered within the preview of the following limitations:

- The report covers the limited issues of policies and practices of nascent Nepalese federalism, i.e., it only covers the existing intergovernmental relations in Nepal on present institutional structure and its implementation.
- It is based mainly on secondary sources of information in combination with the primary data obtained from a small sized sample survey from the stakeholder of federalism within the Gandaki Province.
- The primary data was collected through mailed questionnaires, scheduled to the purposively selected sample stakeholders only during March to April of 2021.
- The response rate was not so encouraging in the face of the COVID-19 pandemic situation. Due to physical restrictions, the face-to-face consultation with the relevant key informants could not be done as expected and, planned focus group discussions could not be held.
- This situation forces to restrict the study to the available secondary information and mailed questionnaire opinion survey. Therefore, the results and findings of the study may not be generalized for the other provinces of Nepal.

1.6 Organization of the Report

This study report has been organized in five chapters. The first chapter is the introduction of the study which covers the background of the study, statement of the problem, objectives of the study, methodology and scope/limitation of the study. The second chapter is devoted to the review of literature focusing on the concepts, principles and issues of intergovernmental relation and fiscal federalism exclusively based on the available published documents on the broad range of the issue. The third chapter deals with the review and analysis of the existing institutional and policy provisions and practices of IGR in Nepal with special reference to the Gandaki Province, aiming to identify the gaps in policy and practice. The fourth chapter is the presentation and discussion of the survey results on IGR and related issues. The fifth chapter presents the summary of major findings, conclusion and recommendations. The remaining section includes the list of references and the appendix.

CHAPTER II LITERATURE REVIEW

2.1 An Overview of Federalism and Intergovernmental Relation

2.1.1 Concept of Federalism

Federalism is a process of distributing power among a central or national government, commonly known as the federal government and its sub-national or constituent units also known as states or provincial governments, and numerous other local government units. All levels of government operate directly on the people based on the constitutional allocations of authority and agreement. In the context of the United States, at least five different approaches to federalism are identified to define the relationship between national and sub-national governments. Those five approaches are (Krane and Leach, 2007: (1) Constitutional federalism: the indeterminate sharing of power among the national government, the states and their local governments, (2) States' rights federalism: the sharing of power only up to certain barriers protecting the states, (3) Administrative federalism: the everyday sharing of power on varying partnership bases, (4) Centralized federalism: the sharing of power with the goals and procedures of the national government, dictating implementation; (5) New federalism: the sharing of power based on defined national and state functions.

"Federalism" is the system of the Government in which sovereignty is constitutionally divided between a central governing authority and constituent political units (like states or provinces). It is a system based on democratic rules and institutions in which the power to govern is shared between national and provincial governments. In a unitary system, regional governments are the legal creations of the central institution. In the federal system, each layer of government has autonomous constitutional exercise. Federations have emerged and adopted in those countries under different circumstances. Some countries such as Sudan, Iraq, Bosnia-Herzegovina, Sri Lanka, and Nepal adopted federalism after the post-conflict situation; others such as Spain, Belgium, and Nepal emerged as federal countries from unitary states. (Bhudhathoki, 2013).

2.1.2 Concept of Intergovernmental Relation (IGR)

Intergovernmental relation (IGR) is a relatively new term, which is being used for the 6th decade. It denotes all the variations and combinations of relations among the different levels of the modern governance system. Specifically, IGR is defined as an important activity and interaction occurring between and among all types and

levels of government units in the federal system. These include federal-provincial and interprovincial relations, as well as federal-local, provincial-local, inter-local, and federal-provincial-local relations. However, IGR works for the federal system as a set of interactions between national, provincial or state and the local governments. As compared to a unitary state that has a single political unit, federalism has multiple political units designed by the constitution that needs necessary interaction between the different levels of governments in order to forward the mutual interests and exchange their experiences when it comes to finding solutions to crises or making new policy on concurrent jurisdictions. This is due to the fact that federal principles are concerned with the combination of self-rule and shared rule (Elazar, 1997).

Intergovernmental relation also involves extensive informal processes of exchange and interaction, through which it insists to formulate the policy in the given issue and interest of governments. The number and types of governmental institutions, for example, reveal the jurisdictional diversity of intergovernmental relations, 'institutions and government departments on the national and provincial level, while the concept of IGR has to be formulated largely in terms of human relations and human behavior' (Wright, 1978: 8). However, IGR includes the officials' continuous, day-to-day patterns of contact and exchange of information and views where policy is generated by interactions among all public officials in the different spheres of government (the University of Pretoria, n. d.).

In federalism, a sub-national or constituent unit of governments entitles differently as states, provinces, cantons, lenders, etc., at the regional level and local governments at the grassroot level with small jurisdictions. The numbers, identifications, and power of constituent units are given by the agreement or decision of political forces while constructing the federal constitution. Hence, such political decisions are subjugated as per one or more grounds as geo-historical continuity, economic necessities, and socio-culture identity. Though, size in terms of population and geography is relevant to the number and capacity of constituent units with implications for IGR in federalism, other factors are also at work since it's a matter of different types of federalism. For example, "there is no neat correlation between size and the number of constituent units in the federations. Switzerland is composed of 26 constituent units, while Brazil, with a territory more than 200 times larger, has 27" (Poirier and Saunders, 2015: 444).

Federal countries of the world have varied in characteristics due to their historical circumstances. The forms of coordination and cooperation of those countries' central and constituent units are different. Some federal countries have explicit constitutional mechanisms for resolving disputes and enhancing the legislative relations and

constitutional order between the national and sub-national governments. Most federal systems did not formally include the need for sub-constitutional and informal arrangements for intergovernmental coordination and cooperation. Even, in the early stage of the federal system in the US, Canada and Australia they did not have any constitutional mechanism to manage the IGR (Krane and Leach, 2007). They would operate virtually autonomously in the policy spaces allocated to them by the role and responsibilities designated in the constitution. In addition, many federal systems have built their mechanisms within their constitution-making, which makes it difficult to amend the constitution. Hence, it has been common for modern federal systems to develop informal IGR in response to their unique circumstances such as the changing political, economic, and social realities are less likely to be addressed by the formal constitutional amendments. Instead, there is a growing reliance on accords by intergovernmental agreements and laws (Fenna, 2012). However, without cooperation and interactions, no government could perform well in their jurisdiction mentioned in the constitution.

The initial and official structure of a federal system, interdependence and interaction between orders of government is inevitable. IGR is means and process through which interaction takes place. More prosaically, IGR is the “oil in the machinery” of federal systems (Belser, 2020). Through IGR, national and sub-national governments share experiences, exchange information, redistribute resources, negotiate, and implement cooperative arrangements for their constitutional responsibility and jurisdictions. This interaction takes place through a wide range of institutions and processes. In this perspective, Jonanne Poirier (2018) defines IGR through the symbolic words as ubiquitous, idiosyncratic, opaque, and essential. In short: IGR is ubiquitous: except in the most centralized federations, hardly any policy area is immune from intervention by multiple orders of government. They are, in a sense, part of a “federal destiny”. IGR is idiosyncratic: despite commonalities, cooperative mechanisms and processes adapt to the particularities of every federal system, depending on history, timing, socio-demographic reality, the form of government, federal design and legal culture. IGR tends to be opaque: while some institutions are highly visible, a notable portion of relations between the orders of government (and of those that increasingly include third parties) develop informally behind closed doors (or private electronic conversations). IGR reinforce the executive branch(es), sometimes allowing executives to do together, with little parliamentary scrutiny, effective judicial review or media analysis, what they might not get away with when acting in their respective legal orders. In conclusion, IGR is essential: the unavoidable “oil” in any federal machinery,

but one that can generate serious challenges to transparency, accountability, the rule of law and democracy.

Ideal Principles of IGR

As stated in 'Intergovernmental Relations on Federal System' following are the ideal principles that should guide IGR in the federal system. 1) Effectiveness – IGR must be established so that they can achieve policy objectives that have been set (and so that there is the capability of avoiding duplication and overlap). 2) Transparency- Effective information about policy objectives and decision-making must be in the public domain so that there is clarity around the bases for decisions and actions as well as greater pressure brought to bear on governments to maintain the federal reform agenda and be accountable for the progress and outcomes of reform. 3) Accountability- Governments must be subject to appropriate checks and balances to ensure their actions and decisions are scrutinized and justified. 4) Efficiency- IGR must be capable of achieving objectives promptly free from political capture or stalling, and against a long-term vision. 5) Independence; actions and decisions must be free from undue influence from political or private interests (Business Council of Australia, 2006).

According to Deil S. Wright (1982), there are three models in Intergovernmental Relations (IGR): Inclusive Authority, Coordinate Authority, and Overlapping Authority. Robert Agranoff and Radin Beryl discuss Deil Wright's third model as the overlapping authority model of IGR. This model provides a new way of depicting those relationships and a conceptual basis for moving beyond static views of the field. They examine the overlapping model on policy development, program relationships, and administrative practice among the federal units of government (Agranoff and Radin, 2015). The fullest exposition of the concept may be found in the study of Deil S. Wright (1988) in his book 'Understanding Intergovernmental Relations'.

IGR can be defined as bilateral or multilateral as well as formal or structural and informal or ad hoc. There are several different dimensions to IGR that provide the basis for subsequent analysis of IGR institutions and processes. These include vertical, horizontal, and sectorial dimensions, as well as the degree of formality with which IGR is carried out (Phillimore, 2013).

Taken in its widest sense, "Intergovernmental Relations" is a dimension of the practice of federalism. Modalities of interaction between orders of government in a federation include cooperative institutions and processes (e.g., consultation, co-decision, and coordination) as well as more conflictual processes of tension, collusion, competition, control, and even coercion. Understanding the politics of federalism as

played out behind formal structures and rules is undeniably essential to understanding a particular federal system. Both cooperation and confrontation are affected by many factors, including history, geography, and culture, as well as ethnic, religious, and linguistic diversity. They are also driven in some federations by a vertical or horizontal fiscal imbalance or inequality in natural-resource distribution, among other factors (Poirier and Saunders, 2015).

Different Dimensions of IGR

Wright (1988) identifies five important dimensions of IGR: (1) the number and types of governmental units, their legal status, and changes over time; (2) the number and types of public officials by jurisdiction and unit, their backgrounds and training, the attitudes and perceptions of their roles and responsibilities, and the actions they normally pursue; (3) the patterns of interaction among and between officials representing various jurisdictions and governmental units; (4) the range of involvement by all public officials—elected and appointed, national and local, executive, legislative, and judicial—especially in the formulation of policies and programs that have an impact on more than one unit; and (5) the policies and programs implemented through intergovernmental arrangements with particular concerns about administrative discretion by official and by unit, control over and flow of fiscal resources, and differential effects of policies and programs delivered via different intergovernmental routes (Cited in Krane and Leach, 2007: 492).

As per the above-mentioned discussion, different dimensions of IGR can be summarized as follows:

Vertical Relations: Relations between the governments designed by the vertical lines. In federalism, the interaction between center and sub-national governments is the vertical relation.

Horizontal Relations: Governments that operate at the same tier have horizontal relations. In central government bodies, the executive, legislature and judiciary can interact in between two organs or more for carrying out their roles and responsibilities. Likewise, two or more provincial or local governments may keep such relations for policy making, its enforcement and resolving the conflicts.

Bilateral Relations: Relations between two governments is defined as bilateral relations. For example, the federal government and provincial government may talk and reach a conclusion for managing a conflict between them.

Multilateral Relations: When more than two governments take part in meeting for their common interests of responsibilities this is an example of a multi-lateral

intergovernmental forum. Such relationships exist among the three tiers of federalism for enforcing their concurrent jurisdiction.

Formal and Structured Relations: The constitution and the laws may mention the provision of a formal mechanism or structure for forwarding the relations and interactions between national and sub-national governments. For example, the Inter-provinces Council or other constitutional or legal mechanism may join the summits with regular, scheduled, clear issues and agendas.

Informal and Ad hoc Relations: If there is no constitutional or legal provision for formal structure and its scheduled processes for regular summits in between or among the governments then they forward their relations as informal and ad hoc. In such relations intergovernmental meetings take place less frequently; and only take place when considered necessary, and often with a more unpremeditated approach. It also refers to the informal conversations and interactions between heads or officials of the federal and provincial government or the provincial and local government.

It has traditionally focused on the formal structures and institutions of IGR, those connected with the financial arrangements between the levels of government (Painter, 2012). The term “Intergovernmental Relations” suggests the aspect of federalism “as it is lived” in federations. Understanding the workings of these relations is the key to mapping out the healthy functioning – or lack thereof – of a federal system (Saunders, Poirier, and Kincaid, 2016). The modern state has various roles and responsibilities designed by its constitution and legal provisions. Different levels of government and their interrelations mechanism further the explanations mentioned in the state’s law. Beyond the financial, they should have interrelation in policy making, administration, and others. IGR also involves extensive informal processes of exchange and interaction (Phillimore, 2013). These relations incorporate both ways where conversations take place in the formal method as institution or machinery and the informal method as processes and practices. Exchanging the experiences, information, policy, and decision-making, and means to resolve the ongoing conflict and disputes are the major contents of IGR.

2.1.3. Some Relevant Cases

South African Case

The South African constitution has mentioned three spheres of government, namely national, provincial, and local. The principles of co-operative government and IGR recognize the interdependence of the three spheres of government in South Africa, which are distinctive and interrelated, and place a duty on the spheres of

government to respect each other's powers, functions, and institutions and to inform each other of new policies (Phillimore, 2013). The national sphere of government consists of the parliament and the presidency at the center. The provincial sphere of government consists of the nine provinces with elected governments. Provincial governments also include a premier and a provincial legislature. The parliament and the provincial legislatures are elected based on proportional representation. The local sphere of government comprises of two hundred and eighty-three municipalities. Municipal councils are elected through a mixed system of proportional representation and direct elections. Provinces have a limited set of exclusive functions and limited revenue-raising powers, but five percent of the total provincial revenue comes from national transfers. Most provincial functions are concurrent national functions, and these include major social services such as education, health, and social welfare. The constitution sets out principles of cooperative government that protect the status and functional integrity of the spheres but bind them to obligations to work together openly in good faith, resolve their disputes through political dialogue, not court action, and coordinate their activities in the interests of coherent government for the country. The constitution requires mandatory national legislation to provide a framework for the conduct of intergovernmental relations and the resolution of intergovernmental disputes (Powell, 2010: 8-9).

To deliver government to the nation through cooperative means, different states may have their distinct bases. So far, in the South African case its constitution sets the four requirements in section 41(1)(c): effective government, transparent government, accountable government, and coherent government (Layman, 2003). For acquiring these functions and performances, South African Constitution has mentioned IGR among the national, provincial, and local governments. Accordingly, the section 41 of the Constitution of the Republic of South Africa, 1996 (Act 108 of 1996), for promoting the principles of cooperation and IGR, governmental institutions and departments involved with conservation management are encouraged to interact and co-operate with one another in mutual trust and good faith and these interactions are called IGR. Hence, section 41 (2) of the Constitution stipulates that an Act of Parliament must establish or provide for processes, structures, and institutions to promote and facilitate IGR and provide for appropriate mechanisms and procedures to facilitate settlement of intergovernmental disputes (Phillimore, 2013).

De Villiers (1994:435) identifies the 'Legislative, Judicial and Administrative intergovernmental relations as the examples of co-operation to be considered for South African purposes'. The considerable debate occurred as to whether a democratic

South Africa should be constituted on lines, the 1996 Constitution adopted three-level federal structures on the principles of “distinctive, interdependent and interrelated” spheres of governments. South Africa adopted the “Cooperative government” of German model in its federalism (Simeon and Murray, 2001). This model emphasized concurrency, provincial delivery of national policies, and provincial representation at the center. In South African federalism, implementing this mode of new institutions, actors, and processes, has proved difficult. It is because the governing party strongly favors a relatively centralized polity, and provinces and local governments have weak political-administrative, and fiscal capacities (Simeon and Murray, 2001). The analysis concludes that while the new system has become well established in a short time, its long-term success in promoting the values of democratization, effective governance, and conflict management remains uncertain.

Ethiopian Case

When it comes to the Ethiopian federalism, the state powers are divided between federal and the nine regional state governments, along with the residuary powers which are left to the regional states. Both levels of government have a distinct executive, legislature, and judiciary. Under this framework, both federal and regional states are autonomous with their respective power and act independently in discharging their constitutional duties. Both federal and regional governments are expected to act together with possible delegation either horizontally or vertically (Birhanu and Kebu, 2019). Though, the principle of “mutual respect” between federal and state governments and the “rule of non-interference” in one another’s affair is recognized (Wondirand, 2014), there is no specific institutional mechanism for mentioning and enhancing the IGR in the constitution. Besides good faith, the Ethiopian constitution has not mentioned any explicit provision for dealing with federal-regional and inter-regional governmental relations. Though it is of vital importance to maintain core values of federalism by overcoming the possibilities of overlapping jurisdictions and intergovernmental disputes, there is no specific reference to intergovernmental cooperation. It does not expressly state the obligations of the respective levels of government in preserving the constitutional order (Afesha, 2015; Birhanu and Kebu, 2019). There are, thus, both the legislative and institutional gaps in intergovernmental relations, which should have been established with an explicit aim of facilitating cooperation. Because of this, there are weak and informal means of intergovernmental relations mainly through having mere representatives in the HoF to deal with matters of common concern, interrelation based on some selected sectorial regimes, and partisan system between federal-regional governments (Birhanu and Kebu, 2019).

The Canadian Case

Canada has a governmental system which can be classified as a decentralized federal parliamentary democracy. According to Wheare (1967: 20), the Canadian constitution appears to be quasi-federal in nature. The government comprises of the central government and the 10 provinces as well as two northern territories with the majority of the population living in Ontario and Quebec. Canada incorporates a unique characteristic in its approach since it includes a huge French speaking population, concentrated largely in Quebec. The Canadian legislature consists of two houses, which are, the House of Commons - the lower legislative chamber and the Senate which serves as the highest chamber. The Prime Minister of Canada is the leader who together with various ministers form the executive arm of the government. The Prime Minister is additionally capable for selecting a cabinet.

Herperger (1991: 4) notes that Canada is perhaps the most innovative nation because its federation represents the first attempt to combine federalism with a system of a responsible parliamentary government. This combination was embraced by Australia and the Federal Republic of Germany (although with a few minor modifications). Herperger highlights a few of the areas where Canada can be credited as the trailblazer, as a constitution that relegates legislative powers (federal, provincial, and concurrent).

The common residual power is relegated to the federal government instead of the provinces. This can be differentiated to the hone of all other alliances other than India and as of late, Nigeria. The conveyance of powers is extraordinarily marked by the consideration of a few federal governments' one-sided powers, where it can overrule provincial powers. A few examples are the powers of reservation and disallowance and the revelatory control, most of which have not been utilized within the past few decades (Herperger, 1991-4). The final drift highlighted by Herperger (1991: 4) was embraced by the Constitution of the Republic of South Africa (1996) in sections 100 and 138. Although nonexclusively, the rule of subsidiary applies, which infers those choices be taken at the lowest level conceivable. These sections center on political supremacy of higher sphere of government over the lower sphere. This implies that the higher sphere of government makes arrangement, and the lower sphere carries out the execution of such arrangement. Moreover, such supremacist qualities involves the mediation into the lower level of government by the higher sphere, in case of the lower sphere's inability to perform ideally.

The multi-cultural nature of the Canadian society is a contributing factor to the smooth adjustment of the federal form of government as "federalism makes the

required for competition and they require for its control through compromise” (Hague & Harrop. 2001: 206). The need for a coordinated society has been the catalyst, in improving at a much faster rate within the space of intergovernmental relations.

This kind of agreeable government stresses interdependency. There are times when agreeable federalism needs to come to terms with the competition between different partners. Gagnon (1994: 136), contends that for a long time Canadians have applied some measure of political asymmetry but have been hesitant to move past to protected asymmetry. Thus, Canadians except for Quebec have subsequently tended to see deviated courses of action as an instrument that advances a set of unfair practices or set of benefits that’s not amplified to others. This has driven to a few pressures within the intergovernmental relations setting. Given the constitutional order to advance participation, compelling administration requires solid IGR components which can enable the state and the central government to work together to create approaches that all can concur to. In Canada, this can be known as executive federalism (Hague & Harrop. 2001: 207).

The American Case

The drafters of the American Constitution cleared out the multi-layered legislative framework within the United States of America. They recognized the requirement for an arrangement of governments more specifically in contact with the individuals and more definitely adjusted to their needs. Thus, only a limited number of functions, such as the management of currency, raising an army, diplomatic and foreign policy, and waging war were reserved for the Federal Government (Glick, 1989 : 1). The Federal Government is additionally able to direct interstate commerce and through this device, has gotten to be within the twentieth century progressively included in the withdrawn direction of social and commercial exercises throughout the federation. Outside the framework, the states are free to govern their communities as they see fit. Consequently, they have some authority over the form of local government within their territories, as well as elements of civil and criminal law, policing, public works, education, and planning (Chandler, 1993 :138).

Ferguson and McHenry (1971:740) state that the local government is not enshrined in the Federal Constitution. The exclusion is clarified by the desire that their foundation and control was a state duty. Lawfully, local governments are seen as arms or offices of the states and, thus, are subject to the same constitutional prerogatives and prohibitions. Rassel (1995: 135) includes those connections between state and local governments, characterized by the constitutions and laws of the states in which

the local specialist is arranged. The Federal Constitution remains silent on the issues of the local government. According to Ranney (1992 : 566) and Wright (1995 : 99), the provisions of the written Constitution of the United States and their associated customs and usages add up to a constitutional system that has three distinctive features, namely, federalism, separation of powers, i.e., the constitutional division of governmental power among separate legislative, executive, and judicial branches, and judicial review.

Institutions such as the Presidency play a major role. The major roles are fiscal policy, including control of expenditure, taxation, and their use to accomplish social needs. The closely related function are economic planning, coordination of agencies, personnel policy, liaison with the legislature and the public, administrative organization investigations of the sphere of advisable government operations as well as both long and short-range planning (Griffith 1983 70- 71). Chandler (1993: 149) writes that the Federal Government has an impact on local policy-making through grant aid programs, although President Reagan's attempts to return to dual federalism somewhat curtailed this channel of influence. Nevertheless, there are numerous categorical grants still conveyed directly to local government which requires the recipient to follow the instructions enclosed with the funding parcel. Walker (1991: 119) adds that, "In 1980 President Reagan managed to reduce the federal government's intergovernmental role, to devolve various federally-aided programs to state and local governments, reduce the heavy reliance on the traditional federal-state partnership with a scrapping of the multiple federal sub-national governmental relationships and, in general, reduce governmental activism at all the levels of government, state and local as well as federal".

In terms of intergovernmental relations, Chandler (1993: 150) suggests that those limitations on local government came not from the Federal Government but instead from the states. Lawfully, local governments are made utilizing the constitution of the state in particular or common state enactment. Domestic run show charters allow the bigger districts or cities, significant independence and powers over their exercises and are more prohibitive for smaller communities. However, the states have ended up a vital source of local subsidizing by giving an expansive cluster of categorical gifts, which in turn, disintegrates the capacity of local specialists to raise their funds.

The Australian Case

Australia is made of six previous colonies which came together to make the quasi-sovereign Commonwealth of Australia. The main reason behind this was that

Australia, at that time, existed as a geographical space and not fundamentally as a nation that tenants had estimations joined to Federalism. In this case, Joske (1971: 34) mulled over, that federalism comes about when independent political communities come together and settle to create a common government. They accomplished this by coming together but without wanting a total union, subsequently protecting a few degrees of independence. This arrangement of the Australian federation had a sizeable number of individuals who were of British descent who favored a type of bound together structure that they had the same dialects, ancestry, and traditions.

The Australian constitution came into presence in 1901 with a pleasant control dissemination component that permitted for some degree of political independence. Just like the American constitution, the constitution of Australia permits the dissemination of powers among the organs of government. Nevertheless, Joske (1971: 38), comments that the contrast between the Australian and American frameworks lies within the acknowledgment of the sovereignty and indivisibility of the Crown throughout Australia and the framework of capable government beneath which the priests of the Crown are straightforwardly mindful to the parliament, recognizing that these were determined from the British standards of government. There are similarities between the Australian and Canadian government systems as famously said by Herperger (1991: 4) when he contends that Australia is additionally administered by a parliamentary framework, but its system is interesting within the sense that it has given for the appointment of administrative specialist from the states to the federal government. Whereas the concentration of remaining powers at the center was rejected by the originators of the Australian constitution. However, there has been a noteworthy move within the way of centralization particularly to financial powers.

Australian states can raise their income locally, even though they have ended up so much subordinate on the center, epically on monetary assets, a circumstance which has made the central government indeed more effective. Hague and Harrop (2001: 207) note that almost 60% of the states' income comes from the federal government. Whereas the issues of financial revenue sharing shows that the relation remains complicated and tricky. Other challenges still complicate the relationship between the federal government and the states. For example, a few have contended that in Australia, the choices of the High Court have favored the center to the point where a few respect federalism as having been maintained more by political convention than by the constitution (Hague & Harrop. 2001: 208).

The Australian constitution may have clauses that endeavor to advance correspondence revered in it but Mullins and Saunders (1994: 46), contending that the

Australian constitution, has been criticized for not articulating what can be the expected goals of the people joining together to form a new nation. This could be substantiated by the truth that this structure does not have an introduction in it. In this way, this appears that the relationship between the Australian federal/central government and its states is not well defined. This uncertainty may lead to the mishandling of control by the central government particularly in cases where there could be a covering ward. These scenarios are different to the South African model of IGR.

Indian Case

Intergovernmental relation in India have been by and colossal an issue of “executive federalism” rather than “legislative federalism” which, through Rajya Sabha, never got off the ground. At the same time, there has been no veritable effort to go over this house as a truly federal moment chamber. The components of intergovernmental relations cannot only be a matter of formal constitutional provisions. The relations of greatness and possibilities are not amiable to envisioning and directing through an inflexible legal process.

The nature of the issues demands for adaptability and flexibility to changing conditions and the targets set by the two orders of the government. This can be plentifully illustrated by the Indian encounter in this respect. The government of India have shown diverse approaches at distinctive focuses in time to Article 263 of the structure for the foundation of an Inter-State Council (ISC) in case it shows up to the President that such a body would encourage open interface as well as advance concordant intergovernmental relations. From 1950 to 1990, the primary five Prime Ministers did not shape the Inter-State Committee beneath this constitutional mandate and favored non-constitutional bodies just like the National Development Chamber (NDC) or advertisement hoc between intergovernmental conferences like Chief Ministers’/ Ministers’/ Secretaries’ conferences. It was in the year 1990 that Inter-State Committee was set up by the primary consolidation government in modern Delhi shaped by a gathering of non-Congress parties who called themselves the National Front (NF) beneath the Prime Minister’s transport of Janata Dal’s V.P. Singh. India commenced drawing up a constitution when the nation became free from British colonial rule in 1947 and the process was completed in 1950 (Maheshwari, 2003:42, 129). The Indian structure is devoted to encouraging a sovereign, democratic republic committed to justice, freedom and equality. .

The drafting committee of the constitution guaranteed members that India might be a federal state because it fulfills the necessities of a federal system. The constitution

segments the legislative and executive authority between the middle and the units (Chauhan, 2010:37).

India had to consider issues of colonial fracture to reach the choice to guarantee solidarity, multi-level administration, and arrangement of seven union domains. The Indian government is made up of 28 states and seven union regions (Commonwealth Secretariat, 2004:8). Although the Indian structure is the oldest, its IGR framework is successful as advancing as the one of South Africa. India sanctioned the 73rd and the 74th Correction Acts in 1992 and implemented it in 1993. Agreeing with Chauhan (2010:44), these revisions have given statutory acknowledgment to a three-tier framework of administration: Centre (Union government), State level (State Government) and local level (local government). The corrections were concerned with raising the status of the chosen bodies and setting up area arranging committees (Commonwealth Secretariat, 2004:158).

Radin (2007:368) states, institution instruments as counting formal parts and connections, designs of authority, and leadership. Institutions help with affirming a frame of government, IGR framework, and co-operative government that a nation seems to have received. To find a setting of IGR inside the system of the government of India, a mimicked structure of government is worth a brief examination. The beginning of a sense of political integration and regulatory unification was received amidst the British rule since 1835, which finished within the appropriation of a Westminster-type government, running the show of law. The parliamentary popular government and the authoritative frameworks are a British bequest (Maheshwari, 2003:25). Not at all like in South Africa where the express 'spheres of government' is utilized (Require, et al., 2001:5); in India 'tiers' of government is utilized to allude to levels (Buddy, 2003:1830).

2.2 Fiscal Federalism and Related Issues

A study conducted by Professor George Anderson shows that central government of Switzerland and Canada collect 45% of the total revenue, United States collect 54%, Belgium, India, Austria, Australia, Germany, and Spain collect 60 to 75% of the total revenue, whereas central governments of other federal countries such as Argentina, Malaysia, Mexico, Nigeria, South Africa, etc collect 80% of the revenue. Central government expenditure is lowest in Belgium, Switzerland, Canada, and Germany, which is about 30-40% of the total spending. Central spending in Austria, Australia, Argentina, Brazil, India, Mexico, Nigeria, Spain, Russia, and the United States ranges from 45 to 60%. Similarly, the central government's transfer to the local government in Switzerland, United States, and Canada lie between 13 to 26%, whereas it is about 23 %

and 30 % respectively in the case of Russia and Malaysia. The central government of Germany transfers about 44%; India and Australia both transfer 46% to the constituent units. The Central governments of Nigeria, Mexico, and South Africa contribute the largest intergovernmental transfer, which is about 87% to the local bodies. Thus, a large share of local government expenditures of those countries is funded by the central transfer (cited in Budhathoki, 2013).

Budathoki (2013) has reviewed the then Local Self Government Act (LSGA) 1999 and revenue assignment, expenditure assignment, intergovernmental fiscal transfer, and budgetary practices of Nepal existed before the federal set up. As per LSGA 1999, VDC and municipalities were allowed to impose different types of taxes such as house and land tax, land revenue and tax or malpot, haat bazaar tax or local market tax/ shop tax, vehicle tax registration, etc. Internal revenue sales and grants are the main sources of income of the VDCs, which also received grants from GON, DDCs, and donor partners (DPs). As per the revenue sharing principle, 25% of the tax collected from the land tax should be distributed to the DDCs, which were entitled to levy tax on roads, paths, bridges, irrigation, ditches, ponds that are constructed or maintained by them. Similarly, they could also levy taxes on account of natural resource utilization. In addition, the DDCs could levy non-taxes as fees. They were entitled to levy different types of service charges for providing various public services to the people and could earn from the sale of their property. Of the total tax collected from export and sales incomes from natural resources, 35-50% would have to transfer to the concerned VDCs and municipalities as stated in LSGR, 2000. Each VDC received a minimum of 1.5 million rupees on an annual basis. On the other hand, additional grants were assigned to the local bodies on the various formulas. For VDCs, different variables and indicators were considered such as population, cost index, and area; for the municipality: population, area, ratios of administrative expenses, and internal revenue were considered and for DDC: human development index, population, area, and cost index were considered. For VDC level unconditional block grants, 60% weight was given to the population; similarly, 60% weight was covered by the population in municipal level unconditional block grants. However, 20% weight was given to the population in the case of DDC level block grants. About 50% weight was assigned to HDI. (Bhudhathoki, 2013).

LSGA devolved the various roles and responsibilities to the local bodies. In addition, the central government also used to assign the various roles to the LBs through the annual budget each year. The major areas devolved to the municipalities and VDCs as per the act were drinking water, education, agriculture, sports, irrigation, tourism and cottage industries, infrastructure and transport, public health services, language

and culture, human resources development, forest, and environment protection, implementing the cooperative movement, public health services, language culture, etc. Likewise, following responsibilities such as rural drinking water, hydropower, agriculture, agriculture road and transportation, land reform and land management, cottage industry, health services, tourism, information and communication, river control etc. were assigned to DDCs. He has concluded that despite sound decentralization policies, it could not be effectively implemented due to unclear delineation of the expenditure and revenue responsibilities to the local bodies, creating ambiguity in undertaking fiscal responsibilities. Because of poor coordination between central and local levels, the decentralization and power devolution [was] remained only in words and not in practices (Bhudhathoki, 2013). It is recommended that regarding fiscal federalism, how the expenditure assignments including the tax, intergovernmental transfer, and natural resources contributions are made between the different tiers of governments or constituent units are considered important. Based on international experiences, expenditure responsibilities are normally assigned to the state or local governments because they are closer to the local people, and they understand better the taste and needs of the people. Allocating tax to different layers of governments should ensure equity, efficiency, and stability. Taxes and resources which have a base extending over the whole country, and which affects the economic life of the whole nation should be included in the federal list, and other taxes on the individual states and the impacts of which seldom go beyond the boundaries of a state should be allotted to the state's governments. For instance, custom duties, corporate income tax, natural resource tax, excise duties, etc. normally should be imposed by the central government. While land tax, user charges, poll tax, etc. should remain with the local or state governments. Sometimes, some of these taxes can be jointly imposed by federal and state governments. (Bhudhathoki, 2013)

Fiscal federalism is concerned with the division and sharing of public sector responsibilities among different tiers of government with proper alignment of fiscal instruments among these governments. To determine optimal jurisdiction authority in shaping the inter-governmental fiscal relations, political considerations, economic factors, and historical events have to be taken into account that influence the design, adoption, and implementation of federalism (Mainali, 2017). The constitutional provisions define the framework of fiscal federalism within which the state of economic development, the pattern of income and resource distribution, fiscal transfer and bailouts, grants, borrowing, and the institutional capacity of the federal system are devised. The constitution has adopted the globally accepted principles of

fiscal federalism. As stated in Article 228 of the constitution, the local government is empowered with the authority to impose a tax for generating income and has access to loans from financial institutions prescribed by the law. Such functions of the local government should not have adverse effects on the national economic policy, capital and labor market, free transportation of goods and services, and fiscal policies of the neighboring provinces or local levels (Mainali, 2017).

There is also a provision of Local Consolidated Fund in every Village Council and Municipality in which revenues received from various sources, grants, and loans received from the federal government and provincial government shall be deposited. Furthermore, the central government is assigned to collect revenues from various sources like customs duty, Value Added Tax (VAT), excise duty, corporate income tax, and personal income tax which comprise around 80 percent of the total tax revenue. Likewise, the major sources of revenue for province and local level governments are entertainment tax, advertisement tax, and registration charge for land and houses. Whereas property tax, land revenue, vehicle tax, business tax, and house rent tax come under the jurisdiction of the local level. Similarly, all three levels of government can collect certain service charges and fines, and penalties concurrently (Mainali, 2017).

Fiscal federalism deals with fiscal responsibilities like expenditure assignment, tax and revenue assignment, inter-governmental fiscal transfers (subsidy), and sub-national government borrowing that are shared among central, state, and local governments. As per constitutional provisions mentioned in Article 60, the Government of Nepal shall make necessary arrangements to equitably distribute the revenue generated by it from its sources, transparency in the distribution of fiscal equalization grants to province and local level entities based on their expenditure needs, their capacity in generating revenue and the efforts made by them. The local governments can understand the needs and preferences of local people and are directly accountable to them. The direct involvement of people in formulating plans and policies to estimate resources, revenues, and reserves helps in effective fiscal management. Such action helps to reduce risk and uncertainties through the equalization system, mutualization of risk, and inter-governmental cooperation. As Nepal's economy is highly reliant on indirect taxes, international trade taxes, external grants, and persistent fiscal deficits, it is a very challenging issue to devolve the concentration of fiscal decision-making power from the federal government to the provincial and local government (Mainali, 2017).

Professor Madan K. Dahal (2018) has suggested that the process of allocating revenue and expenditure responsibilities among levels of government presents an

economic and political dilemma for all countries. This creates two basic problems: vertical and horizontal. According to him, five basic criteria must be considered in designing and choosing the revenue allocation options: revenue potential, economic efficiency, equity, administrative feasibility, political acceptability. There is a common agreement among public finance practitioners that central government should primarily be responsible for stabilization and distribution functions, while both provincial and local governments should be responsible for allocation functions. Accordingly, tax base and tax power authority should be generally allocated as follows: (i) Taxes suitable for economic stabilization should be retained at the central level, while local taxes should be cyclically stable; (ii) Progressive taxes suitable for income redistribution should be retained at the central level; (iii) Unequally distributed tax bases should be taxed at the central level to avoid exacerbating regional disparities; (iv) Local governments should tax those revenue bases having low mobility between jurisdictions to minimize regional distortions and tax exporting, and (v) Benefit taxes and user charges should be used by both central and local government levels. Based on these broad guidelines he has suggested the following indicative distribution of revenue bases by levels of government: a) Central Level Revenue Sources: Corporate income taxes, personal income taxes, international trade taxes, natural resource taxes, value-added tax (VAT), excises, user charges; and b) State & Local Level Revenue Sources: Property taxes, payroll tax, retail sales taxes, vehicle taxes, excises, user charges (Dahal, 2018).

The 2016 edition of *Fiscal Federalism* (OECD & Korea Institute of Public Finance [KIOPF], 2016) has analyzed the different issues of fiscal federalism and decentralization of OECD countries and proposes reform options in intergovernmental fiscal frameworks and sub-central public finance. The policy issues that it addresses are of structural and macroeconomic nature, covering both the spending and the revenue sides of the budget. It finds that, although the OECD area is more decentralized for more than two decades ago, decentralization has also become more unbalanced. While sub-national jurisdictions account for 32% of government spending on average, only 15% of tax revenues accrue to them, which increases the importance of intergovernmental transfers.

However, sub-central tax autonomy – the power to determine tax bases and rates – has also grown. Recurrent taxes on immovable property are on the rise and, more than 20 years on, have overtaken income taxes again as the biggest sub-national tax source. Sub-national governments are responsible for almost two-thirds of public investment – a share that has risen slightly over the last two decades, even defying the

tight budget constraints after the 2008 crisis. While sub-national debt rose rapidly at that time, it is now generally evening out, although persistent rises in some countries' levels of debt could be a cause for concern. Many countries have decentralized spending responsibilities and widely fund them through intergovernmental transfers. While equal access to public services is the most common rationale for such grant systems, they are generally much larger than that required by equalization (OECD & KIOPF, 2016).

Moreover, rather than smoothing out sub-central revenue fluctuations over the cycle, grants often tend to exacerbate them. Indeed, there is some evidence that they may widen rather than narrow economic disparities between jurisdictions in the long run. Governments seeking to make fiscal relations more efficient and inclusive should increase the share of sub-national governments in total tax revenue – e.g., by increasing property taxes or devolving some personal income taxation – and reduce and redesign the grant system to tie it more closely to actual sub-national needs. Sub-national governments have limited discretionary powers over a range of budget items such as education, childcare, elderly care, or transportation. Traditional indicators – like the sub-central share of total government spending – may be misleading as they underestimate the impact of central government regulation on sub-central spending. Wide discrepancies between spending shares and spending power hint at an opaque accountability in all tiers of government. Moreover, the more central government locks in sub-central spending, the more it has to help in the event of financial difficulty. Finally, in some instances, low spending power undermines the ability of sub-central jurisdictions to meet fiscal targets. Reform should focus on devolving greater power to sub-national governments over their spending (OECD & KIOPF, 2016).

In an introductory book chapter on fiscal federalism, Shah (2007) has extensively discussed the various principles of fiscal federalism. Some of the extracts from this chapter may be useful as a review of the fiscal federalism discussed below. The “assignment problem,” or the allocation of expenditure, regulatory, and tax functions to various orders of government, is the most fundamental issue in a federation. In other words, assigning responsibilities for spending, including the exercise of regulatory functions must precede the assignment of responsibilities for taxation because tax assignment is generally guided by the spending requirements of the different orders of government and cannot be determined in advance. Major highlights of the principles of fiscal federalism on the different components are as follows (Shah, 2007) :

I. Principles of Expenditure Assignment

The fiscal federalism literature provides broad guidance in delineating expenditure

and regulatory responsibilities among member units in a federation. The following principles should be adhered to while delineating expenditure responsibilities:

- a. Efficient provision of public services,
- b. Fiscal efficiency, regional (horizontal) equity,
- c. The redistributive role of the public sector,
- d. Provision of quasi-private goods,
- e. Preservation of the internal common market and
- f. Economic stabilization

II. Principles of Tax Assignment

Similarly, regarding tax assignment, the following four principles need to be adhered:

- a. The economic efficiency criterion,
- b. National equity considerations,
- c. The administrative feasibility criterion and
- d. The fiscal need or revenue adequacy.

III. Intergovernmental Transfers

Intergovernmental transfers, or grants, can be broadly classified into two categories: general-purpose (unconditional) and specific purpose (conditional or earmarked). General-purpose transfers are provided as general budget support, with no strings attached. These transfers are typically mandated by law, but occasionally they may be ad hoc or discretionary. Such transfers are intended to preserve local autonomy and enhance inter-jurisdictional equity. Specific-purpose or conditional transfers are intended to provide incentives for governments to undertake specific programs or activities. These grants may be regular or mandatory or they may be discretionary or ad hoc. Conditional transfers typically specify the type of expenditures that can be financed (input-based conditionality). These may be capital expenditures, operating expenditures, or both. Conditional transfers may also require the attainment of certain results in service delivery (output-based conditionality). Conditional transfers may incorporate matching provisions, requiring grant recipients to finance a specified percentage of expenditures using their resources. Matching requirements can be either open-ended (meaning that the grantor matches whatever level of resources the recipient provides) or closed-ended (meaning that the grantor matches recipient funds only up to a pre-specified limit).

The design of fiscal transfers is critical to ensuring the efficiency and equity of

local service provision and the fiscal health of sub-national governments. According to Shah (2007), a few simple considerations that can be helpful in designing these transfers are as follows:

- a. **The clarity in grant objectives:** Grant objectives should be specified clearly and precisely.
- b. **Autonomy:** Sub-national governments should have complete independence and flexibility in setting priorities. They should not be constrained.
- c. **Revenue adequacy:** Sub-national governments should have adequate revenues to discharge designated responsibilities.
- d. **Responsiveness:** The grant program should be flexible enough to accommodate unforeseen changes in the fiscal situation of the recipients.
- e. **Equity (fairness):** Allocated funds should vary directly with fiscal-need factors and inversely with the tax capacity of each jurisdiction.
- f. **Predictability:** The grant mechanism should ensure the predictability of sub-national governments' shares by publishing five-year projections of funding availability. The grant formula should specify ceilings and floors for yearly fluctuations. Any major changes in the formula should be accompanied by hold harmless or grandfathering provisions.
- g. **Transparency:** Both the formula and the allocations should be disseminated widely to achieve as broad a consensus as possible on the objectives and operation of the program.
- h. **Efficiency:** The grant design should be neutral concerning sub-national governments' choices of resource allocation to different sectors or types of activities.
- i. **Simplicity:** Grant allocation should be based on objective factors over which individual units have little control. The formula should be easy to understand so as not to reward grantsmanship.
- j. **Incentive:** The design should provide incentives for sound fiscal management and should discourage inefficient practices. Specific transfers should not be made to finance sub-national government deficits.
- k. **Reach:** All grant-financed programs create winners and losers. Consideration must be given to identifying beneficiaries and those who will be adversely affected to determine the overall usefulness and sustainability of the program.
- l. **Safeguarding the grantor's objectives:** The grantor's objectives are best safeguarded by having grant conditions specify the results to be achieved (output-based grants) and by giving the recipient flexibility in the use of funds.

- m. **Affordability:** The grant program must recognize donors' budget constraints. This suggests that matching programs should be close-ended.
- n. **Singular focus:** Each grant program should focus on a single objective.
- o. **Accountability for results:** The grantor must be accountable for the design and operation of the program. The recipient must be accountable to the grantor and its citizens for financial integrity and results (i.e., improvements in service delivery performance).

The recently published volume in 'studies in fiscal federalism and state-local finance series' (Eccleston & Krever, 2017) is concerned with the changing nature of fiscal federalism and federal governance in the twenty-first century. Case studies are used to understand the impact of existing federal structures and pressures and intervening and exacerbating factors, particularly the global financial crisis at the close of the first decade of the twenty-first century on fiscal federalism. The studies are found on a common theoretical and methodological foundation. Theoretically informed narratives focused on emerging trends across a range of significant federal regimes can provide both empirical and theoretical insights into contemporary federalism. Reflecting on the diversity of federal systems and practices, the book has adopted an inductive case study method that draws on recent innovations in institutional theory to generate strategic comparisons among twelve significant federal jurisdictions. They are grouped into three broad categories- 'Anglo' federations including the United States, Canada, Australia and the United Kingdom; continental European federations including Germany, Switzerland, Spain and Italy; and emerging economies with formal federal structures or less formal federalizing characteristics including China, India, Brazil, and South Africa. As the analysis in each chapter indicates, these countries exhibit considerable diversity across a host of geographic, social, cultural, and economic variables, in addition to possessing distinctive federal structures. These federal structures include unitary systems with some measure of legislated devolution (UK, South Africa), 'nested' hierarchies (China) or, conversely, entirely independent (Brazil) multi-tier systems, asymmetrically devolved structures (Italy, pre-1996 apartheid South Africa), and strongly regionally autonomous (Switzerland) or highly integrated systems (Germany), along with the perhaps classically 'dualist' federal system of the USA. Other cases such as Australia, Canada, and Spain exhibit a combination of these characteristics.

A few of the economic factors relevant to the impact of the crisis, countries with a strong natural resource base (Australia, Brazil, Canada, South Africa) or manufacturing export sector (Germany, China) fared better than diversified industrial economies

(Italy, Spain, and the USA), or those placing reliance on a specialized financial sector (the UK and also, to some extent, the USA, although Switzerland fared well due to its safe-haven status). Similarly, demographic factors also play an important part, either through the possible fiscal challenges of an aging society (for example, Australia, Brazil) or the infrastructure demands and political challenges of a large youth profile (South Africa, India). However, it is essential to note the diversity of federal systems and the associated variety of intergovernmental practices is not to deny the fact that a general trend can be observed across the case studies. For example, the widespread uptake of broad-based value-added taxation systems and ongoing reforms to those taxes continues and was observed in the cases of India, Brazil, and Australia in particular.

More generally, the issue of income and wealth inequality (both interpersonal and interregional) has come to be recognized as an increasingly serious problem worldwide, and the growing political contestation over which regions and segments of society should shoulder the burden of fiscal repair, has become a major theme in federal politics. Nevertheless, these broader trends and forces are mediated by local institutions and conditions, which help to explain the diversity of responses to the financial crisis in federal systems. The 2008–9 global financial crisis and its aftermath have demonstrated that federalism can be both a cause and a cure of democratic disenchantment and political malaise. In this sense, it is incumbent upon political leaders and the communities that they serve to work together to develop and, over time; formalize new modes of intergovernmental relations that can support efficient yet democratically accountable models of democratic governance capable of responding to the numerous challenges of the twenty-first century (Eccleston & Krever, 2017).

2.3 Intergovernmental Relation in Nepali Federalism

The Constitution of Nepal is the principal document of Nepalese political system. It has promulgated in 2015 and declared Nepal as the federal republic state. The state's power structures are divided and vested into three levels of government as federal, provincial and local. Under the local level, there are village council and municipal council and district assembly (article 56). According to the Constitution of Nepal, the district assembly is just a coordinating body among the municipal and rural municipal governments in a district level. Municipal and rural municipal governments are the major sub-national units of federal design. They exercise legislative and executive powers including some judicial jurisdictions. Federal parliament has the right to formulate the necessary laws to maintain coordination between federal, provincial and

local levels. Likewise, provincial assembly may conduct this job with related matters between Province and rural/urban Municipalities.

Besides, constitutional provision for intergovernmental relation, some other acts and laws are enacted for this purpose. Among them, Administration of Justice Act, 2016; Local Government Operation Act, 2017; Intergovernmental Fiscal Arrangement Act, 2017; Employment Integration Act, 2018; Nepal Government (Allocation of Business) Rules, 2018; and Federation, Province, and Local Level (Coordination and Interrelation) Act, 2020 are the major ones. These are the legal mechanisms for organizing the formal structures including procedures and processes in handling the vertical and horizontal IGR. These mechanisms prefer and prescribe the jurisdictions of cooperation and coordination between federal, provincial and Local governments.

Nepali federalism has adopted the formal structures and legal mechanisms to manage the intergovernmental relations in between national government and constituent units. Constitution of Nepal and other legal provisions ensure the cooperation and coordination in relationship, for concerning matters of the federal, provincial and local level. The nature of intergovernmental relation adopted by Nepali federalism is particularly formal and vertical in dimension.

2.3.1 Organization and Role of National Assembly

In parliamentary democracy, legislative known as parliament has a crucial role in policy making and formation of government at center. It is expected that the members of this institution often represent the interests of their constituency. Hence, it bridges the gap as it interrelates between federal government and their constituencies including the provincial and local level. National Assembly (NA) is the upper house of Nepali parliamentary system at federal government. It is the permanent body of legislation and constituted by the representation of provincial bases. The assembly has 59 members, among them 56 are elected based on inclusive principle from provinces (each province has 8 seats). According to the article 86 of the Constitution of Nepal, Provincial Assembly Members, and Chiefs and Deputy Chiefs of Municipalities and Rural Municipalities are the electorates for election of NA's members. Except finance bill, all bills can be tabled in the NA and the MPs can raise the issues and matters of their province and local level. Though it has no effective role in policy making as compare with the House of Representatives, it is the formal mechanism for raising the voices and interacting with federal government from concerning provincial and local level.

2.3.2 Inter-Provinces Coordination Council

Article 232 of the constitution mentions the provision for vertical and horizontal IGR among the federal, provincial and local level governments. It has formulated the 'principal of cooperation, coexistence and coordination' as the basis of the relations among the federation, provinces, and local level. The Constitution has framed the important formal mechanism as Inter-Provincial Council for settling the political disputes arising between federation and a province, and between the provinces. Process and procedure: the meeting of Inter-Provincial council is organized as per necessity. And the council itself determines the required procedures concerning the meeting. It consists of the following members:

- (a) Prime Minister - Chairperson
- (b) Home Minister of Government of Nepal - Member
- (c) Finance Minister of Government of Nepal - Member
- (d) Chief Ministers of respective Provinces - Member
- (e) Chief Secretary - Member Secretary

2.3.3 National Coordination Council

To manage the inter relations between the Federation, Provinces and Local Level an act was enacted in 2020. The act is entitled 'Federation, Province and Local Level (Coordination and Interrelation) Act, 2020'. As per its preamble the relation among three levels of government is based on the principles of cooperativeness, co-existence, coordination and mutual cooperation. This relation is maintained for strengthening the pluralism based competitive multiparty federal democratic republican governance system adopted by the country.

As per this act, the Government of Nepal may coordinate and consult with the provinces and local levels on various matters of constitution, particularly on concurrent issues mentioned in schedule 7 and 9. Such relation is maintained while formulating the national plan and policies specified in the concurrent jurisdictions and concerning the revenue allocation and enforcement of new tax system, and distribution of natural resources and its benefits.

According to the act 'National Coordination Council' shall be formed for pertaining the coordination and interrelation between the three levels of government. The Council is formed under the chairmanship of the Prime minister with the following 14 members: (Article 16);

- a. Prime Minister - Chairperson

- b. Minister of Finance, Government of Nepal - Member
- c. Minister of Law, Justice and Parliamentary Affairs, Government of Nepal - Member
- d. Minister of Home Affairs, Government of Nepal - Member
- e. Minister of Federal Affairs and General Administration, Government of Nepal - Member
- f. Chief Ministers of all Provincial Governments - Member
- g. Leader of opposition party of the House of Representative or a member of the federal parliament designated by him - Member
- h. Seven persons including at least three women nominated by the Prime Minister (based on inclusion to be representative of all the provinces from National Association of Rural Municipalities and Municipalities, and Federation of District Coordination Committees) - Member.

Functions, Duties and Power of the Council (Article 17)

- a. Coordinate between Federation, Province, and local levels on formulation of laws and policies on matters of concurrent rights,
- b. Coordinate on matters concerning national interest and concern to be implemented at the provincial and local level,
- c. Coordinate to address the complexities relating to the implementation of national plan, policy and laws at the provincial and local level,
- d. Coordinate in the formulation of laws, policy and strategies that affect inter-provincial and local level.
- e. Coordinate in relation to the implementation of the large development projects operated at the inter-provincial level,
- f. Evaluate and analyze, cause to evaluate and analyze the police, laws and plans formulated at the federation, province, and local level in course of implementation of federalism,
- g. Carry out necessary activities to maintain adjustment in the delivery of service at the federation, province and local level,
- h. Provide suggestions to the Government of Nepal, Provincial government and local government on matters relating to formulation and implementation of laws,
- i. Hold discussion and coordination as required on matters sent for discussion from the Government of Nepal, Council of Ministers, thematic committee, and

provincial coordination council.

2.3.4 Inter-Provincial Fiscal Council

Intergovernmental Fiscal Arrangement, Act 2017 mentions the formal structure of 'Inter-Provincial Fiscal Council' for advising the federation, province, and the local level to facilitate their coordination on necessary subjects of intergovernmental fiscal management. This council is formed as follows:

- a) Minister of Finance (GoN) - Convener
- b) Minister of Finance (Province) - Member
- c) 14 selected representatives from Province- Member: (1 Male, 1 Female selected by the province from among the chairperson and vice-chairperson, mayor, and deputy mayor)
- d) 3 Financial Experts- Member: (The group of experts with at least 1 female to be selected by the federal ministry)
- e) Secretary, Ministry (GoN)- Member Secretary

2.3.5 Provincial Coordination Council

As mentioned by Local Government Operation Act, 2017 and Federal, Province and Local Level (Coordination and Interrelation) Act, 2020' Provincial Coordination Council' is the next formal mechanism in provincial level. The council maintains coordination between the province and local level on subjects concerning to the functional harmonization, strategic partnership in planning and management, definition and implementation of concurrent rights, and utilization and allocation of natural resources. Any issues can be introduced in the Council for discussion if considered necessary. For establishing coordination and interrelation on any necessary issue, council can also form required committee. Council can hold essential discussion and decide the required guidelines, which should follow, and be implemented by the provincial and the local governments. As per the legal provision, the Council is formed under the leadership of Chief Minister as follows:

- a) Chief Minister - Convener
- b) Ministers (Provincial Government) - Member
- c) Chief Secretary (Province) - Member
- d) Secretary (Provincial Government) - Member
- e) Chief and Deputy Chief - Member (of District Coordination Committee within a Province)
- f) Rural municipality and municipality - Member (Chairman and Vice-chairman &

Mayor and Deputy Mayors from within a Province)

g) Secretary - Member Secretary (Provincial Ministry overseeing local level).

2.3.6 National Natural Resources and Fiscal Commission (NNRFC)

The article 150-51 of the Constitution of Nepal has mentioned the NNRFC as the formal body for allocating and mobilizing the natural and fiscal resources between federal, provinces and local levels. For obtaining these objectives the commission can coordinate, cooperate, and consult with various constitutional bodies, the Government of Nepal, government agencies in local and provincial level or public agencies. According to the Constitution, Federal government can formulate the commission for pertaining the objectives of NNRFC Act.

CHAPTER III

INTERGOVERNMENTAL RELATION IN POLICY AND PRACTICE

This chapter covers the analysis of state of implementation in intergovernmental relations in light of the existing institutional structures and their practices based on the secondary sources of information on the issues and discussion with the academicians involved in research and analysis of the subject matter. It includes the two issues: intergovernmental relations and fiscal federalism with special reference to Gandaki Province.

3.1 On Intergovernmental Relations and Related Matters

In this section the practices of intergovernmental relation in Gandaki Province is analyzed with respect to the existing institutional structures and their implementation through three column logical framework to identify the major gaps in the matter.

Article 150-51 of the Constitution of Nepal has mentioned the NNRFC as the formal body for allocating and mobilizing the natural and fiscal resources between federal, provinces and local levels. For obtaining these objectives the commission can coordinate, cooperate and consult with various constitutional bodies, the Government of Nepal, government agencies in local and provincial level or public agencies. According to the Constitution, Federal government can formulate the commission for pertaining the objectives of NNRFC Act.

Existing provisions in Constitution and law	Implementation/ Practices	Major Gaps
Formation of National Assembly based on provincial representation. Out of the 59 total members 56 (7x8) are elected as principle of inclusion.	Provincial Assembly members, chiefs and deputy chiefs of municipality and rural municipality are the voters. It is expected that the MP in National Assembly acts as per the interests of the province.	Members of National Assembly prefer their party's agenda rather than issues of their provinces to whom they represent.

Existing provisions in Constitution and law	Implementation/ Practices	Major Gaps
Federal units function and maintain their IGR through the principle of Cooperation, Coexistence and Coordination (Article 232(1)). Federal parliament shall make the laws in enforcement of this principle (Article 235(1)).	Federal parliament enacted the Federal, Province and Local Level (Coordination and Interrelation) Act, 2020. It has mentioned the provision of National Coordination Council for coordinating and facilitating in the policies and plans of several subjects among the federal, provincial and local level. Among them concurrent list, issues of national interest, mega project, interprovincial laws, etc are mentioned.	There are several subjects that do not coordinate for making policies or laws regarding the concurrent list of Schedule 6 and 9, for example, Police Act, Civil Servant Act, Forest Act, Education Act, etc. Hence, it has yet not organized its meeting, whereas there is the provision of at least a meeting should be held once in a year. It has not coordinated the issue of Kali Gandaki mega project.
Constitution of Nepal has formally mentioned the mechanism as maintaining the IGR for resolving the political conflict in between the federal and provincial and inter-provincial level (Article 234)	Inter Provinces Coordinate Council is framed under this provision and its first meeting was held on 2075 Mangsir. As per the decision of Inter Province coordination Council the Federal, Province and Local Level (Interrelation and Coordination) Act, 2020 has enforced. Model laws were drafted and forwarded by the federal ministry to the provinces and local levels for facilitating about the enact required laws in their jurisdiction (i.e. Financial Act, Gender Equity Act, Judicial Committee's Power, Functions and Duties Act, etc.)	This mechanism is not active. Beside a meeting that was held in 2075, no other meetings are organized. Hence, it has not been initiated for resolving the issue in between Federal and Province and Interprovince as well. For example, forest handover, handover of server buildings and land.
Federal government has the preferential right rather than Province and Local to enact the laws regarding the subject of the concurrent list (Article 57 (6))	Some acts including cooperative, local government operation are enacted and enforced. Likewise, some drafts of bill related with the concurrent list such as Police, Civil Servant are tabled in federal parliament.	Many other bills should be enacted by federal parliament for implementing the subjects of concurrent list as mentioned in the schedule 7 and 9 of the constitution.

Existing provisions in Constitution and law	Implementation/ Practices	Major Gaps
Residual power vested with the Federal government as the concept of centralized federalism. (Article 58)	Federal government has enacted some laws through which federal government established in its jurisdiction, whereas provincial government has claimed as its property and subject. For example, Forest, Police, etc.	Conflict has raised in between Federal and Provincial government. For example, Province no. 2 sues the cases (Sagarnath Forest Project, and Police act) in Supreme Court against the Federal government. Likewise, Ministers of internal affairs and law from six provinces have complained about provincial security and police to the Federal Minister of Home Affairs.
<p>Article 233 is oriented towards horizontal relations among the provinces. It has mentioned the provision as Province shall cooperate in implementing the legal provisions or judicial and administrative decisions or orders of another Province.</p> <p>(2) A Province shall exchange information and consult on subjects of mutual concern and interest, coordinate mutually about its tasks and legislation, and expand mutual support with another Province.</p> <p>(3) A Province shall provide equal protection, treatment, and benefits to residents of another Province in accordance with its own laws.</p>	<p>This provision guaranteed the administrative, judicial uniformity among the provinces. There is informal practice of joint meeting of Chief Ministers, which was conducted just one time on 2075 Bhadra 25.</p> <p>The meeting of Chief Attorney, and provincial ministers of internal affairs and law were held separately. Chief Minister of Gandaki official visit to Madhesh province.</p>	<p>Provinces have not enacted their horizontal relations laws. Formal and informal meeting, visit of the provincial government officials are conducted. Which are very essential to implement federalism since it's in its nascent stage.</p> <p>Province have not practiced of exchange information and consult on subjects of mutual concern and interest, coordinate mutually about its tasks. The issue of Kali Gandaki Multipurpose Project is emerging, but provinces have no formal exchange between the Gandaki province and Lumbini province.</p>

Existing provisions in Constitution and law	Implementation/ Practices	Major Gaps
<p>Provision of Gandaki Province Coordination Council for coordinating the conflict in between province and local or inter local level across the province. It also can facilitate in the complexity of law making and development projects in between and among the local governments of the province.</p>	<p>Its First meeting held on 2075-2-14, Second meeting on 2075 -8-11-12 and Third meeting on 2076 Kartik Six-point decisions were taken by first meeting. 25-point decisions were decided by second meeting. And 17 points issues were passed in the third meeting.</p>	<p>Most of the decisions are not executed. This channel can be used for law making, planning, and budgeting for enhancing the capability of the Local governments of Gandaki province.</p>
<p>Provision of Provincial Police for maintaining the law and order.</p>	<p>Gandaki province enacted the law regarding the Police, and Law and Order.</p>	<p>Not implemented this due to lack of federal police act.</p>
<p>Land and physical structure acquisition from federal. (Schedule 6, 7 and 9)</p>	<p>Provincial government has been requesting to the Federal government for extending its service delivery. Hence, it has mentioned in its policy and program at the beginning of first government formation.</p>	<p>Gandaki provincial government has demanded more than 200 titles of Land and physical structure. Only a few received from federal government.</p>
<p>To handle the Forest resource is one of the provincial jurisdictions (Schedule 6, 7 and 9).</p>	<p>Federal government revised the earlier Forest Act in 2075 and extended its authority of National Forest across the country.</p>	<p>Province and Local governments asked to the federal government to transfer this resource and right to them. For example, Sagarnath Forest Project, Annapurna Conservation Area Project are the examples of Province no. 2 and Gandaki province respectively which have conflict in between federal and province.</p>

Existing provisions in Constitution and law	Implementation/ Practices	Major Gaps
<p>Civil Servant Management Act, 2075 distributed the ratio of total staff of Nepal government into three level as 55 percent for Federal, 17 percent for Province and remaining 28 percent for Local level.</p>	<p>While staff gave priority as most of, they liked to join Federal service followed by Local and Province respectively. Now there are 59 percent staff in Federal and nominal in Province and Local.</p>	<p>Local and Province governments are the state's service delivery center. Therefore, they need more human resources. They are facing the problem of insufficient staff. Likewise, some staff those placed in Province not allowed to go back the Federal. The 85 staffs filed the case against the Federal government to not block their further carrier.</p>
<p>Province facilitates and cooperates in the legal and policy formation and complexity in implementation of the law (Local Governance Operation Act, Province Coordinate Council Procedural Rule)</p>	<p>Gandaki province initiated such programs twice. Local governments were privileged in formation of laws and preparing plans.</p>	<p>Provincial government has not initiated such programs there after which is very essential in enhancing the capability of the Local government.</p>
<p>Provincial government shall cooperate with the Local government in selecting the development plan and projects. (According to the Local Government Operation Act, 2017)</p>	<p>Provincial government selects some development plans and projects of local level as providing the grants and some are forwarded by the Provincial government itself.</p>	<p>Local governments are dissatisfied with the Provincial government as they did not coordinate and give priority to their recommendations.</p>
<p>According to the Local Government Operation Act, 2017 Local government has the right to collect the revenues from river products (stone, sands, etc.). Local government allocates 60 percent for itself and remain ing 40 percent for Province out of the total collected revenues.</p>	<p>Local governments have been using this right and released the tender in several places of rivers in their areas and collected the revenues in an increasing rate year after year.</p>	<p>According to Gandaki province only 41 municipal and rural municipals followed this rule whereas 44 local governments have not deposited the 40 percent amount for province.</p>

Existing provisions in Constitution and law	Implementation/ Practices	Major Gaps
Constitutionally Nepal has adopted the three levels of government and vested with power, role, and responsibilities as single and concurrent jurisdictions.	Federal, Provincial and Local level governments have established by the election and enjoy the power as per constitution and law.	The view of the Local governments' representatives is that province is not necessary whereas provincial assembly members state that local government should be kept under the provincial jurisdiction.
Overlapping Jurisdiction in service Fees, penalty, Radio, Health Service, Land Management, Mine, Forest, Health, Education, Cooperative, Transportation, etc (Schedule 5-9).	Ambiguity and contradiction are appeared in implementation.	Should determinate the clear jurisdictions by the decision of National Coordination Council and Inter-Provincial Council.

3.2 On Fiscal Federalism and Related Matters

Nepal's federal system is built on the understanding that the discrimination, marginalization and exclusion of minority groups, is the prime source of conflict, emanated from the 'centralized' and 'unitary' system of governance. Specifically, the federal government can support economic stability and just distribution of income through fiscal equalization, but allocation of fiscal resources should be the responsibility of provincial and local governments. Fiscal federalism is also the economic and financial counterpart of the political and administrative federal structure in any country, and it carries out the country's extractive and distributive functions. The regulatory, compliance and symbolic functions of the state are also indirectly enacted by fiscal federalism. To adhere to this norm, Nepal's Constitution has clear provisions with regard to the financial procedures of the federal, provincial and local governments. All the state functions are carried out by the existing 'public administration' at all tiers of government, and there is no other agency for achieving the country's economic development and social justices envisioned in the Constitution. Fiscal federalism is, therefore, the real foundation of both political and administrative federalism.

In this section the practices of fiscal federalism and related issues in Gandaki Province is analyzed with respect to the existing institutional structures and its implementation through three column logical framework to identify the major gaps in the matter as follows:

Existing provisions	Implementation Practices	Major Gaps
Constitutional Provision :		
<ul style="list-style-type: none"> • The Constitution has clearly provisioned for the taxation and expenditure of all three tiers of government, and states that no tax is to be levied, no loan raised and no cost incurred except in accordance with the law. • Articles 115–125 of the Constitution set out the federal financial procedure, Articles 203–213 the provincial financial procedure, and Articles 228–230 the local financial procedure • Provision of ‘National Natural Resource and Fiscal Commission’- Article 250 (1). The objective of NNRFC is to ensure just and equitable distribution of natural and fiscal resources among federal, state and local governments. Fair and equitable sharing of natural and fiscal resources among federal, state and local governments. • The Functions duties and powers of the commission, inscribed in article 251 of the Constitution of Nepal. 	<ul style="list-style-type: none"> • Various laws has been formulated such as National Natural Resources and Fiscal Commission Act, 2017; Local Governance Operation Act (2017); Intergovernmental Fiscal Arrangement Act 2017. • The National Natural Resources and Fiscal Commission (NNRFC) is a constitutional body of Nepal which is functional. • The functions, duties and powers of the National Natural Resources and Fiscal Commission shall be as follows: <ol style="list-style-type: none"> a. To determine detailed basis and modality for the distribution of revenues between the Federal, province and Local Governments, b. To make recommendations about equalization grants to be provided to the State and Local Governments, c. To conduct study and research work and prepare parameters for conditional grants to be provided to the province and Local Governments d. To determine detailed basis and modality for the distribution of a revenues between the Provinces and Local Governments, e. To recommend measures to meet expenditures of the Federal, Provincial and Local Governments, and to reform revenue collection, f. To analyze macro-economic indicators and recommend ceiling of internal loans that the Federal, State and Local Governments can borrow, 	<ul style="list-style-type: none"> • To make fully functional fiscal federalism, some additional laws or legal frameworks are required • NNRFC had been constituted after long time duration in its full capacity, not with consensus and not as expected form. It is generally perceived as federal governmental body not as constitutional body in practice. Has not yet fully functional in its expected level. • NNRFC has not taken any proactive initiatives to resolve some of the issues likely to emerge such as Kaligandaki Diversion Plan of Federal government, which is opposed by Gandaki Province, dispute on forest resources use on protected area (viz ACAP) and jurisdiction on public land use etc. • NNRFC has set bases and standard to revenue allocation between governments, fiscal equalization grants, conditional grants, which are not satisfactorily obeyed by the federal and provincial governments. Regarding matching and special grants sub-national governments are not having easy and clear access; the commission should facilitate more.

Existing provisions	Implementation Practices	Major Gaps
	<p>g. To review the bases for the distribution between the Federal and Provincial Governments of revenues and recommend for revision,</p> <p>h. To set bases for the determination of shares of the Government of Nepal, Provincial Government and Local level in investments and returns, in the mobilization of natural resources,</p> <p>i. To do study and research work on possible disputes that may arise between the Federation and the province, between provinces, between a province and a Local level, and between Local levels, and make suggestions to act in a coordinated manner for the prevention of such disputes.</p> <p>j. Carry out necessary study and research work about environmental impact assessment required in the course of distribution of natural resources and make recommendations to the Government of Nepal.</p>	<ul style="list-style-type: none"> • The NNRFC recommendations to federal government and provincial government should come into force.

Existing provisions	Implementation Practices	Major Gaps
1. Legal Provisions		
<p>i. National Natural Resources and Fiscal Commission Act, 2074 (NNRFC Act)</p> <p>ii. Local Governance Operation Act (2017);</p> <p>iii. Intergovernmental Fiscal Arrangement Act, 2074 (IGFA Act, 2017)</p> <p>iv. Finance Procedure and Fiscal Responsibility Act, 2076 (FPFR Act, 2019)</p> <p>v. Province Financial Procedures Act; Provincial Intergovernmental Fiscal Transfer Act; and Revenue Sharing Act (2020),</p>	<ul style="list-style-type: none"> • NNRFC Act elaborates the functions of NNRFC and lays out the guidelines for the management of inter-governmental fiscal transfers to address vertical and horizontal imbalances. • Local Government Operation Act defines the distribution of authority for policy formulation, determination of tax rate, collection of taxes, and local borrowing. • The IGFA Act defines the process related to the transfer of grants, revenue-sharing, borrowing, budget management, public expenditure, and financial discipline for all three levels of government. • FPFR Act, 2019 was enacted to make the financial management system accountable, transparent, and result oriented. It provides standards and guidelines for the management and operation of the Federal Consolidated Fund and other government funds. It contains provisions related to budget formulation, disbursement, expenditure, accounting and reporting of financial transactions, internal controls, and audits. <p>(These frameworks provide basis for revenue mobilization for sub-national governments. Based on these frameworks, sub-national governments prepare their own legal and policy framework such as provincial and local economic acts/policies to determine the tax-base, tax-rate, and revenue mobilization in their respective governments.)</p>	<ul style="list-style-type: none"> • The implementation of these acts on procedural matters is satisfactory. But there is no proper implementation due to limitation of capacity and behavioral practices prevailing in subnational governments.

Existing provisions	Implementation Practices	Major Gaps
2. Components of Fiscal Federalism		
<p>a. Revenue authority</p> <ul style="list-style-type: none"> • According to the constitution and laws of Nepal, Federal government, Provinces and Local levels are assigned with authority to raise revenue from different tax and non-tax revenue sources. • The revenue powers assigned to provinces include agricultural income tax, house and land registration fees, motor vehicle tax, entertainment tax, vehicle tax, tourism fees, service fees, fines, penalties, and other taxes that may be levied in accordance with provincial laws in matters under their jurisdiction. • Only agricultural income tax is under the exclusive domain of the provinces. Other revenue sources assigned to the provinces can also be levied by federal or local governments. 	<ul style="list-style-type: none"> • The authority to raise revenue through tax and non-tax sources is implemented by provinces and local level promulgating the acts following their jurisdiction. • In order to resolve this dilemma, a Single Tax Administration (STA) system has been introduced. In accordance with the IGFA Act, provinces collect vehicle tax for themselves as well as for the local levels and local levels collect building and land registration fees, advertisement tax, and entertainment tax levied by them as well as by the province. • But revenue sources are too few and the capacity to generate is also limited to the provinces and local level. According to one study (Devkota et.al, 2021) in general the provincial extraction is about 20% of the total revenue, and the local extraction is about 15% of the total income of the local governments. Over 80 to 85 percent revenue is extracted by the federal government. • There are some overlaps on business tax, entertainment tax, agriculture tax, vehicle tax, tourism tax etc. 	<ul style="list-style-type: none"> • The revenue powers of the provinces are inadequate compared to the assignment of functional responsibilities. • The Constitution itself has not granted much revenue powers to the provinces, making them dependent on federal grants and transfers, which currently account for more than two-thirds of their total expenditure. • There is an absence of clarity in the revenue powers of provincial and local levels on natural resources including in the royalties, fees, service charges, etc. collected from them. • There is a problem in the definition of agricultural income tax, the only revenue power of provinces that is not shared with local levels. • Provinces do not have functional institutions such as a tax collecting unit of their own. Their system for collection, management, and mobilization of revenue is yet to evolve effectively. Need clearly devised rules and operational clarity to avoid overlapping taxation or double taxation burden in business tax, tourism tax etc.

Existing provisions	Implementation Practices	Major Gaps
<p>b. Expenditure Assignment</p> <ul style="list-style-type: none"> • Schedules 5 to 9 of the Constitution list the exclusive and concurrent powers and functional responsibilities of the federal, provincial, and local governments. The respective level of government has the power to make expenditures in matters under its exclusive jurisdiction. • Provinces are assigned with exclusive functions including the administration of provincial police, banking and financial institutions, operation of radio, FM, and television, provincial statistics, trade and industry, provincial highways, vehicle management, and transportation(Schedule.6) • Local levels are assigned down police, cooperative institutions, operation of FM, management of local services, basic and secondary education, basic health and sanitation, local, rural and agro-roads, local record management (Schedule.8). • Provinces also share concurrent powers with federal and local levels which include cooperatives, education, health, agriculture, hydropower, drinking water, irrigation, forest, environment, mines and minerals, social security, vital registration, etc.(Schedule 8). Local level also share concurrent power with federal government and provinces on cooperatives, education, health, agriculture, utility services, disaster management, archaeology, etc. (Schedule.9) 	<ul style="list-style-type: none"> • The exclusive and concurrent powers create the basis for the expenditure assignment of provinces. • The IGFA Act mandates province and local government to prepare an estimated statement of public expenditure on the subjects under its domain for each fiscal year, including a statement of recurrent and capital expenditure as well as fiscal arrangements which is executed through the annual budget. • Province and local governments are preparing plans, policy and programs documents, and annual budgets; and implementing them with promulgating necessary acts and regulation as well as following guidelines and the practices of federal government 	<ul style="list-style-type: none"> • There is considerable duplication in functional responsibilities among the three levels of government in the Constitution itself, including in the exclusive and concurrent powers of the three levels including education, health, roads, irrigation, agriculture, etc. • Federal government has allocated budgets for small projects and found engaged in provincial jurisdiction and also the provinces replicate same behavior to local level.

Existing provisions	Implementation Practices	Major Gaps
<p>c. Fiscal Transfer/ Revenue Sharing</p> <ul style="list-style-type: none"> Articles 60 (3) to 60 (6) of the Constitution establishes four types of grants: Fiscal Equalization Grants, Conditional Grants, matching Grants, and Special Grants. These grants are provided by the federal government to provincial and local levels and by provincial governments to local levels. The IGFA Act and the NNRFC Act elaborate on the provisions for fiscal equalization grants which comes in the form of direct formula-based unconditional grants to provinces and local levels. <p>The IGFA Act stipulates that fiscal equalization grants will be made available to provinces and local levels upon the recommendations of the NNRFC on the basis of their “need for expenditure” and “revenue capacity”.</p>	<ul style="list-style-type: none"> A system of fiscal transfers is in place. Fiscal transfers are recognized as the constitutional rights of the sub-federal units. The provincial and local levels have started to receive fiscal equalization, conditional, matching, and special grants from the federal government. The NNRFC has been recommending the criteria and bases for determining the fiscal transfer system. Provinces have also started providing fiscal transfers as fiscal equalization, conditional, matching, and special grants to local levels in accordance with the law. Receiving governments are expected to abide by the conditions tied to these grants. Provinces started to receive conditional grants since 2018/19. While conditional grants made available to the provinces are decreasing, the amounts given to local levels have been increasing. Complementary grants are provided on the basis of a ratio to the total cost of a project, and are based on criteria including project feasibility, expected inputs and outputs as well as the project implementation capability of the respective governments. So far, the provinces and local levels have only received complementary grants nominally. 	<ul style="list-style-type: none"> There is a practice of inappropriate accounting of fiscal transfers. In the federal and provincial budgets, fiscal transfers are categorized as recurrent expenditure. The system of fiscal transfers has not addressed the issue of equity among provinces with a larger population and lower indicators of socio-economic development. Provinces get a nominal share of (matching) and special grants. Several local governments have been unable to provide the revenue they have collected for the provincial government on time.

Existing provisions	Implementation Practices	Major Gaps
<ul style="list-style-type: none"> • Conditional grants can be provided by the federal government to provinces and local levels as well as by provinces to local levels to implement projects on the basis of criteria prescribed by the NNRFC. • The IGFA Act states that conditional grants may specify terms and conditions in relation to the implementation of projects or activities that are to be carried out by the receiving government. Receiving governments are expected to abide by the conditions tied to these grants. • The IGFA Act provides for complementary grants or matching grants that the federal government may provide to provinces or local levels and that provinces can provide to local levels to implement projects for infrastructure development. • According to the IGFA Act, the federal government may provide special grants to the provincial and local levels and provincial governments to local levels for any specific project that enhances the delivery of basic services and helps achieve balanced development or uplift marginalized communities. <p>Article 60 of the Constitution states a mechanism for revenue-sharing and the sharing of royalties from natural resources GoN generates from all its sources between the federal, provincial, and local levels as per the recommendations of the NNRFC and that revenue-sharing will be done in a “balanced and transparent” manner. It spells out the criteria and principles for revenue-sharing which includes national policies, the financial powers and the autonomy of the sub-federal units, services to be rendered by the sub-federal units, a reduction of regional imbalances and inequality, and the revenue potential of the sub-federal units.</p>	<ul style="list-style-type: none"> • Provincial and local levels have been receiving small amounts of special grants since 2018/19. • The provincial and local governments started to receive fiscal transfers from the federal government since 2017/18. Since then, sub-federal units have received nearly a third of the federal budget and over one-tenth (11%) of the country’s GDP as fiscal transfers each year, this can be considered a good practice in federalism (Devkota,2020). • The IGFA Act provides for the creation of a Federal Divisible Fund where VAT and excise duty is collected from domestic production to be shared with all three levels of government. Out of the total amount deposited into this fund, 70 per cent is to be distributed to the federal level, 15 per cent to the provinces, and 15 per cent to local levels and it also stipulates that the federal government will get 50 per cent of the royalty from natural resources, while the provincial governments will receive 25 per cent, and local levels will receive 25 per cent. • Each year, the NNRFC recommends criteria for revenue-sharing and the sharing of royalties received from natural resources with provincial and local levels based on population, geographical area, human development, expenditure needs, revenue collection efforts, infrastructure development, and socio economic disparity. 	

Existing provisions	Implementation Practices	Major Gaps
<p>The IGFA Act stipulates that provinces shall distribute fiscal grants to local levels from what they have received from federal grants as well as from their own sources taking into account the expenditure needs and revenue capacity of local levels.</p>	<ul style="list-style-type: none"> • Provinces are providing transfers to local level upon the recommendation of the NNRFC in accordance with provincial laws. For 2020/21, the NNRFC has recommended a weightage based on the criteria of human development (10%), socio economic disparity (5%), status of infrastructure (10%), revenue capacity (5%), and need for expenditure (70%) of local levels. 	

Existing provisions	Implementation Practices	Major Gaps
<p>d. Borrowing</p> <ul style="list-style-type: none"> Article 251 (1) of the Constitution states that the NNRFC can recommend fixing the limit of internal borrowing for the federal, provincial, and local levels taking into account the overall economic indicators of the country. The IGFA Act allows all governmental units to borrow internal loans within the limits recommended by the NNRFC with the approval of the GoN. According to the IGFA the province and local level cannot take foreign grants and loan directly. 	<ul style="list-style-type: none"> Limits for internal debt have been introduced. For 2020/21, the NNRFC has recommended provinces to not let their internal debt exceed 12 per cent of their total own-source revenue and the amount received from the federal government as revenue-sharing (NNRFC, 2020b). The NNRFC also recommended that provinces may utilize internal loans so raised in activities that help capital formation and provide long-term benefits, and in which the return on investment can generate resources for loan repayment. Provinces have been recommended not to raise internal borrowing for administrative and recurrent expenditure and on non-productive sectors. 	<ul style="list-style-type: none"> Province and local levels have not been able to mobilize internal loans due to a lack of loan-related federal laws. Province and the local level have no power to mobilize foreign grants and loan for development projects in their jurisdictions. This may inhibit the proactive development initiatives in the sub-federal units.

Existing provisions	Implementation Practices	Major Gaps
<p>e. Planning and Budgeting</p> <p>• Article 59 (1) of the Constitution states, ...Province and Local levels shall make laws, make annual budget, decisions, formulate and implement policies and plans on any matters related to financial powers within their respective jurisdictions. The IGFA acts provide guidelines for the related provisions and necessary procedural matters on the planning and budgeting in province and local level.</p>	<p>• Gandaki province has formed its planning institution named 'Province Policy and Planning Commission' and has formulated and implemented its first five-year plan document.</p> <p>• Coherence is seen between federal and provincial plans and budgets, at least in principle and in objectives.</p> <p>• In the last three fiscal years Gandaki province and all local levels in the province have been practicing their annual policy and program as well as budget documents and promulgating necessary Acts for its implementation.</p> <p>• Gandaki Province has adopted budgetary guidelines, priorities, and calendars, and are generally adhering to them and Provincial governments have adopted fiscal tools like the MTEF (Medium Term Expenditure Framework) to manage budgeting and planning.</p>	<p>• Provincial plans and budgets lack clear and unique transformational policies and programs and look like the replication of national plans, appearing to be plans for planning's sake.</p> <p>• The targets of plan and budget of province as well as local level are somewhat unrealistic and difficult to achieve, and they have weak accountability mechanisms for implementation.</p> <p>• Province executes too many petty programs, mostly for securing multiyear commitments.</p>

3.3 Findings and Discussions

Nepali federalism has three levels of political unit- federal, provincial and local. For consolidating the federal system, these levels of government should have enough interactions and coordination about the functioning to their roles and responsibilities.

Constitution has divided state power as the single jurisdiction and concurrent list in its schedule 5 to 9. Federalism is a new phenomenon, where each level of government conducts its functions and gains the experiences and revises its policy for further improvement of its delivery. For discharging this task intergovernmental relations are essential between federal, province and local governments.

Provincial government has also utmost responsibility in the success of federalism. Likewise, local government should be cooperative in functioning of the laws and development project forwarded by province and federal. Similarly, federal government seems reluctant to revolute power and resources to sub-national government.

The National Coordination Council (NCC) and Inter-Province Council (IPC) are the national organizations to maintain the intergovernmental relation between federal, province and local governments. IPC organized just a meeting in 2075 Mansir under the chair of Prime Minister assembled with seven chief ministers and ministers of federal government. As implementation of the constitutional provision and its decision, federal government has enacted the 'Federal, Province and Local Level (Coordination and Interrelation) Act, 2020. Beside this, neither most of the decisions are executed nor any meeting held after that. Likewise, if conflicts and disputes arise between federal and province or inter-province then IPC initiates the resolving role. As per provisions, necessary IPC's meeting will be organized in any time as per the request made by any province for its conflict with other province. On the other side, as per legal provision, NCC and its Subject Committees shall organize their meeting regularly at least once a year. No meeting has been yet held by the initiation of these organizations, since the federal government has had the leading role. Therefore, the provision should be revised as the meeting 'should be held' at least once a year instead of 'shall be held'.

As argued, most of stakeholders express their views that the police, forest, land, education, health are such common issues which should be resolved through NCC or IPC. Likewise, many overlapping subjects and list of concurrent jurisdictions between three levels could be managed by the imitation of NCC and IPC. Along with complexities in making and implementation of laws and policies, to select the mega projects and their implementation are also the business as of NCC. Hence, due to execution of such projects if conflict arises in between two and more provinces then it should be resolved by the IPC. It is interesting to note that the issue of proposed Kali Gandaki River Diversion Project, which raised the concern of all the stakeholders of Gandaki province, could have been discussed, coordinated and resolved by the initiation of NCC or IPC.

National Natural Resource and Financial Commission (NNRAFC) is also the constitutional mechanism for managing dispute of fiscal transfer and revenue sharing between the federal, provincial and local level governments. Most of the federalism experts have suggested that this institution should be kept impartial and federal government should mobilize and allocate therevenue generated through National Natural Resources and Fiscal Resources as per the recommendation provided by NNRAFC. But in reality the commission itself could not be constituted for long in its full form and the recommendations made by the commission seems to not be followed by the federal government. It has been behaved by the political authority as a government department rather than as an important constitutional body.

So far, the issue of cooperation and coordination of Gandaki province to the local governments, its support for planning and budgeting formulation followed by legislative matter is found satisfactory. It is said that the interaction and facilitation programs on law making and its implementation, planning and budgeting, and resource mobilization are very essential to enhance the capacity of local government which should be conducted time to time. No while looking at the shared experiences of stakeholders, locals level and even province are functioning with limited human and fiscal sources. Implementation of the concurrent list of rights by local government is quite impossible without cooperation of Gandaki province and federal government.

There is no regular meeting of Gandaki province coordination council. Only three meetings were in almost two and half years past, and most of the decisions of those meetings have not been implemented yet. Likewise, representatives of the local government also said that provincial government has not coordinated in selecting the project in their area. On the other side, provincial officials argued that local government has not coordinated with the province in regard to the implementation of provincial policy and development projects. As per legal provisions revenue collected by local government has not been fully shared with the province. For example, most of the local governments had not allocated and shared the revenue collected from river produces with the Gandaki province. Out of 85 municipalities/rural municipalities only 41 such local governments have fulfilled this responsibility in the past years.

Federalism in Nepal is a new exercise with three tires of government. Therefore, problems and complexities would definitely appear during the making of laws/policies and their implementation; planning, budgeting, and developmental execution; and resource mobilization in their sphere. From above discussion on the findings of the study it is clear that the major issues of intergovernmental relations could be enlisted

as follows:

- Problems of cooperation and coordination;
- Implementation of concurrent rights lists and promulgating related laws and mechanism;
- Federal governments' reluctance to assign the power and resources to province and local governments;
- Restructuring civil administration and education;
- Issues of fiscal federalism-revenue authority, revenue sharing, fiscal transfer and expenditure assignment;
- Conflict on the use of land and natural resources and development of common pool resources;
- Conflict on joint investment programs/projects (inter local level and inter province level projects); and
- Political commitment and ownership for succeeding the federal system.

These challenging issues should be resolved by the initiation of the federal government for making NCC and, IPC active. Likewise, PCC also plays a significant role for functioning the IGR between the provincial and local government. Nepali federalism will be consolidated if the federal, province and local governments' efforts are concentrated to accomplish the task of IGR as per the principle of 'cooperation, coexistence and coordination'.

CHAPTER IV

SURVEY RESULTS AND DISCUSSION

This chapter deals with the presentation and analysis of data generated through the survey on the intergovernmental relations and fiscal federalism. The survey responses were coded and entered into the data analysis software (IBM SPSS -20) and necessary tables are generated and interpreted to answer the research questions. Special focus has been made to the results on respondents' rating and ranking responses on the given statements and categories focusing on the main themes of the research viz. intergovernmental relations and fiscal federalism.

4.1 Demographic Profiles of Respondents

The table 4.1 reveals the respondents' profile of the study. Out of the total 36 respondents 61 percent are male and 39 percent are female. Likewise, around 44 percent respondents are from 41-50 age group, followed by 22 percent from 51-60, and 19 percent from 31-40 age group respectively. So far as caste and ethnicity is concerned 63.8 percent respondents are Khas-Arya followed by 27.8 percent Ethnic and 8.3 percentage Dalit communities. Regarding education background 86 percent are graduate whereas 8 percent respondents have school education and 6 percent respondents are just literate. While going through the political affiliation, 33.3 percent are affiliated with CPN-UML, followed by 25 percent NC and 11 percent with CPN-Maoist, whereas, 30.6 percent are not affiliated with any political party. They include the provincial and local level administrative officials. while looking at the responsibility fo the respondents, 31.4 percent respondents are the provincial assembly members followed by 22 percent deputy head, 19 percent chief administrative officers and 19 percent are head of the of local governments. The following table shows the details :

Table 4.1: Demographic Profiles of Respondents

Characteristics	Frequency	Percent
Gender		
Male	22	61.1%
Female	14	38.9%
Age Group		
21-30	1	2.8%
31-40	7	19.4%
41-50	16	44.4%
51-60	9	25.0%
60 above	3	8.3%
Caste and Ethnicity		
Khas & Arya	23	63.8%
Ethnic group	10	27.8%
Dalit	3	8.3%
Educational Level		
Just literate	2	5.6%
School Education	3	8.3%
Graduate and above	31	86.1%
Political Affiliation		
CPN(UML)	12	33.3%
NC	9	25.0%
CPN(M)	4	11.1%
Others/No affiliation	11	30.6%
Responsibility		
Province Assembly Members	11	30.6%
Province Secretary	3	8.3%
Municipal Head	7	19.4%
Municipal Deputy Head	8	22.2%
Municipal Administrative Officer	7	19.4%
Total	36	100%

4.2 Opinion and Perception on Intergovernmental Relation

4.2.1 Responsibility of Federal Execution

One of the concerns of the research was to identify who has the main responsibility to execute the federal structures and functions as designed in the constitution. The responses on the main responsibility to the execution of federalism by respondent's characteristics are presented in table 4.2.

Table 4.2 reveals that most of the respondents (90.9 percent male and 76.9 percent female) believe that the three level governments are jointly responsible for successful implementation of the federal system. Whereas 15.4 percent and 7.7 percent female respondents think that it is the responsibility of the federal and local government respectively. Similarly, 4.5 percent and 4.5 percent male believe that the responsibility goes to the federal and provincial governments respectively. It is interesting to note that no any respondent from the male side states that the responsibility goes to the local government; followed by no female respondent say that the responsibility goes to the provincial government.

Table 4.2: Main Responsibility to Execute Federalism by Respondent's Characteristics (in Percent)

Characteristics	Main responsibility to Execution of Federalism				Total
	Federal Government	Provincial Government	Local Government	Joint effort of all	
Gender					
Male	4.5%	4.5%		90.9%	100.0%
Female	15.4%		7.7%	76.9%	100.0%
Political Affiliation					
CPN(UML)	9.10%		9.10%	81.80%	100.00%
NC	11.10%			88.90%	100.00%
CPN(M)				100.00%	100.00%
Others/no affiliation	9.10%	9.10%		81.80%	100.00%
Current Position					
Province Assembly Member	9.10%			90.90%	100.00%
Province Secretary		33.30%		66.70%	100.00%
Municipal Head			16.70%	83.30%	100.00%
Municipal Deputy Head	12.50%			87.50%	100.00%
Municipal Administrative Officer	14.30%			85.70%	100.00%

On the party affiliation, it shows that 100 percent of the respondents from the Maoist

background believe that the execution of federalism is the joint effort of the federal, provincial, and local government. Whereas 88.9 percent NC affiliated respondents and 81.80 from CPN (UML) and nonparty affiliation respondents perceive that the responsibility goes to all the three level governments. Respondents from provincial assembly members (90.9 percent) followed by 9.1 percent state that it is the duty of three levels of governments and the duty goes with federal government respectively. On the other side, 83.3 percent heads of the local government believe that it is the joint responsibility whereas 16.7 percent think that is the duty of their own. Similarly, 12.5 percent deputy heads and 14.3 percent Chief Administrative Officers perceive that this duty goes to the federal government. Most of them agree that the responsibility should be accomplished by the joint effort of federal and sub-national governments. On the other side, though most of the province secretaries (66.7 percent) believe that the responsibility of federal execution is the joint effort of three level governments, however 33.3 percent state that this is the responsibility of the provincial government.

4.2.2 Knowledge and Understanding about the Intergovernmental Relation

Table 4.3 displays the results of respondents' understanding about the intergovernmental relations. According to the responses 95.5 percent male respondents say that it is the interactions among the three tiers of governments followed by 4.5 percent state that the relation in between federal and province. On the other side, 84.6 percent female respondents state that it is the interrelations of three level of governments followed by 7.7 percent respondents articulate that this is the relation between the provincial and the local government. Whereas, 7.7 percent female respondents state that they have no idea about given issue. While going through party affiliation, 75 percent Maoist respondent define the intergovernmental relation as the relations among the federal, provincial and local governments followed by 25 percent respondents say as the interactions between the provincial and the local governments. Likewise, 81.8 percent province assembly members believe that it is the interactions among the three level governments followed by 9.1 percent respondents define as the relation between federal and provinces and 9.1 percent perceive as the relations between provincial and local governments. The secretaries of province, heads and Administrative officers from local governments define the intergovernmental relations as the relations and interaction in between federal, provinces and local governments.

Similarly, 87.5 percent deputy heads believe that IGR is the relation among the three levels of government where as 12.5 percent respondents state that they have no idea on this subject.

Table 4.3: Respondents' Understanding about the Intergovernmental Relations

Characteristics	Knowledge about Intergovernmental Relations				Total
	Relation between Fed. and Provinces	Relations between Prov. and local	All of the above	Don't Know	
Gender					
Male	4.50%		95.50%		100.00%
Female		7.70%	84.60%	7.70%	100.00%
Political affiliation					
CPN(UML)	9.10%		81.80%	9.10%	100.00%
NC			100.00%		100.00%
CPN(M)		25.00%	75.00%		100.00%
Others/No affiliation			100.00%		100.00%
Current Position					
Province Assembly Member	9.10%	9.10%	81.80%		100.00%
Province Secretary			100.00%		100.00%
Municipal Head			100.00%		100.00%
Municipal Deputy Head			87.50%	12.50%	100.00%
Municipal Administrative Officer			100.00%		100.00%

4.2.3 Participation in Federal Program

Table 4.4: Participation in relevant interaction program about federalism matters by respondent characteristics (in percent)

Characteristics	State of Participation in relevant interaction program about federalism matters			Total
	Regular	Occasional	Not participated	
Gender				
Male	27.30%	68.20%	4.50%	100.00%
Female	38.50%	53.80%	7.70%	100.00%
Political Affiliation				
CPN(UML)	27.30%	63.60%	9.10%	100.00%
NC	33.30%	55.60%	11.10%	100.00%
CPN(M)	50.00%	50.00%		100.00%
Others	27.30%	72.70%		100.00%
Current Position				
Province Assembly Member	27.30%	54.50%	18.20%	100.00%
Province Secretary	33.30%	66.70%		100.00%
Municipal Head	50.00%	50.00%		100.00%
Municipal Deputy Head	25.00%	75.00%		100.00%
Municipal Administrative Officer	28.60%	71.40%		100.00%

Table 4.4 reveals that secretaries of province, and heads deputy heads Chief Administrative officers of the local governments are privileged to get the opportunity to participate in IGR programs either regularly, or occasionally. Whereas, 82 percent provincial Assembly Member affiliated with CPN (UML) and NC have participated regularly or occasionally. Only 18 percent say that they could not get such an opportunity.

4.2.4 Nature of Programs Participated

Table 4.5: Nature of interaction program participated by Respondents

Characteristics	Nature of Interaction Programs					Total	
	Budget and Revenue related	Legislative matters	Plan formulation, selection and execution	Administration and office management	1 to 3 all		Don't know
	Gender						
Male	4.50%	9.10%	45.50%	9.10%	27.30%	4.50%	100.00%
Female		15.40%	15.40%		46.20%	23.10%	100.00%
	Political affiliation						
CPN(UML)	9.10%	9.10%	18.20%		36.40%	27.30%	100.00%
NC		22.20%	44.40%		22.20%	11.10%	100.00%
CPN(M)		25.00%	50.00%		25.00%		100.00%
Others			36.40%	18.20%	45.50%		100.00%
	Current Position						
Province Assembly Member		27.30%	36.40%		18.20%	18.20%	100.00%
Province Secretary			33.30%	33.30%	33.30%		100.00%
Municipal Head			66.70%		33.30%		100.00%
Municipal Deputy Head	12.50%	12.50%			50.00%	25.00%	100.00%
Municipal Administrative Officer			42.90%	14.30%	42.90%		100.00%

Table 4.5 deals with the nature of federal programs participated by the respondents. Almost all male respondents from province secretary and Chief Administrative Officer of local governments participated in the administration and office management programs. They are trained on plan formulation and execution, legislative and fiscal sphere etc. Whereas 25 percent deputy heads of local, 18 percent province assembly members affiliated with UML and NC practically, female respondent's state that they have no idea on this regard.

4.2.5 Satisfaction Level of Respondents in Participating in the Programs

Table 4.6: State of Satisfaction on relevant interaction programs by Respondents' Characteristics (In percent)

Characteristics	State of satisfaction on relevant interaction programs					Total
	Fully satisfied	Satisfied	Neutral	Dissatisfied	Do not comment	
Gender						
Male	4.50%	77.30%	4.50%	9.10%	4.50%	100.00%
Female		69.20%	7.70%	7.70%	15.40%	100.00%
Political affiliation						
CPN(UML)		81.80%	9.10%		9.10%	100.00%
NC	11.10%	44.40%	11.10%	22.20%	11.10%	100.00%
CPN(M)		100.00%				100.00%
Others/ No affiliation		81.80%		9.10%	9.10%	100.00%
Current Position						
Province Assembly Member		63.60%	9.10%	9.10%	18.20%	100.00%
Province Secretary		100.00%				100.00%
Municipal Head	16.70%	66.70%		16.70%		100.00%
Municipal Deputy Head		75.00%	12.50%		12.50%	100.00%
Municipal Administrative Officer		85.70%		14.30%		100.00%

The above table displays that respondents are quite satisfied with the federalism enhancing programs. Almost all Maoist party affiliated respondents, secretaries of province, UML affiliated respondents, deputy head, Chief Administrative Officer, heads of municipalities and province assembly members are satisfied with the given

programs. On the other side, 22 percent NC affiliated respondents and 16 percent municipal heads and 14 percent Chief Administrative Officers and 9 percent province assembly members say that they are not satisfied with their participation in the programs.

4.2.6 Responsibility for Implication of Concurrent Jurisdictions

Table 4.7: Opinion on the Federal Government's is Main Responsibility to Execute Concurrent Rights List of the Constitution

Characteristics	Opinion on the Federal Govt's Main responsibility to Execute the Concurrent Lists of the Constitution			Total
	Fully agree	Agree	Don't know	
Gender				
Male	63.60%	31.80%	4.50%	100.00%
Female	53.80%	38.50%	7.70%	100.00%
Political affiliation				
CPN(UML)	63.60%	36.40%		100.00%
NC	55.60%	33.30%	11.10%	100.00%
CPN(M)	50.00%	50.00%		100.00%
Others/No affiliation	63.60%	27.30%	9.10%	100.00%
Current Position				
Province Assembly Member	45.50%	54.50%		100.00%
Province Secretary	100.00%			100.00%
Municipal Head	66.70%	33.30%		100.00%
Municipal Deputy Head	62.50%	37.50%		100.00%
Municipal Administrative Officer	42.90%	42.90%	14.30%	100.00%

Table 4.7 reveals that except few, almost all respondents from all strata and sectors fully agree or agree that federal government has the main responsibility to implement the concurrent rights' list of the constitution (schedule 7 and 9), On the contrary, 14.3 percent Chief Administrative Officers followed by NC (11 percent) and non-party affiliation (9 percent) respondents state that they have no idea or do not want to say on this regard.

4.2.7 Provincial Government's Responsibility for Well-functioning of Federalism

Table 4. 8: Opinion on Provincial Government having Utmost Responsibility for Success of Federalism

Characteristics	Opinion on Provincial Government having Utmost Responsibility for Success of Federalism			Total
	Fully agree	Agree	Neutral	
Gender				
Male	63.60%	31.80%	4.50%	100.00%
Female	46.20%	53.80%		100.00%
Political affiliation				
CPN(UML)	54.50%	45.50%		100.00%
NC	66.70%	33.30%		100.00%
CPN(M)	50.00%	50.00%		100.00%
Others/No affiliation	54.50%	36.40%	9.10%	100.00%
Current Position				
Province Assembly Member	45.50%	54.50%		100.00%
Province Secretary	100.00%			100.00%
Municipal Head	66.70%	33.30%		100.00%
Municipal Deputy Head	62.50%	37.50%		100.00%
Municipal Administrative Officer	42.90%	42.90%	14.30%	100.00%

Table 4.8 shows that the provincial government has an utmost responsibility to make federalism successful. Except a few male respondents, not party affiliated respondents and municipal officers, almost all say that they either fully agree or agree on the statement. Majority of provincial assembly members and female background respondents agree. Maoist affiliated 50 percent respondents fully agree and 50 percent agree on the statement of provincial responsibility in enforcing federalism successfully.

4.2.8 Observation Towards the Gandaki Province in Discharging Own Responsibility

While asked whether 'Gandaki Province Government is successfully discharging its own duty for implementing federalism. Most of the respondents from different characteristics agree on the statement. It means they are satisfied with the performance of the Gandaki province. A few respondents from NC and non-party affiliation, province assembly member and Chief Administrative Officers want not to say or they don't know about it. Similarly, 22 percent respondents from NC, 13.6 percent male, 16 percent municipal heads, 14 percent Chief Administrative Officers and 9 percent province assembly members neither agree nor disagree, they just

keep themselves neutral. On the contrary, 25 percent Maoist affiliated respondents, 12.5 percent deputy heads, 11 percent NC affiliated respondents, 9 percent province assembly member and 7 percent female respondents stated that they disagree towards the functioning of Gandaki Province in strengthening federalism. Table 4.9 shows the detail.

Table 4.9: Opinion on whether Gandaki Government is Successfully Discharging its Responsibility

Characteristics	Opinion on Whether Gandaki Government is Successfully Discharging its Responsibility					Total
	Fully agree	Agree	Neutral	Disagree	Don't know	
Gender						
Male	13.60%	63.60%	13.60%	4.50%	4.50%	100.00%
Female	7.70%	76.90%		7.70%	7.70%	100.00%
Political affiliation						
CPN(UML)	18.20%	81.80%				100.00%
NC	11.10%	44.40%	22.20%	11.10%	11.10%	100.00%
CPN(M)		75.00%		25.00%		100.00%
Others/No affiliation	9.10%	72.70%	9.10%		9.10%	100.00%
Current Position						
Province Assembly Member		72.70%	9.10%	9.10%	9.10%	100.00%
Province Secretary	33.30%	66.70%				100.00%
Municipal Head	16.70%	66.70%	16.70%			100.00%
Municipal Deputy Head	25.00%	62.50%		12.50%		100.00%
Municipal Administrative Officer		71.40%	14.30%		14.30%	100.00%

4.2.9 Federal Government's Unwillingness to Allocate Sufficient Resources to Sub National Governments

Nepali federalism is designed with the principle of centralized and holding together . Almost all the revenue, fiscal and physical resources are under the control of the federal government. Therefore, the functioning of the sub national governments is fully based on the grants and support of the federal government. The following table shows the opinion of respondents towards federal government's resource allocation to sub-national governments.

Table 4.10: Opinion on Federal Government's Reluctance to Allocate Sufficient Resources to Sub National Government

Characteristics	Opinion on Federal Government's Reluctance to Allocate Sufficient Resource to Sub-National Government					Total
	Fully agree	Agree	Neutral	Disagree	Fully Disagree	
Gender						
Male	22.70%	59.10%	13.60%	4.50%		100.00%
Female	38.50%	30.80%	7.70%	7.70%	15.40%	100.00%
Political affiliation						
CPN(UML)	36.40%	36.40%		9.10%	18.20%	100.00%
NC	33.30%	44.40%	22.20%			100.00%
CPN(M)	50.00%	50.00%				100.00%
Others/No affiliation	9.10%	63.60%	18.20%	9.10%		100.00%
Current Position						
Province Assembly Member	27.30%	63.60%	9.10%			100.00%
Province Secretary		66.70%		33.30%		100.00%
Municipal Head	50.00%	33.30%	16.70%			100.00%
Municipal Deputy Head	37.50%	25.00%		12.50%	25.00%	100.00%
Municipal Administrative Officer	14.30%	57.10%	28.60%			100.00%

Table 4.10 reveals that the respondents are not happy with federal government allocating the resources to province and local government. But 25 percent deputy heads followed by 18 percent UML affiliated and 15.4 percent female respondents articulate that they are disagreeing with the statement. This means some think that the federal government is in right direction in terms of allocating the resources to sub-national governments whereas; a large segment of respondent is not satisfied with the tendency of allocating resources to sub-national units.

4.3 Preferential Issues for Discharging the Intergovernmental Relations in Federalism

In the survey, the respondents were asked to rank the issues of intergovernmental relations according to their preferred order from one to five and the responses of the respondents according to the political affiliation and current position of the respondents are presented in the table 4.11.

Table 4.11: Preferences on the Issues Where Intergovernmental Relations is Necessary to Successfully Discharge Respective Responsibility by Respondents' Political Affiliation and Current Position

Characteristics of Respondents	1. Education and health					Total
	No preference	First preference	Second preference	Third preference	Fourth preference	
	Political Affiliation					
CPNUML		54.50%	18.20%	9.10%	18.20%	100.0
NC	11.10%	33.30%	11.10%		44.40%	100.0
CPNM	25.00%	50.00%			25.00%	100.0
Others/ No Affiliation	9.10%	18.20%	36.40%	27.30%	9.10%	100.0
	Current Position					
Province Parliamentarian	9.10%	27.30%	9.10%	9.10%	45.50%	100.0
Province Secretary	33.30%		33.30%		33.30%	100.0
Municipal Head	16.70%	50.00%			33.30%	100.0
Municipal Deputy Head		75.00%	25.00%			100.0
Municipal Administrative Officer		14.30%	42.90%	42.90%		100.0
	2. Planning and budgeting					
	Political Affiliation					
CPN(UML)		27.30%	27.30%	27.30%	9.10%	100.0
NC		44.40%	22.20%	33.30%		100.0
CPN(M)	50.00%	25.00%	25.00%			100.0

Others/ No Affiliation	18.20%	27.30%	36.40%	9.10%	9.10%	100.0
Current Position						
Province Assembly Member	18.20%	36.40%	18.20%	18.20%	9.10%	100.0
Province Secretary	33.30%	33.30%	33.30%			100.0
Municipal Head		50.00%	16.70%	33.30%		100.0
Municipal Deputy Head		12.50%	37.50%	25.00%	25.00%	100.0
Municipal Administrative Officer	14.30%	28.60%	42.90%		14.30%	100.0
3. Development of physical infrastructure						
Total						
Political affiliation						
CPN(UML)		18.20%	45.50%	18.20%	9.10%	100.0
NC			44.40%	33.30%	22.20%	100.0
CPN(M)				100.00%		100.0
Others/ No Affiliation		36.40%		27.30%	36.40%	100.0
Current Position						
Province Assembly Member			27.30%	54.50%	18.20%	100.0
Province Secretary		33.30%		66.70%		100.0
Municipal Head			66.70%	16.70%	16.70%	100.0
Municipal Deputy Head		25.00%	25.00%	25.00%	25.00%	100.0
Municipal Administrative Officer		42.90%		14.30%	42.90%	100.0
4. Law and order/governance						
Political Affiliation						
CPN(UML)		9.10%	9.10%	9.10%	9.10%	100

NC	11.10%	11.10%							77.80%	100.
CPN(M)				50.00%					50.00%	100.0
Others/ No Affiliation				27.30%		9.10%			63.60%	100.0
Current Position										
Province Assembly Member		18.20%		18.20%					63.60%	100.0
Province Secretary				33.30%					66.70%	100.0
Municipal Head	16.70%			16.70%					66.70%	100.0
Municipal Deputy Head				12.50%		12.50%		12.50%	62.50%	100.0
Municipal administrative officer				14.30%		14.30%			71.40%	100.0
5. Administration and office management										
Political Affiliation										
CPN(UML)	9.10%					27.30%		54.50%	9.10%	100.0
NC	22.20%	11.10%		22.20%		22.20%		22.20%		100.0
CPN(M)	25.00%	25.00%		25.00%				25.00%		100.0
Others/ No Affiliation	27.30%	27.30%		9.10%		18.20%		18.20%		100.0
Current Position										
Province Assembly Member	27.30%	18.20%		27.30%		18.20%		9.10%		100.0
Province Secretary	33.30%	33.30%						33.30%		100.0
Municipal Head	16.70%					33.30%		50.00%		100.0
Municipal Deputy Head						25.00%		62.50%		100.0
Municipal Administrative Officer	28.60%	28.60%		14.30%		14.30%		14.30%		100.0

Table 4.11 reveals that out of the total expected issues of concurrent jurisdictions for IGR, majority of respondents stretch priority to the education and health as well as planning and budgeting followed by development and physical structures, law and order, and administration and office management. Some of them do not like to give much more preferences to administration and office management. It is because if they have resources they may manage the given tasks easily.

4.4 Opinion on Necessary Issues of IGR in Between Gandaki Provide and Local Governments

Table 4.12: Opinion on Relationship between Gandaki Government and Local Levels in the Province (in Percent)

Issues on Intergovernmental Relation	Level of Agreement					Total
	Fully agree	Agree	Neutral	Disagree	Fully disagreed	
Provincial Government is Cooperating to local levels on legislative matter	11.4%	54.3%	22.9%	8.6%	2.9%	100%
Provincial Government is Coordinating and Cooperating to local level on their plan and budget formulation	2.9%	60%	22.9%	8.6%	5.7%	100%
Local governments are responsible toward provincial government	20%	57.1%	17.1%	2.9%	2.9%	100%

So far as the issue of cooperation by Gandaki Province Government to the local levels is concerned table 4.12 shows that planning and budgeting formulation is given top priority as 60 percent respondent agrees on the statement. Likewise, regarding local government's responsibility towards the province, 57 percent respondents positively say "agree" followed by 17 percent neutral. So far as whether the provincial government is cooperating the local governments on legislative matter, majority of respondents (54.3 percent) agree, and a few (11.4 percent) fully agree followed by 22.9 percent neutral and 8.6 percent disagree. It means that provincial government is cooperating with local levels on legislative matters.

4.5 Challenges for Exercising the Intergovernmental Relations

Table 4.13: Perceived Problems Related to Intergovernmental Relations Under Current Federal Structures

S. No.	Perceived Problems	Frequency	Percent
1	Conflict on joint investment program and project	2	5.7%
2	Problem on cooperation and coordination of policy making and implementation of development projects	15	42.8%
3	Problem on implementation of concurrent rights lists	7	20%
4	Unitary mindset of Federal government and its mechanisms	6	17.1%
5	Lack of commitment and ownership towards federalism	5	14.3%
	Total	35	100%

Table 4.13 reveals some major problems noticed by political and bureaucratic officials in maintaining the intergovernmental relations and succeeding the federal system. 42.8 percent respondents believe that the cooperation and coordination of policy and law making, and implementation of the development projects are the major problems in intergovernmental relations between federal units. Likewise, 20 percent respondents think that implementation of concurrent rights lists is the major problem between federal, province and local government. On the other hand, 17 percent respondents believe that the unitary mindset of federal government and its mechanism and unwillingness of feederal government to transfer the power and resources to the provincial and the local government are major problem. Similarly, 14.3 percent respondents evaluates that the responsible authorities of three levels of government have in fact no commitment and ownership towards the federal system. Whereas 5.7 percent respondents perceive that the conflict on joint investment programs and projects between the federal provincial and locals is the major problem.

4.6 Suggestions for Enhancing the Intergovernmental Relations

Table 4.14: Suggestions Provided for Enhancing the Intergovernmental Relationships

S. No.	Suggestions of Respondents for Functioning of the Intergovernmental Relations in Federalism
1	Accept the existence of the three levels of government mentioned in constitution.
2	Cooperation and coordination are needed between three levels of government, it is possible only when NCC and IPC perform actively.
3	Active and impartial NNRFC is needed for division of revenue from natural resources and financial activities.
4	Federal government should be transformed from the mindset and structure of unitary system into federal system and should coordinate with the sub-national governments for executing the power and resources as per the provision of constitution
5	Provincial government should have a bridging role between federal and local government.
6	Provinces should concentrate into developmental and infrastructure activities.
7	Maintain separate jurisdiction of overlapping powers between federal, province, local level (i.e., education, health, service fee, land, mines, forest, roads, police, etc.)
8	Budget provision should be followed according to constitution.
9	Make clear determination of roles and responsibilities about the concurrent rights lists between the three levels of government.

10	Provincial and local levels should be independent in using their rights and remobilize the resources.
11	Federal government's coordination is essential to make laws on concurrent lists of schedules.
12	All public service delivery tasks should be assigned to the local government.
13	Federal government should be ready to handover the physical property and resources to the province and local level in their jurisdictions.
14	Coordinating role of federal government, bridging role of provincial government, and functional role of local government at grass root will be beauty of federalism.
15	Need to have mutual respect to each other's autonomy, rights and jurisdictions.
16	No intervention of federal government to provincial and local governments' affairs.
17	Quick promulgation of laws on concurrent jurisdictions of three levels of government.

4.7 Respondents' Knowledge and Perception on Fiscal Federalism

Fiscal federalism is one of the important components where intergovernmental relation is based. In the survey, the stakeholders were asked to know their level of knowledge and perception on the existing activities regarding execution of constitutional provision and institutional bases prepared by laws following the constitutional provisions. This section deals with the results of the survey on fiscal federalism.

4.7.1 Level of Knowledge on Different Issues of Fiscal Federalism

The survey asked the stakeholders on extent of knowledge and understanding on the content of fiscal federalism. The results are presented in the table 4.15.

Table 4.15: Level of Knowledge on Fiscal Federalism by Respondents' Characteristics

Characteristics	Level of Knowledge on fiscal federalism				Total
	Have good knowledge	Have general knowledge	Need additional knowledge	Don't know anything	
Gender					
Male	18.20%	72.70%	9.10%		100%
Female	21.40%	42.90%	28.60%	7.10%	100%
Political affiliation					
CPN(UML)	16.70%	66.70%	16.70%		100%
NC		66.70%	22.20%	11.10%	100%
CPN(M)		75.00%	25.00%		100%

Others/ No Affiliation	45.50%	45.50%	9.10%		100%
Current Position					
Province Parliamentarian		72.70%	18.20%	9.10%	100%
Province Secretary	33.30%	66.70%			100%
Municipal Head	28.60%	57.10%	14.30%		100%
Municipal Deputy Head	12.50%	62.50%	25.00%		100%
Municipal Administrative Officer	42.90%	42.90%	14.30%		100%

Table 4.15 reveals the extent of knowledge on the fiscal federalism by different characteristics of the respondents. Majority of the male respondents express that they have general working knowledge on the issue (72.7%), one-fifth of them said they have good knowledge and about 10 percent of them feel the need of additional knowledge. However, only 43 percent of female respondents have said they have some general knowledge, one-fourth of them said they have good knowledge and about 28 percent of them said they need additional knowledge on the issue. Similarly, by the political affiliation, majority of the respondents of different political party have said they have some working knowledge on the fiscal federalism and about one-fourth to one-fifth of them said they need additional knowledge. Only 16 percent of the CPN(UML) respondents feel they have good knowledge but about half of the nonparty affiliated respondents (45.5%) feel they have adequate knowledge of the fiscal federalism.

While looking at the responses of the respondents by their current position, about two-third of the province parliament members and province secretary said they have general working knowledge. Similarly, about half of the local level representatives and administrative staff said they have general working knowledge. About one-third of the province secretary and municipal head feel they have good knowledge on the issue. However, none of the province parliament member and only 12.5 percent of the municipal deputy head said they have good knowledge on fiscal federalism. Similarly, about one-fifth of the respondents said that they need some additional knowledge on fiscal federalism. In the survey, one additional question was also put to the respondents on the knowledge of components of fiscal federalism including taxation assignment, expenditure assignment, fiscal transfer, revenue allocation, provision of natural resources and fiscal commission. The result and responses are presented in table 4.16.

Table 4.16: Knowledge on Components of Fiscal Federalism by Respondents' Characteristics

Characteristics	Knowledge on Components of Fiscal Federalism						Total
	Expenditure Assignment	Tax Assignments	Revenue Allocation Assignment	Inter-Governmental Fiscal Transfer	Provision of Natural Resources and Fiscal commission	All of the above	
Gender							
Male	22.70%		18.20%	4.50%	4.50%	50.00%	100.0
Female		7.10%	14.30%	14.30%	7.10%	57.10%	100.0
Political affiliation							
CPN(UML)	16.70%	8.30%	25.00%	8.30%		41.70%	100.0
NC			11.10%	11.10%	11.10%	66.70%	100.0
CPN(M)			25.00%			75.00%	100.0
Others/ No Affiliation	27.30%		9.10%	9.10%	9.10%	45.50%	100.0
Current Position							
Province Parliamentarian			27.30%	9.10%	9.10%	54.50%	100.0
Province Secretary	33.30%		33.30%			33.30%	100.0
Municipal Head	14.30%		14.30%			71.40%	100.0
Municipal Deputy Head	12.50%	12.50%	12.50%	12.50%		50.00%	100.0
Municipal Administrative Officer	28.60%			14.30%	14.30%	42.90%	100.0

Table 4.16 shows the survey results on the components of fiscal federalism by different characteristics of the respondents. Irrespective of the respondent's characteristics, majority of the respondents responded "all of the above". Very few choose the provision of commission, intergovernmental fiscal transfer, and taxation assignment as important components of fiscal federalism. However about one-fourth to one-fifth of the respondents feel expenditure assignment and the revenue allocation component more important. It reveals the insufficient and limited level of knowledge among the stakeholder regarding the components of fiscal federalism.

4.7.2 Opinion on the Execution of Fiscal Federalism and Related Issues

Some questions were asked to the respondents about the execution of fiscal federalism in survey including whether it is going on in the right direction or not, if it is not what they feel who are responsible etc. The survey results are presented hereafter in different tables.

Table 4.17 reveals that half of female respondents and 40 percent of male respondents feel that the fiscal federalism in Nepal is going on in the right direction. It means males are more critical than females when it comes to assessing the execution of fiscal federalism. While looking at the responses by the political affiliation, majority of the CPN (UML) and NC, one-fourth of CPN (M) and about one-fifth of the others said it is not going on in the right direction. However, 33 percent of CPN (UML), 22 percent of NC and 50 percent of CPN (M) affiliated respondents had a positive opinion on the issue. Some 8 percent to 25 percent of the respondents by political party affiliation said they do not want to respond. Similarly, by current position of the respondents about half of the province parliamentarians and province secretaries and municipal administrative officers said it is going on in the right direction. However, more than half of the respondents from local level representatives said it is not going on in the right direction. It is also to be noted that 12 percent to 18 percent of respondents in this category are not found to be deterministic in this regard.

Table 4.17: Opinion on 'Is Fiscal Federalism Exercise Going on in Right Direction' by Respondents' Characteristics

Characteristics	Is Fiscal Federalism Exercise going on in Right Direction			Total
	No	Yes	Don't know	
Gender				
Male	50.00%	40.90%	9.10%	100.00%
Female	35.70%	50.00%	14.30%	100.00%
Political affiliation				
CPN(UML)	58.30%	33.30%	8.30%	100.00%
NC	66.70%	22.20%	11.10%	100.00%
CPN(M)	25.00%	50.00%	25.00%	100.00%
Others/ No Affiliation	18.20%	72.70%	9.10%	100.00%
Current Position				
Province Parliamentarian	36.40%	45.50%	18.20%	100.00%
Province Secretary	33.30%	66.70%		100.00%
Municipal Head	85.70%	14.30%		100.00%
Municipal Deputy Head	50.00%	37.50%	12.50%	100.00%
Municipal Administrative Officer	14.30%	71.40%	14.30%	100.00%

Table 4.18 reveals the respondents' rating on the agreement on present exercises of fiscal federalism in Nepal by respondents' characteristics. The result show that majority of respondents of different categories are partially agree that the exercise is good whereas about one-third of the respondents have partial agreement. The responses on fully agree and fully disagree are about 10 percent to 25 percent. However, 25 percent of respondents of different party affiliation (NC and CPN(M)) were not either neutral or choose do not know option on the rating scale. By respondent's position, more than one-third of municipal head and deputy head and municipal Administrative officers were, however, found to be neutral in this rating scale. It means the respondents had given mixed responses of the current exercises of fiscal federalism in Nepal.

One of the survey questions asked to the respondents was whether current model of fiscal transfer is following standard international practice or not, if it is not then who should be responsible to design and execute the appropriate model. The responses are presented in the table 4.19 and 4.20.

Table 4.18: Agreement on Good Exercise of Fiscal Federalism in Nepal by Respondents' Characteristics

Characteristics	There is Good Exercise of Fiscal Federalism in Nepal					Total
	Full Agreement	Partial Agreement	Neutral	Partial Disagreement	Don't know	
Gender						
Male		45.50%	22.70%	22.70%	9.10%	100%
Female	7.10%	42.90%	28.60%	7.10%	14.30%	100%
Political affiliation						
CPN(UML)		41.70%	33.30%	25.00%		100%
NC		44.40%	11.10%	11.10%	33.30%	100%
CPN(M)		25.00%	50.00%		25.00%	100%
Others/ No Affiliation	9.10%	54.50%	18.20%	18.20%		100%
Current Position						
Province Parliamentarian		54.50%	9.10%	9.10%	27.30%	100%
Province Secretary		66.70%		33.30%		100%
Municipal Head		14.30%	42.90%	28.60%	14.30%	100%
Municipal Deputy Head	12.50%	37.50%	37.50%	12.50%		100%
Municipal Administrative Officer		57.10%	28.60%	14.30%		100%

On the question who is more responsible to execute appropriate model of fiscal transfer to sub-national governments, table 4.19 reveals that majority are of the opinion that the federal government is more responsible irrespective of the respondents' categories and affiliation.

Table 4.19: Opinion on Who is More Responsible for not Realizing Appropriate Model of Fiscal Federalism by Respondents' Characteristics (in percent)

Characteristics	Who is More Responsible for not Realizing Appropriate Model of Fiscal Federalism?					Total
	Federal Government	Provincial Governments	NRFC	Civil Administration	All are Responsible	
Gender						
Male	72.70%	4.50%	4.50%		18.20%	100.00%
Female	64.30%	7.10%	21.40%	7.10%		100.00%
Political affiliation						
CPN(UML)	66.70%	8.30%	16.70%	8.30%		100.00%
NC	88.90%	11.10%				100.00%
CPN(M)	100.00%					100.00%
Others/ No Affiliation	45.50%		18.20%		36.40%	100.00%
Current Position						
Province Parliamentarian	100.00%					100.00%
Province Secretary	33.30%				66.70%	100.00%
Municipal Head	71.40%	14.30%	14.30%			100.00%
Municipal Deputy Head	50.00%	12.50%	25.00%	12.50%		100.00%
Municipal Administrative Officer	57.10%		14.30%		28.60%	100.00%

Table 4.19 depicts that none of the respondents' pointed out to the local government. However, 18 percent of male, 36 percent of no party affiliated, 66 percent of province secretary and 29 percent of municipal officers believed all are responsible. Very few (4% to 14%) respondents were of the view that provincial government is more responsible. Similarly, 4 percent to 25 percent respondents expressed their opinion that Natural Resource and Fiscal Commission should be more responsible in this regard.

Table 4.20: Agreement on Standard Adopted for Fiscal Transfer to Sub-National Governments by Respondents' Characteristics

Characteristics	Agreement on Standard Adopted for Fiscal Transfer to Sub-National Governments					Total
	Partial Agreement	Neutral	Partial Disagreement	Full Disagreement	Don't Know	
Gender						
Male	68.20%	4.50%	13.60%	13.60%		100%
Female	64.30%	7.10%	7.10%		21.40%	100%
Political affiliation						
CPN(UML)	50.00%		25.00%	8.30%	16.70%	100%
NC	66.70%			22.20%	11.10%	100%
CPN(M)	75.00%		25.00%			100%
Others/ No Affiliation	81.80%	18.20%				100%
Current Position						
Province Parliamentarian	72.70%			18.20%	9.10%	100%
Province Secretary	100.00%					100%
Municipal Head	57.10%		28.60%	14.30%		100%
Municipal Deputy Head	37.50%	12.50%	25.00%		25.00%	100%
Municipal Administrative Officer	85.70%	14.30%				100%

Table 4.20 shows the level of agreement on the current practice of fiscal transfer standard. Majority of the respondents irrespective of the categories partially agree on the standard adopted for fiscal transfer to sub-national government. Only exception in this regard are municipal deputy heads, 25 percent of them either don't know or partially disagree. Other important notable responses are that 13.6 percent of male, 18 percent of province parliamentarian, 22 percent of NC affiliated respondents and 14 percent of municipal heads expressed full disagreement on this statement and about 11 percent to 20 percent of respondents of different categories expressed their opinion as do not know.

4.7.3 Issues of Concerns on Fiscal Federalism

The survey question also included the different issues of concern where respondents were asked to rank aiming to identify the respondents' preferred issues. The issues given to the respondents to rank in order include unclear constitutional provision, unclear legal provisions, reluctance of federal government to devaluate power to sub-national government, incomplete and inactive NRFC, lack of active initiatives of sub-national governments and all the above. The responses are presented in table 4.21.

Table 4.21: Preferences of Respondents on Different Issues of Fiscal Federalism

Issues of Concerns	Preferences level	Frequency	Percent
Unclear constitutional provision	No preference	18	50 %
	First preference	4	11.1%
	Second preference	8	22.2%
	Fourth preference	3	8.3%
	Fifth preferences	3	8.3%
Unclear related legal provisions	No preference	18	50%
	First preference	3	8.3%
	Second preference	4	11.1%
	Third preference	9	25%
	Fourth preference	2	5.6%
Reluctance of Federal government to devaluate power	No preference	17	47.2%
	First preference	11	30.6%
	Second preference	3	8.3%
	Third preference	4	11.1%
	Fourth preference	1	2.8%
Incomplete and inactive NRFC	No preference	18	50%
	First preference	2	5.6%
	Second preference	2	5.6%
	Third preference	4	11.1%
	Fourth preference	7	19.4%
	Fifth preferences	3	8.3%

Lack of active Initiatives of sub-national governments	No preference	20	55.6%
	Second preference	2	5.6%
	Third preference	1	2.8%
	Fourth preference	3	8.3%
	Fifth preferences	10	27.8%
All of the above stated reasons	No preference	20	55.6%
	second preference	2	5.6%
	third preference	1	2.8%
	Fourth preference	3	8.3%
	Fifth preferences	10	27.8%
Total		36	100%

Table 4.21 reveals that majority of the respondents did not rank any of the options. This may be due to either relative difficulty of the ranking question items or lack of clarity of the respondents on the fiscal federalism issues. With regards to unclear constitutional provision as one of the issues, only 11 percent respondents ranked it as first preference, 22 percent ranked second preference and 8 percent ranked it as fourth and fifth preference. Similarly, on unclear related legal provisions, 25 percent ranked it as third, 11 percent ranked second and 8 percent ranked first preference. Whereas, on the reluctance of Federal government to devaluate power, 31 percent ranked first, 11 percent second, 8 percent third and 3 percent fourth preference. On the incomplete and inactive NRFC, 19 percent, 11 percent and 8 percent ranked as fourth, third and fifth preference respectively. Only 5.6 percent ranked it as first and second preferences. Similarly on the statement 'lack of active initiative of sub-national government, 27 percent of respondents ranked it as fifth preference only 8, 6 and 3 percent ranked it as fourth, third and second preference respectively. On the last option given to the respondent 'all of the above' 28 percent ranked it as fifth preference, 8, 6 and 3 percent ranked it as fourth, second and third preference respectively. From the above ranking results reluctance of federal government to devaluate power, all the above and inactive NRFC are the prominent issues of fiscal federalism. Active initiatives and unclear legal provisions are also the issues to be considered while making appropriate strategies for effective execution of fiscal federalism in Nepal.

4.7.4. Major Concerns on Components of Fiscal Transfer

The respondents of different categories were asked in which components of fiscal transfer do you have the major concern. The responses are presented in the table 4.22.

Table 4.22: In which Components of Fiscal Transfer Do You Have Major Concern by Respondents' Characteristics?

Characteristics	Components of Fiscal Transfer have Major Concern						Total
	No Response	Fiscal Equalization Grants	Conditional Grants	Matching Grants	Special Grants	All of the Above	
Gender							
Male	36.40%	13.60%	9.10%	13.60%	9.10%	18.20%	100.0
Female	50.00%	14.30%	14.30%	7.10%	7.10%	7.10%	100.0
Political affiliation							
CPN(UML)	25.00%	16.70%	25.00%	16.70%	8.30%	8.30%	100.0
NC	44.40%	22.20%		11.10%		22.20%	100.0
CPN(M)	75.00%	25.00%					100.0
Others/ No Affiliation	45.50%		9.10%	9.10%	18.20%	18.20%	100.0
Current Position							
Province Parliamentarian	54.50%	27.30%		9.10%		9.10%	100.0
Province Secretary	100%						100.0
Municipal Head	14.30%	14.30%	28.60%	14.30%		28.60%	100.0
Municipal Deputy Head	37.50%	12.50%	12.50%	12.50%	25.00%		100.0
Municipal Administrative Officer	28.60%		14.30%	14.30%	14.30%	28.60%	100.0

Table 4.22 reveals the mixed responses on the different component of fiscal federalism. It seems clear from the table that the respondents, irrespective of the categories did not put any particular choice. Rather, majority of respondents of different categories have no responses. It may be due to lack of knowledge on different components of fiscal federalism.

4.8 Stakeholders' Opinion on Perceived Problems and Suggestions on Intergovernmental Relations and Fiscal Federalism

Respondents were asked to express their opinion on the perceived problems and provide suggestions to improve the intergovernmental relations and fiscal federalism. The responses are tabulated separately as below.

Table 4.23: Problems and Suggestions Given by the Member of Provincial Assembly

S. N.	Problems seen in Intergovernmental Relations	Suggestions for Appropriate Intergovernmental Relations	Suggestions for Implementation of Fiscal Federalism
1	Municipal governments treat the provincial government structure unfairly. Behave inferior.	Effectiveness was required for the implementation of the provisions of the constitution.	The Fiscal Commission had to be given responsibility with authority.
2	The federal structures do not coordinate the province with the bureaucracy.	Exchanges are required as per the regular dialogue discussion meeting between the provinces and center. There are problems. It is important to share them.	Issues of economic transactions specified in the constitution have to be implemented.
3	Rights not included in the list of concurrent and exclusive rights provided in the constitution.	Party tolerance is required in elected representatives.	In terms of social justice, financial distribution has to be arranged.
4	Lack of consensus, coordination, and cooperation.	The rights provided in the constitution should be transferred to the provinces and local levels.	There is a dispute between the center and the provinces.
5	Non-implementation of the constitution.	There should be consensus, coordination, and cooperation.	It is necessary to implement according to the policy. Implementation seems weak.

S. N.	Problems seen in Intergovernmental Relations	Suggestions for Appropriate Intergovernmental Relations	Suggestions for Implementation of Fiscal Federalism
6	There is a dispute between the municipality and the province government over the plans.	There should be adequate budget outflow.	The scope of revenue should be widened.
7	There is a lack of authority given to the provinces by the Center.	All three levels of government must play their roles and it must be done together.	There should be clarity in the policy.
8	Federalism could not be implemented due to centre leaders.	Moving forward through mutual discussions (three governments)	The constitutional needs to be implemented honestly.
9	There is more problem in practice than policy.	There is more problem in practice than policy.	Revenue collection by the provinces under their jurisdiction.
10	The list of exclusive and concurrent rights has not been implemented effectively due to the unitary thinking and centralized mentality of the federal government.	Legal barriers need to be removed. The practice of not accepting the existence of the provincial government.	All the sources of income within the province have to be operated by the province.
11	Lack of coordination and cooperation between the Federal Provincial and the local levels.	Good understanding in accordance with the provision of the constitution. The federal government should follow the spirit of federalism.	Revenue allocation should be done in a transparent manner.
12	Emphasis should be placed on the practical implementation of the list of concurrent rights.	Giving practical answers to the above questions.	The scope of revenue should be increased.
13	It is necessary to guarantee the budget to the province and local levels.	Joint investment is necessary between the provincial, federal and the local levels.	Along with the increase in revenue, the services provided to the people should be increased.

S. N.	Problems seen in Intergovernmental Relations	Suggestions for Appropriate Intergovernmental Relations	Suggestions for Implementation of Fiscal Federalism
14	The Federal Government's view of the provinces is not good. Municipalities do not have a good view to the province.	The rights of the three levels should be fully exercised by their respective bodies.	Successful and active staff administration.
15	Limited budget is given to the federal Government by the province.	Coordinating role for exclusive rights and concurrent rights	Responsible representatives
16	The local levels makes the province a hot bed. There is a lack of coordination in the work of the province.	The federal Government should give more responsibility to the province to act in accordance with the constitution.	
17	No coordination between the province, federation and the local level in making plans selection and preparing laws.	The province must play a regulatory role in regulating all the local levels under the province.	
18	Controversy over plan selection and law making.	The local levels also had to broaden their perspective on the province.	
19	The federation, province and the municipalities deny each other's existence.		
20	No proper coordination between the province and local levels.	Federalism is better if we accept each other's existence.	
21	Lack of clear legislation in dispute jurisdiction.	Mutual consultation is essential in choosing a plan.	
22	Problem in managing the required manpower at the local levels and in the province government.	There should be coordination while planning.	

Table 4.24: Problems and Suggestions Given by the Representatives of the Local Levels

S. N.	Problems seen in Intergovernmental Relations	Suggestions for Appropriate Intergovernmental Relations	Suggestions for Implementation of Fiscal Federalism
1	Inadequate coordination in planning and implementation of infrastructure development.	It is the responsibility of the federal government to make laws and regulations.	Consume taxes on natural resources raised at the local level.
2	In policy and law making.	Develop procedures guideline, criteria at the local level.	Set the budget ceiling of the scheme to be operated at the federal, province and local levels.
3	Psychological problems.	Develop the habit of accepting and respecting each other's importance and dignity.	Unconditional grants should be given as conditional instructions.
4	Lack of inter-governmental coordination.	Uniformity in formulation and implementation of laws, rules, regulations and procedures.	Mutual coordination between Federal, Province and local levels
5	Formulation of laws, rules, and procedures.	Coordination for budget and plan priorities.	Capacity of local levels should be increased and the scope of revenue should be increased to 40 percent in fiscal transfer.
6	Planning and budget priorities.	Coordination in the development of economic and social development sectors.	The law of concurrent rights list should be made clear, and its implementation should be streamlined.
7	Budget formulation and implementation	Accept and respect each other's importance and dignity.	Local level resources at the local level.

S. N.	Problems seen in Intergovernmental Relations	Suggestions for Appropriate Intergovernmental Relations	Suggestions for Implementation of Fiscal Federalism
8	Psychological problems/Staff management.	Effective policy coordination and clear provision of concurrent rights.	The percentage of grants distributed by the Fiscal Commission should be increased to the local levels.
9	Lack of a coordinating role of the federal government.	Provision of budget in line with the spirit of federalism.	Maintain good relations between politics and administration
10	Concurrent rights have not been fully implemented.	The federal government should fulfill its constitutional responsibilities.	Activation of National Natural Resources and Fiscal Commission.
11	Federal and province intervention in exclusive rights.	Coordinating role of provincial government in a timely manner.	Consult with the local levels on the use of natural resources.
12	Lack of clarity of constitutional rights.	There should be active coordination at the inter-municipal inter-local level.	Governing power should be in accordance with the Constitution and Local Government Operation Act 2074.
13	Lack of adequate budget Lack of coordination in budget and planning	Joint discussions should be broadened.	Local government should not be interfered with.
14	Centralized mindset of the federal government.	Constitution and rules should be followed.	The budget should be adequate.
15	The sole behavior of the province government.	No interference to local government.	C o o r d i n a t i o n , cooperation and inter-relationship between all governments.
16	Local government is embroiled in ambiguity of law and policy.	There should be a clear definition of rights.	There should be clarity in the relevant law.
17	No discussion on concurrent rights.	The federal government should have a parental role.	Orientation to activate the local level.

S. N.	Problems seen in Intergovernmental Relations	Suggestions for Appropriate Intergovernmental Relations	Suggestions for Implementation of Fiscal Federalism
18	Lack of uniformity in plan selection and implementation.	The province government should coordinate in capacity building of local levels.	The role of the National Natural Resources and Fiscal Commission should be activated.
19	Interference in the provisions of the Constitution and the Local Government Operation Act.	Federal and provincial programs should be determined according to the demands and needs of the local levels.	Make the formula for grant distribution.
20	Making necessary laws for the implementation of the constitution.	All governments should be seen as governments, not as their own bodies.	Geography needs to be corrected on the basis of the present division.
21	There is no need to ensure financial resources in budget formulation and implementation.	Provide timely budget and authorization.	Improve the relations between the federal, the province and the local levels.
22	Provincial governments will not coordinate their plans and programs with the local levels.	Emphasis should be placed on institutional capacity building at the local levels.	The closest government to the people. The local government should be trusted by the federation and the province.
23	Difficulties in implementing administrative federalism.	Implement the projects of great importance under the ownership.	Special care should be taken to improve the revenue system at the local levels.
24	Local government will be treated as its own by the federation and the province.	Move forward by prioritizing for development.	Tax range should be increased.
25	The tendency of providing budget to the local level at the end of the Fiscal Year.	Do not duplicate each other's plans.	Capacity of people's representatives and employees participating in the government should be increased.

S. N.	Problems seen in Intergovernmental Relations	Suggestions for Appropriate Intergovernmental Relations	Suggestions for Implementation of Fiscal Federalism
26	No emphasis on capacity building at the local level.	All in national and international policy making.	Emphasis should be placed on transparent and equitable distribution.
27	Duplication of schemes.	Provinces should be responsible for projects of provincial importance.	The central and province governments should look at geography and remote areas while preparing the budget.
28	Projects could not be selected.	Mutual coordination between the concerned municipality at the municipal level and the three levels of government as a whole is required.	There should be political stability.
29	Decreased resource and logistical support.	Coordination for budget decentralization by the federal government.	A contract system should be implemented on the basis of the ability and age of the representative to be determined on the basis of the ability of the public servant to be permanent with adequate service facilities.
30	Ensuring budget formulation and implementation resources	Play an intergovernmental coordinating role.	Make the formula of grant distribution.
31	The centralized mentality of the federal government remains.	Local government should prepare budget, implement it and report to make it public.	Improve the relations between the federation and the local level.

S. N.	Problems seen in Intergovernmental Relations	Suggestions for Appropriate Intergovernmental Relations	Suggestions for Implementation of Fiscal Federalism
32	The law is broken.	Governments at all levels should act in accordance with the rights provided by the Constitution of Nepal.	The closest government to the people is the local government and the federal and province governments should trust the local government.
33	Appropriated budget late operation.	Joint interaction program between the federal government, province government and local governments should be done time to time.	Grants from the federal government and the provinces should be remitted to the local levels in a timely manner. Also, the coordination should be effective.
34	Federal and province budgets are not sent to the local government on time.	Coordinate with local government in development work.	Most of the Terai and some hilly municipalities have good internal income (stone, gravel, sand, etc.) but some municipalities do not have such resources.
35	The province government should bridge between the Local and Federal Governments.	Government offices are different. The federal government should play the role of guardian according to the capacity of the local and provincial governments.	Identify the specific needs of the local levels and focus on planning and budget accordingly. The policy of allocating revenue should be adopted by identifying the less developed municipalities and not by looking at the population and the rate of revenue.

S. N.	Problems seen in Intergovernmental Relations	Suggestions for Appropriate Intergovernmental Relations	Suggestions for Implementation of Fiscal Federalism
36	Selection and implementation of small schemes by the province government.	Exercise the jurisdiction as per the schedules of the constitution. Schedule 7, 8, 9.	Concerned parties should be sensitive as per the constitutional norms.
37	Thematic offices operate budgets in agriculture and animal health.	In the name of co-existence and cooperation, the federal and province should not be keep Local levels under unnecessary control.	It is necessary to play a coordinating role for the development of revenue capacity at the local level.
38	Some decisions will be outside the jurisdiction of local level due to ignorance of sufficient law.	Policy, laws should be formulated to suit the time and place between the three levels of government.	It is necessary to establish a liaison office at the province level for the distribution of natural resources and financial management
39	Having more rights with the federal government.	Drafting laws under the list of concurrent rights mentioned in the constitution.	
40	There is a problem of cooperation, coexistence, and coordination among the governments of all the three levels as per the constitution.	Since the local level has a close relationship with the people and can take care of the local issues directly related to the operation of the budget, the local level should be made more responsible, and the plan should be operated under the supervision of the local level.	
41	Housing that has lost, Ownership to the local level.	The essence of the constitution should be realized by all the three levels.	

Table 4.25: Problems and Suggestions Given by the Provincial Officials

S.N.	Problems Seen in Intergovernmental Relations	Suggestions for Appropriate Intergovernmental Relations	Suggestions for Successful Implementation of Fiscal Federalism
1	Interference of the center in the law-making and transfer of staff.	Facilitate policy making.	Proper mobilization of resources.
2	Intervention, there is interference from the federal government in giving grants.	Budget management and Proportional distribution of resources.	Increase the scope of revenue and tax collection.
3	Having offices of the same tendency at the federal, province, and local levels may lead to duplication of work.	Legislation to exercise the rights as per schedules.	Appropriate distribution of budget to provinces and local levels.
4	Implementation of the law, manpower and resources	Laws on concurrent lists should be enacted as soon as possible.	There should be policy clarity and laws should be amended in a timely manner.
5		Implementation as per the constitution.	Province should also prioritize their income generating areas.

CHAPTER V

MAJOR FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1 Major Findings of the Study

A. On Federalism and Intergovernmental Relations

The research reveals the following findings:

- a) Respondents stretch much more priority to the joint efforts of the federal, provincial, and local governments in efficiently working federalism.
- b) Respondents believe that the intergovernmental relations are the interactions and intercourse among the three tiers of governments.
- c) Many of the respondents participated in the federal program occasionally, followed by regularly, though some of them could not get such opportunity.
- d) Respondents are privileged in participating the federal programs, particularly in the planning formation and execution, and legislative and fiscal spheres.
- e) Most of the respondents who participated in the federal program are satisfied as they received knowledge in given subject though some of them are dissatisfied.
- f) Almost all respondents believe that to implement the concurrent jurisdictions, the federal government has the major responsibility.
- g) Provincial government has also utmost responsibility in succeeding the federalism by coordinating in between federal and local governments.
- h) Most of the respondents agree that the Gandaki province is successfully discharging its responsibilities.
- i) Most of the respondents believe that the federal government is unwilling to allocate required resources to sub-national governments.
- j) In ordinal measurement respondents stretch much more priority to the education and health as well as planning and budgeting followed by development and physical structures.
- k) So far as the issue of cooperation by Gandaki province to the local governments is concerned, majority of respondents agree with its support for planning and budgeting formulation followed by the legislative matter. Likewise, majority of respondents believe that the local governments are also responsible towards the Province.
- l) The views of respondents could be summarized as problems of cooperation and coordination between three levels of government for

- making the policies and initiating the development projects.
- m) Provincial and local governments have the problem of implementation of the subjects mentioned in the concurrent rights due to lack of laws and cooperation by the federal government.
 - n) Almost all respondents observe that the federal government is illiberal to release the power and resources to its sub-national government as mentioned in Laws.
 - o) As per the legal provisions and the view of respondents the three levels of government- particularly the federal- has more roles and responsibilities for initiating the necessary interactions and discussion on the problems of law making and its implementation.
 - p) There are many overlapping rights between federal, provincial and local level such as, service fee, health service, education, cooperative, mines, land management, forest, etc, which need clear definition of jurisdiction.
 - q) Formal mechanisms of IGR such as NCC, IPC, PCC, NNRAFC etc. have no regular meetings to forge coordination and interaction between the federal, province and local levels for resolving the problems and complexities regarding the laws, resources, and development.

B. On Fiscal Federalism

The stakeholders were asked about the level of knowledge and perception on the content and practice of fiscal federalism. The major findings in this regard are as follows:

- a) The study reveals insufficient and limited level of knowledge among the stakeholders on fiscal federalism. The respondents feel the need of more interaction and programs to further educate the stakeholders about the content and practice of fiscal federalism.
- b) Whether fiscal federalism is going on in the right direction, about half of the respondents agree with skepticism.
- c) While asked whether existing fiscal federalism exercise is good, majority of the respondents either partially agree or are neutral. Very few disagree. It means the respondents have mixed responses of the current exercises of fiscal federalism.
- d) On the issue of who are more responsible to execute the appropriate model of fiscal transfer, majority of respondents, irrespective of their background, either federal government or all levels of governments are

- responsible. Very few level that it is the main responsibility of provincial government.
- e) Majority of the respondents of either category are found partially satisfied on the current standard and modality of fiscal transfer. However, about one fourth of them disagree on this matter.
 - f) On the content-wise preference on the issues of fiscal federalism, majority of the respondents are neutral. Only about one-fourth of them ranked the reluctance of federal government, incomplete and inactive NRFC as issue of first and second preferences respectively. However, very few respondents choose unclear constitutional provision, lack of legal clarity and lack of initiatives of sub-national governments as preferred issues.
 - g) On the major concerns of components of fiscal federalism, no clear pictures emerge. In this question, about one-third of respondents either do not like to choose or choose all the given components. It means the respondents have no clear knowledge about the different components of fiscal federalism.

5.2 Conclusion

Nepal has formally introduced the federal system since 2015 by proclaiming the Constitution. For implementing the constitutional provisions, the general elections held in 2017 and 2018 established and executed the three levels of governments. The first term of local level has been over and the election for the second term of provincial and federal government is nearing. Therefore, it would be too early to conclude in a determined way. While looking at the institutional structure and legal provisions as well as exercises, progress is satisfactory as compared to the other federal regimes, old and new. However, the success of federalism in democracy depends on the interactions and coordination between federal units. Therefore, most of the modern federal constitutions of the world have mentioned some policies and mechanisms for forwarding the intergovernmental relations between the national and sub-national governments.

Nepali federal constitution has adopted the formal and institutional model of intergovernmental relation as per the principle of cooperation, coexistence and coordination. Nepal has adopted a cooperative model for the intergovernmental relation. So, IGR and fiscal federalism are some of the important and pressing issues for the successful and result oriented implementation of federalism. Several formal policies and mechanisms are designed to manage the intergovernmental relations.

Self-rule and share rule along with overlapping jurisdictions in between three levels of government demand the need of their interrelationship. Constitutional and legal provisions have prescribed the contents, bases, mechanisms, and processes of IGR. Interprovincial Council (IPC), National Coordination Council (NCC), National Natural Resource and Financial Commission (NNRAFC), Province Coordination Council (PCC) and different subject committees are the examples of institutional mechanisms to execute the IGR between the federal, provincial and local governments.

Though some revisions are necessary in contents and processes, intergovernmental relations and fiscal federalism regarding the provisions of policy and law are satisfactory. For efficiency and consolidation of federalism, joint efforts of the federal, provincial and local governments are required. NCC and IPC are the major political mechanisms to maintain the intergovernmental relations between federal, provincial and local government, and federal and province and intra provincial level respectively. NCC has the coordinating role between federal units regarding the making and implementing the policies and laws, planning and development, etc. Constitution has also framed the NNRAFC for managing the fiscal relation in between federal units.

Federal units-particularly the province and local-have faced the complexities in making the laws and mobilizing the resources. Various ambiguities surface due to concurrent list and overlapping jurisdictions. It is difficult task to consolidate the nascent federalism as it has just transferred from a long unitary system. Therefore, governments of all levels are facing several problems and challenges while executing their roles and responsibilities. Active and well-functioning intergovernmental mechanisms (NCC and IPC) particularly depend on the willingness of the federal government since it has a leading role in these institutions. Regular formal and informal meetings are indispensable to foster IGR. Therefore, the policy should be made as a meeting must be scheduled at least once in a year and if necessary, it may be held at any time by the one-third of the council members' request to its chair.

Gandaki province, like other provinces, has also complexity in making laws and policies about the concurrent list mentioned in the constitution, because the federal government has not sufficiently initiated to enact the required laws. Many roles and responsibilities are overlapping among the three tiers of government, such as service tax, cooperative, police administration, forest, land, mine, education, health, radio, etc. Such provisions should be defined as the clear jurisdiction by the initiation of the NCC and IPC. Gandaki Province anticipates the land acquisition, required civil servant, resources, more federal laws regarding the concurrent jurisdiction. This province has been forwarded/proposed such issues since its first policy and program proposed in

assembly. It has succeeded to fulfill some of its demands partially, but it needs to do a lot more in the coming days. Gandaki Province Council has to coordinate and co-opt between itself and local levels and between inter-local levels for formulation and execution of the laws and policies and resource mobilization. This province has been conducting some of these roles and responsibilities but not as adequate as expected by the local governments. On the other side, province has some reservations about the local governments' role and responsibility which needs to be fulfilled. However, this council should be active by organizing the regular meetings and solving the problems appearing in between Gandaki province and local levels and inter-local level governments in its sphere.

On the fiscal federalism, it is going on right direction despite some practical problems. On the contents and components of fiscal federalism, since the respondents are found to have limited and insufficient knowledge, there is a need of capacity building and rigorous interaction among all the stakeholders at sub-national level. For successful implementation of fiscal federalism, the federal government has top most responsibility, and the sub-national governments should also be active in initiating and discharging fiscal responsibilities. Similarly, it is also very crucial that Natural Resources and Fiscal Commission should be effective and impartial to design and implement standard modality of revenue allocation and intergovernmental fiscal transfer; and be functional and effective on related areas of its jurisdictions.

For resolving the issue and conflict between federal, province and local, and inter-province or inter-local government, informal and formal dialogues, discussion, and interactions as per the principle of cooperation, coexistence and coordination are needed. Laws and policies are enacted for determining the processes and mechanisms to enforce the Intergovernmental relations. As the roles and responsibilities provided by the laws, Interprovincial Council, National Coordination Council, Province Coordination Council, National Natural Resource and Fiscal Commission and other mechanisms should be active to fulfill the task of IGR mentioned in the Constitution and other laws.

5.3 Recommendations

(I) For Three Level Government

- a. Accept and respect the existence of Federal, Provincial and Local Government.
- b. Cooperation and coordination is needed among the three tiers of governments.
- c. Guardian role should be played by the Federal Government, Coordination

role by Province Government and more active service delivery role should be played by Local Government.

- d. There is a need of clear legal framework for the implementation of concurrent List mentioned in the constitution. As early and as clearly as possible it is better to reduce the intergovernmental conflicts at inter province and inter local government level.

(II) For Federal Government

- a. Active and impartial fiscal commission is needed.
- b. Federal Government should be ready for devolution of power to sub national government as per the provision of constitution.
- c. Coordination should be enforced to make laws for concurrent jurisdictions.
- d. No intervention of federal government to provincial and local governments' affairs.
- e. Federal Government should coordinate in between and among the sub national governments for launching the big projects and using the common property, as well as resolving the conflict in between and among the levels of government.
- f. The Federal Government should be liberal towards devolution of power and resources to sub-national levels on the revenue assignment, fiscal transfer, and expenditure assignment in a transparent way.
- g. Since fiscal federalism is one of the technical and important components of federal governance, the stakeholders should be given more learning opportunities by organizing regular and comprehensive interaction programs at province and local level.
- h. The NNRAFC should be made functional and effective in its jurisdiction, especially on preparing and recommending standard modalities of revenue allocation and fiscal transfer in a transparent and impartial way.

(III) For Provincial Government

- a. Provincial government should have coordinating and bridging role between Federal and Local Government.
- b. Maintain uniformity among the laws and regulations those have been formulated across the province.
- c. Provincial Government should try to generate its own source revenue.

- d. All minor development tasks should be assigned to the Local Levels and major one should be handled by the Province.
- e. Provincial Governments can share their experiences on law-making and its enforcement and join hands for strongly lobbying with Federal Government in fulfillment of their demands as provided by the constitution.
- f. The Provincial Government should be more active in facilitating and coordinating developmental activities at federal and local level, specially bridging the gap in planning, budgeting, implementing development programs and projects at the provincial level.

(IV) For Local Government

- a. There is a need of capacity enhancement of Local Levels especially, in the area of revenue generation, planning, budgeting and implementation of development programs and project at local level.
- b. Local Governments should be responsible for their role towards the Province.
- c. In law-making and its implementation, Local Government should interact with the Provincial Government.
- d. Local Governments can exchange their experiences, and assist to each other in law and policy making and their implementation.

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APPENDIX

Survey Questionnaire for the IGR Research

The present questionnaire entitled "Intergovernmental Relations in Federal Nepal: A Study of the Gandaki Province" is prepared for the research being conducted with the invitation, approval and support of the Gandaki Province Training Academy. Choose the answer you think is appropriate from the various possible alternatives to the questions mentioned in this questionnaire. The data and information will be used to complete this research. The research is expected to help in strengthening federalism in Nepal.

(Researchers : Dr. Lekhnath Bhattarai, Dr. Umanath Baral and Girdhari Subedi).

Please mark the answer you think is correct.

(A) Preliminary Questions/Political Sociology

1. What is your age group?
(a) 21-30 years (b) 31-40 years (c) 41-50 years
(d) 51-60 years (e) 61-70 years (f) Above 71 years
2. What is your educational qualification?
(a) Literate (b) School education (c) Graduate (d) Post graduate
3. What is your ethnic identity?
(a) Khas/Arya (b) Janajati (c) Dalit (d) Muslim
© Madhesi (f) Others.....
4. What is your biological identity?
(a) Men (b) Women (c) Sexual minorities
5. Which political party do you belong to?
(a) The CPN (UML) (b) Nepali Congress (c) CPN (Maoist Center)
(d) Janata Samajwadi Party (e) Janamorcha Nepal
(f) Other..... (g) Independent
6. What is your current position?
(a) Minister of Province (b) Member of Provincial Assembly
(c) Province Secretary (d) Chief of Municipality
(e) Deputy Chief of Municipality (f) Municipal Chief Administrative Officer

(B) Thematic questions (Federalism and IGR: Politics and Policy)

1. Who has the biggest role for the successful implementation of federalism in Nepal?
 - (a) Federal Government
 - (b) Provincial Government
 - (c) Local Government
 - (d) Joint efforts of all the three levels
 - (e) Don't know
2. What do intergovernmental relations mean?
 - (a) Relationship between the Province and the Federal Government
 - (b) Province-Province Relations
 - (c) The relationship between the province and the Municipality
 - (d) All of the above
 - (e) I don't know
3. Have you participated in any program between the federal government and the province or between the Province and Municipalities?
 - (a) Regularly participated
 - (b) Occasionally participated
 - (c) Never participated
 - (d) Don't know
4. If you have participated in such programs, what kind of programs have you participated in?
 - (a) Regarding budget and revenue
 - (b) Program related to law-making
 - (c) Regarding planning, selection and implementation
 - (d) Regarding administrative and staff management
 - (e) Other.....
 - (f) Don't know
5. What is your assessment of the achievements of such a program?
 - (a) I am completely satisfied
 - (b) I am satisfied
 - (c) Neutral
 - (d) I am dissatisfied
 - (e) I am very dissatisfied
 - (f) Don't know
6. What is your opinion on the statement that the federal government should be most responsible for the implementation of the list of concurrent rights provided in the constitution?
 - (a) Absolutely agree
 - (b) Agree
 - (c) Neutral
 - (d) Disagree
 - (e) Absolutely disagree
 - (f) Don't know
7. What is the point of saying that in order for the federal system to be successful in Nepal, the Provinces also have to fulfill their responsibilities honestly?
 - (a) Absolutely agree
 - (b) Agree
 - (c) Neutral
 - (d) Disagree
 - (e) Absolutely disagree
 - (f) Don't know

8. What is your opinion on the statement that the Gandaki Province government has succeeded in fulfilling its responsibilities according to the available resources?

- (a) Absolutely agree (b) Agree (c) Neutral
- (d) Disagree (e) Absolutely disagree (f) Don't know

9. What is your opinion on the statement that the federal government has not provided the necessary resources and means to the Provinces and municipalities to fulfill their responsibilities given by the constitution?

- (a) Absolutely agree (b) Agree (c) Neutral
- (d) Disagree (e) Absolutely disagree (f) Don't know

10. In which of the following areas does the government to which you are involved need intergovernmental relations to fulfill its constitutional obligations? Mention your priorities.

- (a) Education, health, peace and security ()
- (b) Planning and budget ()
- (c) Administration and staff management ()
- (d) Physical Infrastructure ()
- (e) Other..... ()

11. What is your opinion on the statement that the Gandaki Province government has assisted the municipalities in formulating policies and laws?

- (a) Absolutely agree (b) Agree (c) Neutral
- (d) Disagree (e) Absolutely disagree (f) Don't know

12. What is your view on the fact that there is necessary cooperation and coordination between the Gandaki Province government and the municipalities in terms of planning and budget?

- (a) Absolutely agree (b) Agree (c) Neutral
- (d) Disagree (e) Absolutely disagree (f) Don't know

13. What is your opinion on the statement that the municipalities are sincere in fulfilling their responsibility towards the Gandaki Province government?

- (a) Absolutely agree (b) Agree (c) Neutral
- (d) Disagree (e) Absolutely disagree (f) Don't know

14. In your experience, what problems do you see in the intergovernmental relationships within federal structure in Nepal? Mention any three problems.

- (a).....
- (b).....
- (c).....

15. What are your suggestions for mutual cooperation, coexistence and coordination among the three tiers of government for the implementation of federalism in Nepal?

- (a).....
- (b).....
- (c).....

(C) Fiscal Federalism and IGR

16. What is your knowledge level about fiscal federalism ?

- (a) Have good information
- (b) Have general information
- (c) More information is required.
- (d) Don't know

17. Which of the following aspects do you think fiscal federalism encompasses?

- (a) Deposit of the right to spend at the province and local level
- (b) Deposition of the right to contract at the province and local level
- (c) Arrangement of revenue sharing among federations, foreign countries, and localities
- (d) Provision of intergovernmental fiscal transfer
- (e) Institutional arrangements of the Natural Resources and Finance Commission
- (f) All of the above

18. Do you think fiscal federalism is being practiced well in Nepal?

- (a) Yes
- (b) No
- (c) I don't know

19. To what extent do you agree that fiscal federalism is well practiced?

- (a) Totally agree
- (b) Agree
- (d) Disagree
- (e) Totally disagree

20. If not, why not? (Please rate by priority)

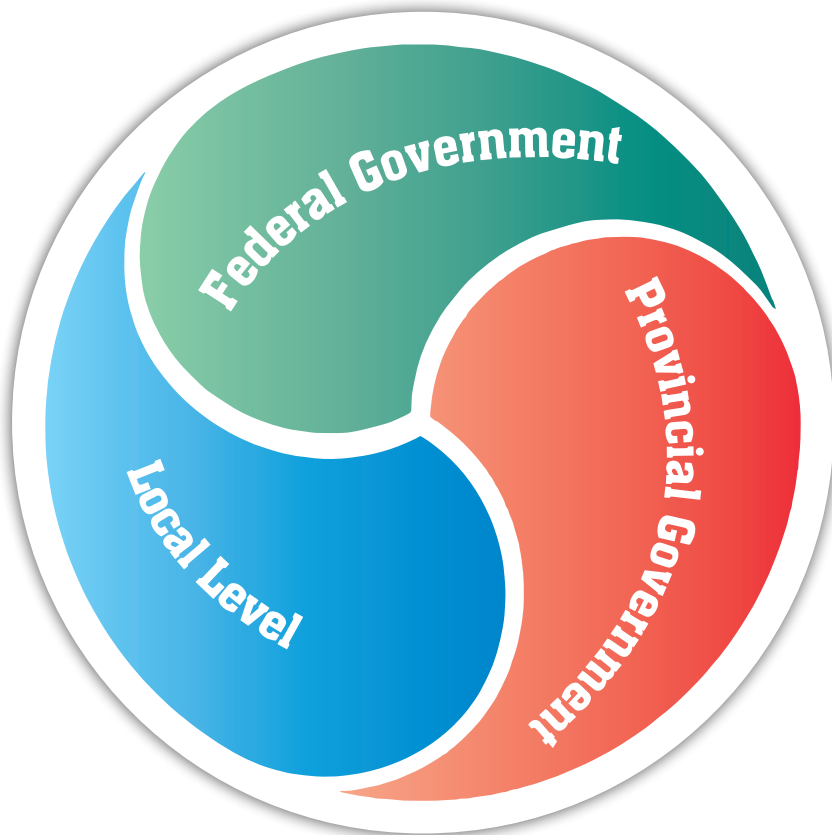
- (a) Ambiguity in the constitutional system ()
- (b) Ambiguity of the relevant law ()
- (c) Lack of readiness of the Federal Government ()
- (d) Neutral ()
- (e) Incompleteness and lack of activism of the Natural Resources and Fiscal Commission ()
- (f) Lack of active initiative at province and local level ()
- (g) All of the above()

21. Whichg of the following do you see has more responsibility for the proper implementation of fiscal federalism?

- (a) Federal Government
- (b) Provincial Government
- (c) Local Government
- (d) Fiscal Commission
- (e) Bureaucracy

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