

INTERGOVERNMENTAL RELATIONS AND COOPERATIVE FEDERALISM IN NEPAL: CHALLENGES OF COORDINATION AND INSTITUTIONAL CONSOLIDATION

Upendra Sah

Tribhuvan University (MPhil Scholar) Officer, GoN.

Email: upendraktm14@gmail.com

Abstract

The transition from a centralized unitary system to federal governance represents one of the most significant institutional transformations in contemporary Nepal. The Constitution of Nepal, 2015 established a federal democratic republican structure comprising federal, provincial and local levels of government and formally distributed legislative, executive and fiscal responsibilities among them. However, constitutional restructuring was only the beginning of federalization. Effective federal governance has required continuing institutional development, legislative harmonization, administrative restructuring, fiscal adjustment and cooperation among different levels of government. This paper examines the evolution of intergovernmental relations in Nepal with particular attention to cooperative federalism, jurisdictional ambiguity, coordination mechanisms, administrative capacity and institutional consolidation. The study is based on a qualitative thematic review of literature, constitutional documents, policy reports and scholarly studies concerning Nepal's federal transition. The analysis identifies four broad phases: constitutional restructuring, institutional establishment, implementation and consolidation, and adaptive governance. The findings indicate that intergovernmental relations constitute a central determinant of federal implementation. Although formal mechanisms for coordination have developed, overlapping competencies, concurrent powers, delays in legislative harmonization, uneven administrative capacity and political contestation have complicated cooperation among the federal, provincial and local governments. The paper argues that effective federalism requires more than formal constitutional allocation of powers. It requires continuous institutional dialogue, clearly defined responsibilities, effective dispute-resolution mechanisms, professional administrative capacity and cooperative policy implementation. The study concludes that Nepal's next phase of federal consolidation should emphasize institutional learning, intergovernmental coordination, legislative clarity, evidence-based policymaking and mechanisms that facilitate regular interaction among all three levels of government.

Keywords: Federalism; Nepal; Intergovernmental Relations; Cooperative Federalism; Provincial Government; Local Government; Institutional Capacity; Governance; Decentralization.

1. Introduction

Federalism has emerged as a major institutional transformation in Nepal following a prolonged period of centralized governance, political instability, armed conflict and demands for inclusive state restructuring. The Comprehensive Peace Agreement of 2006, the Interim Constitution of 2007 and the Constitution of Nepal of 2015 collectively established the political and constitutional foundations for a federal democratic republic. The

Constitution subsequently recognized federal, provincial and local governments as constitutionally significant levels of governance. This transformation altered not only the territorial organization of government but also the distribution of political authority, administrative responsibilities, financial resources and public-service functions.

The experience of comparative federalism demonstrates that the adoption of a federal constitution does not complete the process of federalization. Federal systems depend on continuing negotiation concerning shared rule, self-rule, institutional relationships and resource distribution. Elazar (1987), Watts (2008), Hueglin and Fenna (2015) and Riker (1964) emphasize different dimensions of federal institutional arrangements, but their approaches collectively demonstrate the importance of relationships among governmental units rather than constitutional architecture alone.

Nepal's Constitution explicitly establishes cooperation, coexistence and coordination as the principles governing relations among the federation, provinces and local levels. Article 232 provides that relations between the Federation, States and Local Level shall be based on "cooperation, co-existence and coordination." The Constitution also provides for an Inter-State Council and mechanisms for coordination among levels of government.

The practical implementation of these constitutional principles has been complex. Responsibilities have sometimes overlapped, legislative frameworks have required harmonization and government institutions have had to adjust from a historically centralized administrative system to a multi-level federal structure. Research on Nepal's federal transition has repeatedly identified jurisdictional uncertainty, intergovernmental coordination, administrative restructuring and institutional capacity as important implementation concerns.

This paper therefore focuses specifically on intergovernmental relations rather than treating federalism as a purely constitutional phenomenon. It examines how coordination among the federal, provincial and local governments has evolved, what institutional problems continue to affect cooperative governance and what opportunities exist for strengthening intergovernmental relationships.

2. Background of Federal Transformation in Nepal

Nepal's federal transition developed from a longer process of political restructuring. The centralized administrative structure that preceded federalism concentrated significant political and administrative authority at the national level. The political transformation following the 2006 peace process generated stronger demands for decentralization, inclusion and restructuring of the state.

The Interim Constitution of 2007 provided an important transitional framework, while the Constitution of 2015 formally established federal Nepal. Provincial and local elections in 2017 were followed by the operationalization of the new federal structure. The transition required the creation of provincial institutions, restructuring of ministries, adjustment of civil servants, creation of new administrative systems and development of intergovernmental fiscal arrangements.

The federal system consists of seven provinces and 753 local governments. Implementation therefore required coordination among a large number of constitutionally empowered

institutions. Bahl, Timofeev and Yilmaz describe Nepal's federalization as a substantial institutional transition in which local and provincial governments received significant functional responsibilities.

The transformation consequently involved two interconnected processes. The first was the establishment of formal institutions. The second was the development of working relationships among institutions. While the first could be addressed through legislation and administrative restructuring, the second depended on institutional trust, coordination, negotiation and policy learning.

3. Problem Statement

The establishment of three constitutional levels of government has created new opportunities for decentralized governance but has also generated coordination challenges. Constitutional schedules distribute exclusive and concurrent responsibilities among the three levels. In practice, however, the interpretation and implementation of these responsibilities can produce overlapping jurisdictions.

The source report indicates that constitutional ambiguity, legislative delays and overlapping competencies have repeatedly affected intergovernmental relations. Similar findings appear in external studies of Nepal's federal transition. The World Bank has noted that the transition involved incomplete legislation and overlapping exclusive and concurrent powers, which contributed to uncertainty concerning roles and responsibilities.

The central problem is therefore not simply whether powers have been constitutionally decentralized, but whether governmental institutions can work together effectively when responsibilities are shared or interconnected.

4. Research Questions

The study addresses the following questions:

1. How have intergovernmental relations evolved during Nepal's federal transition?
2. What are the major institutional and administrative challenges affecting cooperation among federal, provincial and local governments?
3. How does cooperative federalism contribute to institutional consolidation in Nepal?
4. What institutional mechanisms can strengthen coordination and intergovernmental governance?

5. Objectives of the Study

The objectives are:

1. To examine the evolution of intergovernmental relations in federal Nepal.
2. To identify major challenges affecting coordination among the three levels of government.
3. To analyze the role of cooperative federalism in institutional consolidation.
4. To explore strategic mechanisms for improving intergovernmental cooperation.

6. Methodology

This study adopts a qualitative thematic review approach. The attached source report examined literature concerning Nepal's federal transition approximately from 2008 to 2025. The literature included peer-reviewed articles, academic books, constitutional documents, government publications and policy reports.

The philosophical position of the original study was based on relativist ontology and interpretivist epistemology. The present paper retains that orientation but concentrates its analytical attention on intergovernmental relations.

The analytical procedure involved identifying recurring concepts, grouping related concepts into categories and developing themes. The major categories relevant to this paper were constitutional allocation of responsibilities, intergovernmental coordination, legislative harmonization, administrative capacity, dispute resolution, cooperative governance and institutional learning.

The findings should therefore be interpreted as an analytical synthesis of existing literature rather than as results from a new survey or field experiment.

7. Theoretical Framework

7.1 Federalism and Shared Rule

Federalism combines elements of self-rule and shared rule. Riker (1964) examined federal arrangements through the distribution of political authority, while Wheare (1963) emphasized constitutional division of governmental powers. Elazar (1987) subsequently highlighted federalism as a political arrangement based on partnership and shared governance.

For Nepal, these perspectives are useful because the federal system cannot function effectively if each government level operates independently. Provincial and local governments require constitutional authority while simultaneously participating in broader national policy frameworks.

7.2 Cooperative Federalism

Cooperative federalism emphasizes collaboration rather than rigid institutional separation. Agranoff (2007) demonstrates the importance of networks and interorganizational relationships in contemporary governance. Watts (2008) similarly emphasizes the significance of institutional relationships in federal systems.

Nepal's constitutional emphasis on cooperation, coexistence and coordination provides an explicit basis for this approach. The Constitution's Article 232 makes cooperation and coordination fundamental principles of relations among government levels.

7.3 Institutional Adaptation

Ostrom (1990, 2005) provides an institutional perspective in which governance arrangements develop through collective action, rules and institutional learning. Folke et al. (2005) further emphasize adaptive governance, experimentation and learning.

This perspective is particularly relevant to Nepal because the federal system is comparatively new and continues to evolve. Institutional difficulties can therefore be examined as part of an ongoing process of adaptation rather than only as isolated administrative failures.

8. Evolution of Intergovernmental Relations

8.1 Constitutional Restructuring: 2010–2015

The first phase involved constitutional debate and state restructuring. Federalism became associated with inclusion, decentralization, political representation and redistribution of state authority.

The Constitution of 2015 provided the legal foundation for three levels of government and specified exclusive and concurrent areas of authority. The constitutional framework therefore established the formal basis for intergovernmental relations.

8.2 Institutional Establishment: 2015–2018

The second phase focused on creating institutions capable of operating within the new federal structure. Provincial governments were established, local governments were reorganized and elections created elected institutions at subnational levels.

This phase involved significant administrative adjustment. Personnel had to be allocated among different levels, government organizations had to be redesigned and new mechanisms for intergovernmental financing and coordination had to be established.

8.3 Implementation and Consolidation: 2018–2022

The third phase involved practical implementation. Governments increasingly exercised their constitutional responsibilities while encountering problems associated with overlapping authority, administrative capacity and resource management.

Studies of Nepal's early federal implementation describe both institutional achievements and continuing challenges. Bahl, Timofeev and Yilmaz identify the creation of a decentralized system and the assignment of substantial responsibilities to subnational governments while also documenting implementation difficulties.

8.4 Adaptive Governance: 2022–2025

The fourth phase can be understood as adaptive governance. The central concern increasingly shifted from establishing institutions to improving their performance and relationships.

The focus consequently moved toward policy coordination, institutional capacity, fiscal sustainability, digital governance, legislative harmonization and service delivery. The source report identifies this period as one of institutional learning and adaptive policymaking.

9. Major Challenges of Intergovernmental Relations

9.1 Constitutional and Jurisdictional Ambiguity

The allocation of powers among three levels of government creates areas where responsibilities can intersect. Concurrent responsibilities particularly require coordination because multiple governments may possess legitimate authority over related policy areas.

The World Bank's assessment similarly identifies overlapping powers and incomplete legislation as continuing features of Nepal's federal transition.

9.2 Legislative Harmonization

Federalization required the development of laws at different levels that are compatible with constitutional responsibilities. Delays or inconsistencies can create uncertainty for provincial and local governments.

Legislative harmonization is therefore an essential component of intergovernmental relations. Without compatible laws, even clearly assigned constitutional responsibilities may become difficult to implement.

9.3 Administrative Capacity

The source report identifies uneven administrative capacity as a recurring problem. Some provincial and local institutions have experienced shortages of skilled personnel, technical expertise and organizational experience.

Intergovernmental coordination depends not only on political institutions but also on administrative organizations capable of communicating, planning and implementing jointly.

9.4 Political Coordination

Federalism involves political actors operating at different levels. Differences in political priorities can generate disagreement concerning resource allocation, policies and institutional authority.

These disagreements are not necessarily abnormal in federal systems. The institutional challenge is to provide mechanisms through which differences can be negotiated rather than becoming persistent governance disputes.

9.5 Resource and Fiscal Coordination

Intergovernmental relations also depend on financial arrangements. Provincial and local governments require adequate and predictable resources to implement constitutionally assigned responsibilities.

ADB's review of Nepal's fiscal decentralization emphasizes that legislative and institutional progress has occurred since the 2015 Constitution but that further refinement of fiscal federalism remains necessary.

10. Cooperative Federalism and Institutional Performance

Cooperative federalism provides a framework for addressing interdependence among governments. In Nepal, education, health, infrastructure, environmental management, disaster management and economic development often involve responsibilities that cannot be effectively implemented by one level alone.

Consequently, intergovernmental cooperation should involve:

- regular consultation;
- information sharing;
- joint policy development;
- clear administrative procedures;
- coordinated budgeting;
- dispute-resolution mechanisms;
- compatible legislation; and
- institutionalized policy dialogue.

Devkota (2020), for example, emphasizes regular and intensive interaction among federal, provincial and local governments as important for strengthening federal implementation.

The constitutional framework itself contains institutional mechanisms for intergovernmental relations, including the Inter-State Council. The effectiveness of such institutions, however, depends on regular use, procedural clarity and political willingness to engage in dialogue.

11. Opportunities for Institutional Consolidation

The challenges of intergovernmental relations also create opportunities for institutional learning.

First, regular coordination forums can strengthen communication among governments.

Second, digital governance can improve information exchange and administrative coordination.

Third, evidence-based policymaking can reduce conflict arising from incomplete information.

Fourth, clearly defined procedures for resolving jurisdictional disputes can reduce administrative uncertainty.

Fifth, professional development and capacity-building can improve the ability of provincial and local institutions to participate effectively in intergovernmental processes.

Sixth, legislative harmonization can create clearer institutional boundaries while retaining necessary policy coordination.

12. Discussion

The evidence reviewed in the attached report indicates that Nepal's federal transition should be interpreted as an evolving institutional process. The major concern has gradually moved from creating constitutional institutions toward making those institutions work together effectively.

This observation is consistent with broader federalism scholarship. Federal systems require institutional mechanisms through which autonomous governments can cooperate on matters of common interest. The Nepalese case demonstrates that constitutional decentralization without corresponding institutional capacity can produce implementation gaps.

The central importance of coordination also means that federalism should not be interpreted through a simple center-versus-periphery framework. The provincial level occupies an important intermediary position, while local governments have direct responsibilities involving citizens and local development.

The quality of federal governance therefore depends on relationships across all three levels. Weakness at one level can affect the performance of the others. For example, unclear federal legislation may create provincial uncertainty, which may subsequently affect local implementation.

13. Policy Implications

The analysis suggests several policy directions:

1. **Clarify overlapping responsibilities** through systematic review of concurrent and shared functions.
2. **Accelerate legislative harmonization** to align federal, provincial and local laws.
3. **Strengthen intergovernmental dialogue** through regular institutional meetings.
4. **Improve dispute-resolution mechanisms** so jurisdictional disagreements can be handled through established procedures.
5. **Develop professional administrative capacity** at provincial and local levels.
6. **Improve information sharing** through integrated digital governance systems.
7. **Strengthen evidence-based policy coordination** through shared databases and analytical institutions.
8. **Promote cooperative planning** for policy areas involving more than one level of government.
9. **Improve fiscal coordination** so financial responsibilities correspond more closely with assigned functions.
10. **Institutionalize policy learning** by documenting implementation experiences and adapting rules accordingly.

14. Conclusion

Nepal's federal transition represents a major institutional transformation from centralized governance toward a multi-level system of shared authority. The Constitution of 2015 established the formal architecture of federal governance, while subsequent years have focused increasingly on institutional implementation and consolidation.

The analysis shows that intergovernmental relations are central to this process. Constitutional allocation of powers provides the foundation, but effective federalism requires continuous cooperation, coordination and negotiation. Jurisdictional ambiguity, legislative delays, uneven administrative capacity, fiscal interdependence and political differences remain important challenges.

At the same time, the development of provincial and local governments has created opportunities for decentralized planning, local participation, institutional innovation and more context-specific governance.

The future development of Nepal's federal system therefore depends substantially on the quality of relationships among federal, provincial and local institutions. Strengthening these relationships through legislative clarity, institutional capacity, regular dialogue, dispute resolution, digital coordination and adaptive policymaking can contribute to the consolidation of cooperative federal governance.

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