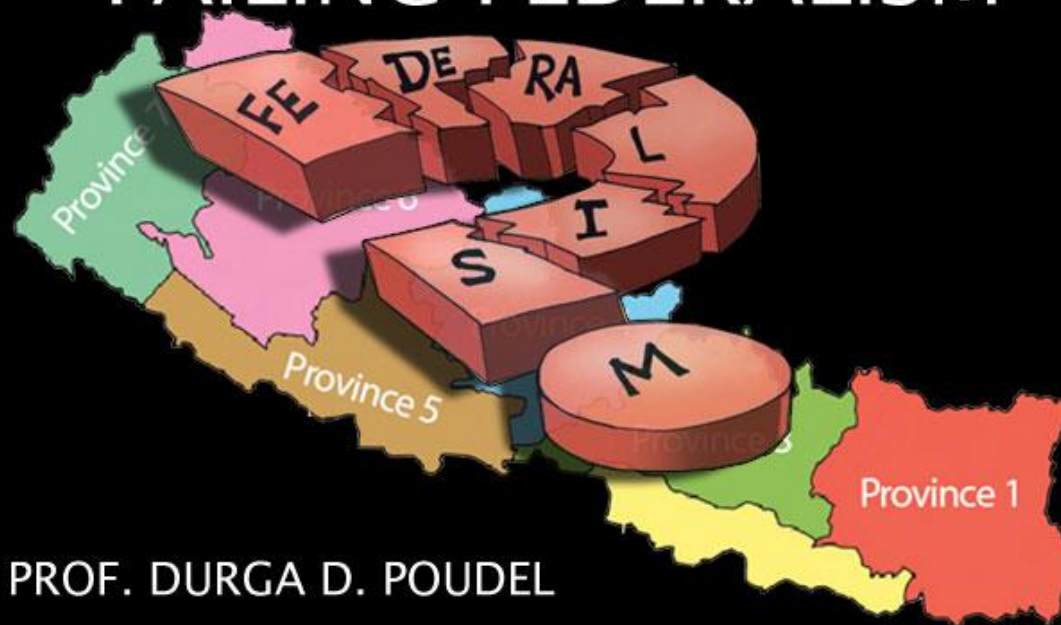


FAILING FEDERALISM



PROF. DURGA D. POUDEL

Prof. Durga D. Poudel, USA: On August 2, 2009, I published an article entitled “**Federalism in Nepal: Issues and Concerns**” in one of the online portals in Nepal, stressing a need for a thorough discussion *on advantages and disadvantages of federalism* before adopting it in the country.

Obviously, the ultimate goal of any administrative and political structure of a nation revolves around strengthening national integrity, enhancing prosperity, empowering people, protecting society, and promoting culture and tradition.

The 2009 Federalism article read:

“The historic Jana-Aandolan II culminated into the declaration of the republic in Nepal on May 28, 2008, after the constituent assembly polls. 560 of CA members voted in favor of the republic, ending 240 years of monarchy. However, the question remaining in many Nepalese minds even after several years down the lane is how is it that we ended up with the declaration of the federalism in our interim constitution without having sufficiently debated or discussed the viability of federalism in Nepal? This issue of national significance, unitary vs. federal, is critical for Nepal’s prosperity, pride, and national integrity. As a matter of fact, available literature suggests that a unitary system of governance is followed by about 170 nations, including England, France, Japan, and Bangladesh. Decentralization is extremely important for the success of a unitary system. I believe even if the interim constitution declares Nepal as a Federalist nation, it is still worthwhile and not too late to debate the pros and cons of federalism and take the right course of political action that ensures national integrity, empowers the people, protects our societies, enhances prosperity, and promotes our culture and traditions. While acknowledging the federalist’s views of the empowerment of ethnic groups and communities, right to self-determination, decentralization of governance, enhancement of the competition for development among the federal states, and even control on increasing population growth of Kathmandu Valley, I firmly believe that we need to seriously debate and discuss the viability and long-term impacts of federalism on national integrity, prosperity, equity, and resource allocation. Some of the issues and concerns regarding federalism in Nepal are as follows:

1. Danger of national disintegration:



The issue of national disintegration is perhaps the most important and frightening one. Available literature suggests that more than two dozen states have already disintegrated, including Somalia, Russia, Congo-Kinshasa, Nigeria, and Yugoslavia among others. Many of these states have gone through ethnic violence, chaos, and finally disintegration. Yugoslavia can be cited as an example for disintegration due to ethnic federalism. Marshal Joseph Broz Tito, the communist leader of Yugoslavia, acted on the devolution of powers from central government to ethnic and linguistic communities through the 1974 constitution. This eventually resulted in ethnic tensions and the disintegration of the state. Thus, the once kingdom of Yugoslavia (1918-41) has now turned into seven different nations (Bosnia and Herzegovina, Croatia, Montenegro, Republic of Macedonia, Serbia, Slovenia, and Kosovo). The series of conflicts and the political upheavals resulted in the dissolution of Yugoslavia that had a similar population size as Nepal. Kosovo was declared independent in 2008, resulting in the final obliteration of Yugoslavia. It is important to understand the ethnic and linguistic composition of Yugoslavia prior to its disintegration. It had eight major ethnic groups: Serbian (35%), Croatian (19%), Muslim (8.9%), Slovene (7.8%), Albanian (7.7%), Macedonians (5.9%), Yugoslavs (5.4%), and Montenegrins (2.5%), and six major languages: Serbo-Croatian, Slovene, Macedonian, Albanian, Hungarian, and Italian. Not having a national majority of any ethnic or linguistic group and the imposition of ethnic federalism was perhaps the major cause of Yugoslavia's eventual disintegration. Bolivia can be cited as another example of a nation with political turmoil and chaos due to ethnic federalism and indigenous nationalities.

2. Size of the nation:

Just by looking at neighboring Indian states of Uttar Pradesh and Bihar, we can see how small Nepal is in size as a nation. Do we really need to divide this nation for efficiency in governance or other reasons, especially during this age of inclusiveness, globalization, information technology, and communication?

3. Equity issue:

Not all the federal states will emerge as equally prosperous. States that are better endowed with natural resources and better economic policies and programs would prosper more than those with a lower natural resource base and incompetent developmental endeavors. Skilled manpower will have a similar scenario. Most qualified and dynamic individuals will congregate in the state(s) that can provide the most attractive benefits while other states may lack the trained manpower for even minimum fulfillment of states services such as health, education, engineering, etc. The poorer states will remain poor since there is no reason for the national government to substantially divert revenues generated from prosperous states. Prosperous states still need federal funding for their further development. This will certainly propel the equity issues among the federal states. While our concern is minimizing the gap between the rich and the poor, how is federalism going to positively contribute to social justice and equity?

4. Cost of governance under federalism:

It is obvious that additional governance mechanism will increase the cost of governance. While the nation is starving for resources to supply food, medicine, hospitals, and other critical facilities, how logical will it be to embark upon a system that results in a substantial increase on administrative budgets and expenses due to federal infrastructures and logistics?

5. Allocation of available natural resources:

There is no doubt that Nepal's economic transformation relies on the sustainable utilization and the development of agricultural and natural resource base. A federal state without access to a sufficient natural resource base would undoubtedly lose its competitive edge for economic transformation. Conflicts in resource ownerships and utilization among the central government and the federal states may often be very serious and complicated. How does federalism ensure this very issue of equitable resource allocation among the Nepalese from Terai to the Himalayan region is extremely challenging. The author feels that it may never happen.

6. Type of federalism:

What type of federalism are we talking about – “Layer Cake” or “Marble Cake” or a different one? Will the state be more powerful than the center (Layer Cake) or the center will be equally powerful (Marble Cake)? Although initially federalism was envisioned as a weak Center, and more power was vested among the states, it is not presently happening. Whether it is China or the United States, major environmental programs, infrastructures, natural resources conservation and development initiatives, socio-economic transformation agendas, welfare programs, and research and development activities are increasingly federally funded and managed. This means even if we embrace the ideology of the autonomous state or empowered state, in the absence of significant involvement of the central government, there is no possibility for the states to develop. Hence, national government still has to continue its heavy involvement of infrastructural, industrial, educational, and socio-economic development of the nation.

7. Economic growth

There is no doubt that poor economic conditions are one of the major causes of political unrest, upheavals, and revolt in Nepal. It is noteworthy to observe our neighboring nations of India and China for their political structures and their recent economic development. While India is a federal nation with federal states based on languages and ethnicity, China is a nation with a unitary system. Despite being under these two contrasting diverse governing systems, both nations have realized amazing economic growth in recent years and are emerging as major economic powers in the world. Both nations are becoming the global hubs of science and Information technology. What is the common underlying factor between the two nations that has caused both to successfully achieve magnificent economic growth? Certainly, it is not federalism or political structure. It is their embracement of globalization, development of private sector for economic growth, generation of employment, political stability, peace and security, and governmental commitment. On the other hand, the Federal Democratic Republic of Ethiopia, one of the nations with ethnic-federalism, is seriously struggling for economic growth. Thus, federalism does not necessarily ensure economic growth and prosperity, nor is it necessary to have federalism for a nation's development.

Without any doubt, we are passing through a critical phase in the political history of Nepal. It is our obligation to think deeply, understand correctly, analyze the situation objectively, and take the appropriate future course of actions aptly keeping in mind the national integrity, the society, our norms and values, as well as our culture and traditions. Looking at the views presented in Constituent Assembly and vision for the new constitution, it is not difficult to assess that there is a national need for an in-depth analysis, discussion, debate, and conclusion with respect to federalism in Nepal. While we must envision the development of a Nepalese society that is free from any kind of subjugation and discrimination, it is important to have an appropriate political structure and governance system for a

fast paced, overall socio-economic transformation of the nation. Restructuring of the state, that has been under the unitary system of governance for the last 240 years, on the basis of ethnicity, language, or even natural resources will obviously pose a great challenge.”

Nearly after 10 years of the publication “**Federalism in Nepal: Issues and Concerns**”, and more than one year of implementation of federalism in Nepal, issues and concerns raised on federalized governance about 10 years ago have become more relevant and even more pressing. There are widespread reporting of cases of malpractices, corruption, misuse of resources, encroachment of public lands, illegal logging, bribes, killings, rapes, human trafficking, over-extraction of natural resources, and social disorder in the country. Corruption and bribes have become so rampant that even the Chief of the Commission for the Investigation of Abuse of Authority has been caught red-handed recently receiving 78 lakh rupees bribe. Corruption scandals like wide body airbus, 33 Kg gold, Swiss bank deposits, and various construction companies’ ruthless cheating of the nation constitute recent media highlights in Nepal. Government expenditures for the purchase of 1,600 vehicles, salaries and allowances for elected officials under federal system, and expenses on office buildings and spaces specially provincial and local governments include just some of the expanded governmental expenses due to federalism in the country. In this context, there are many questions in relation to federalism that Nepalese society is seeking urgent answers. Some of these questions include, how justifiable is this enormous expansion of government size and related expenses for a country that is increasingly experiencing trade deficit, unemployment, declining agricultural productivity, and rising public debt? How would federalism address natural resources conservation, development, and utilization issues that crosscut political boundaries? How would provincial and local governments build their capacities for planning and development? How would you control corruption, which is already so rampant and massive in every sector of the society including political, governance, judiciary, security, and private sector, by expanding administrative structure further to provincial and local levels under federalism? How would you ensure fast-paced economic development, good governance, social justice, and socio-economic transformation of Nepalese society? Federalized administrative structure also requires high level of capacity-building at the local, provincial, and national level for coordinated planning and development, policy decision-making; project formulation, implementation, and monitoring and evaluation; and for overall development of the nation. In the absence of appropriate capacity-building, enforcement of strict anti-corruption measures, and the availability of necessary financial and technical resources, ominous signs are already visible in the society that federalism is resulting in more corruption, misuse of resources, poverty, and social unrest. Lately, public frustration on federalism is increasingly surfacing through various media, public sentiments, and political statements. Major factors responsible for failing federalism in Nepal include excessively high cost of governance, lack of capacity-building, massive corruption, implementation failure of developmental projects, lack of coordination of governmental activities, federalism-imposed tax burden on public, and, more importantly, implementation of federalism without thorough discussion about its relevancy in Nepal.

Last but not the least, Nepal Finance Ministry had estimated an initial cost of Rs. 800 Arab for the development of basic infrastructure to start federalism in Nepal, while World Bank estimates 3-4% of Nepal’s GDP per year, which comes to be another Rs. 400 Arab, for next four years for transitioning into federalism.

In 2017/2018 Fiscal Year, Nepal Government appropriated Rs. 225 Arab to Provincial and Local Governments and Rs. 150 Arab was transferred. However, the sub-national governments were able to spend less than half of the allocated funds. Thus, there exists a twin problem of finding large amount of funds to meet the expenses of federalism and meanwhile developing efficiency that is necessary for productive spending of the money. Obviously, most expenses of federalism must have to come from people’s pockets. This simply proves that federalism is too costly for Nepal.

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