

Draft Constitution and Sub-National Governance in Nepal

2015/08/27

Flow of Discussion

- Background and context
- Political economy of new constitution
- Major Highlights federal structures
- Functions, Finance and Functionaries
- Challenges

Background and context

- Interim Constitution, 2007: from unitary to federal
- Constituent Assembly, 2008 and 2013
- Recent push for the constitution and sense of urgency in the post crisis situation
- Ethnic/geographic tension
- Political polarization

Political economy of federalization

- Why federalism?
- Identity vs capability
- Diverging interest in sharing of and control over resources
- Social cohesion Vs Service delivery?
- Perceived restricted access and movement of people, goods and services
- Renewed interest in local election after devastating earthquake

Major Highlights about the Sub-National Governance

- Three tiers of governments,
 - Provincial structures to be created a new: 6,7 or 8?
 - The local bodies to be restructured: rural municipalities, urban municipalities and district council
- Constitutionally defined roles and responsibilities
- Cooperation , coordination and coexistence as the basic principles of federalism

Functions, Finance and Functionaries....

- Five lists of powers/functions
 - federal,
 - provincial,
 - local,
 - concurrent (F-P)
 - concurrent (F-P-L)
- Revenues: separate and concurrent (F-P, P-L)
- [List of Functions to be performed by different levels of Government](#)

Functions, Finance and Functionaries

- Equalization grants: from federal to provincial and local, from provincial to local,
- Conditional and matching grants,
- Federal government shall have the right receive foreign grants and loan,
- National Natural Resource and Fiscal Commission,

Challenges

- Devolution of 3Fs to provincial and local governments
- Transition management
- Local or provincial elections
- Potential of reinforcing the existing power structures
- Capacity gap and design deficiency
- Avenue and appetite for direct external support to SNGs
- Law and order
- Expectation management
- Lack of debate on the purpose of reform, the model, trade offs among the options
- Huge fragmentation with blurred accountabilities, with multiple interests (donor projects)

Key questions for the floor

- What could be the next step in elaborating the constitutional provisions in terms of devolution?
- How to design local government system which:
 - increases political participation
 - Strengthen cohesion
 - Provides incentives for people to debate choices to make collective decisions (deliberation)

Thank you!