

Cooperative Federal Structure
A workable political-economic Approach for a New Nepal



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Abstract: The two main ethnocentric proposals for a federal structure –12 ethnic enclaves [CPN (M)] and the 1000 KM long east-west narrow corridor(s) [e.g., Madhesi parties’s demand for a single Terai state] as state(s)— are not likely to address many of the other issues such as: ecological interdependence, economy of scale, ethnic harmony, and comparative resource endowments. The cooperative federal structure proposed here takes the twelve ethnic regional enclaves and groups them into four states along the line of our river basins – Karnali, Gandaki, Koshi, and Kathmandu. Member regions within each state will send their elected representatives to the state assembly (e.g., Karnali State). These regional representatives can use their ecological comparative advantages –mining, tourism, water, forest, cash crops, hydropower, agro-business, and industries-- for the developmental benefit of the entire population base. Similarly, these regions are forced to form a regional unity under a common state governing apparatus (including an elected governor) to solve wider problems such as: social injustices, across-the-board poverty, migration, joblessness, higher education, drought, food security, deforestation, soil erosion, and flooding.

A cooperative membership model of ethnic regions under a resourcefully diverse state umbrella of, for example, Karnali, Gandaki, and Koshi will also reduce potential resource conflicts. This type of resource conflict currently being waged in many other parts of the world (e.g., Sudan, Zimbabwe, Sierra Leon) over water, precious metals, lands, and oil cannot be ruled out for an emotionally charged country like Nepal where the food security issue and drought are likely to continue to force the people from the erosion-prone mountainous regions to migrate down to the flood-prone fertile plains.

Furthermore, these ethnic enclaves can enjoy some forms of carefully crafted socio-economic and cultural autonomy (e.g., schooling, language, and cultural practices) without jeopardizing the ethnic harmony and the territorial integrity of the entire nation.

I. Introduction

Recent events regarding the delay in forming the first government in the newly declared Republic of Nepal have made it clear that the solution to Nepali problems must be much broader, and should go beyond the wishes and the ideological visions of a few major parties. Any political party or parties wishing to lead the nation must now take note of the new emerging issues, and should be ready to practice the politics of compromise.

Genuine grievances put forth by the Madhesi parties, for example, must be seriously deliberated to come to a rational meeting point. It is also equally important to deliberate important issues in front of the elected CA body rather than taking it to the streets or deciding them behind the closed doors. Similarly, other disadvantaged groups like the Dalits, women, and the Janjatis are also raising their voices against the establishment for social and economic justice. To that end, this author thinks that a devolutionary cooperative federal mechanism may be the single most important anchor to address many of the emerging issues.

Currently there are two federal structure models being proposed by the political parties. CPN (M) has proposed to divide Nepal into 12 ethnic enclaves, whereas the Madhes-based parties have emphasized in creating a single stretch of Terai as an autonomous state. The other major parties like NC and UML have not articulated any specific proposal of their own, but have shown reservation to both forms of federal structure. Other groups in the Terai region (Churebhawar and Tharus) have come out in opposition to a single Terai state proposal.

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Both models reflect some genuine sentiments. But they also show some serious shortcomings, and lack a broader set of elements essential in forming a viable federal unit. For example, ignoring ecological interdependence of the three belts – Mountains, Hills, and Terai— and forming them into, for example, three separate (e.g., east-west) states cannot provide a long-lasting solution. Likewise, the smaller fragmented ethnic enclaves proposed by the Maoists without any umbrella structure and/or central supervision could be detrimental for the unity of the country. This paper attempts to provide a balance between all of these cultural sentiments, and provides a workable solution by taking into account other important elements such as demography, geography, complementary resource endowments, and ecological interdependence.

In essence, this author proposes a structure with four states – Karnali, Gandaki, Kathmandu, and Koshi with four-tier system: center, state, region, and villages (see Section IV for details and a map). Under this proposal, each Federal State is also allowed to have 3 to 4 ethnic enclaves known as regions which are along the line of the CPN (M)'s proposed ethnic structure. On the basis of population, these regions will send their representatives to form the State Legislative Assembly, whereas the Governor can be elected directly. Once it is agreed upon on principle, details can be worked out later (e.g., size of the state assembly and the electoral process). This paper uses various charts, maps, and statistics to argue that the vast majority of the Nepalis do face the same problems, and share the same destiny.

Importantly, under a state umbrella, a group of ethnic enclaves use their comparative advantages and form a cooperative to harness their complementary resources – tourism, mining, hydro power, water, cash crop potential, agriculture, industries-- for the collective benefit of their people. This cooperative federal state also forces its ethnic member regions to set aside ethnic rivalry and find solutions to their common problems --migration, joblessness, health epidemic, drought, food security, flooding, erosion, and water management.

Emulating the US and or the Swiss models to solve the Nepali problem without taking into account our own cultural, historical, ecological, and socio-economic conditions may not be very wise and long-lasting. This author does not claim that the proposed structure is flawlessly perfect. It is presented as a viable talking point to spark a debate.

II. Our Common Destiny

Common problems require common solutions

Take for example the issue of the Madhes versus Pahad. Frankly, many Pahadis want the same thing that the Madhesis want - economic justice, fairness, and liberty. Many have struggled and died for these ideals. Similarly, millions of the Pahadi and Madhesi dalits are in the same sinking boat when it comes to dealing with injustices of a handful of the Pahadi and Madhesi elite castes. Above all, for 50 percent of the Nepali population of women, restructuring of Nepal will have very little meaning, unless we break the social subjugation of the women.

The Pahadi and Terai people are also bound by other socio-economic circumstances. For example, the chronic food production deficit in the hills and the mountains is likely to push the migration pattern down to the plains. An enhanced population pressure and the poverty-induced deforestation in the hills will worsen the flooding problem in the plains. Thus the ecological interdependence of these belts cannot be brushed aside. These are our common problems without any ethnic faces.

Looking beyond ethno-federalism

It is the institution that makes a long-lasting difference in the making of a nation and the people. Any division of the nation solely based on ethnicity and without any regard for its natural resources, comparative advantage, economy of scale, carrying capacity, geography or a long-run pragmatism will not be very wise. Furthermore, dividing up the country along the ethnic line into 5 or 3 ethnic regions (along the line of Pahadis versus Madhesis), or 9 or more ethnic enclaves, would hardly be practical in incorporating all of the ethnic and cultural aspirations of a nation of 100 ethnic groups and 80 languages. Similarly, creating a 3-ecological belt model of federal structure will not be acceptable to many ethnic groups. A single 1000 KM narrow corridor as a Terai or Madhesi State, which runs parallel to our southern border touching 5 vast Indian States (e.g., Utaranchal, Uttar Pradesh, Bihar, West Bengal, and Sikkim), is hardly practical.

That said, grievances coming out of the various ethnic quarters must not be automatically dismissed, nor should there be any attempt to sweep them under the rug. The Terai uprising has opened the eyes of many Nepalis, and it has added a new political dimension to our national discourse. But is it a Medhesi versus Pahade issue? This article looks at the across-the-board poverty and socio-economic dimension, and concludes that our problems are neither Pahadi nor Madhesi; it is a common Nepali problem. The constructive debate must continue, however, to come up with a common solution that we all can live with for generations to come as a citizen of Nepal.

III. Equal Opportunity Poverty

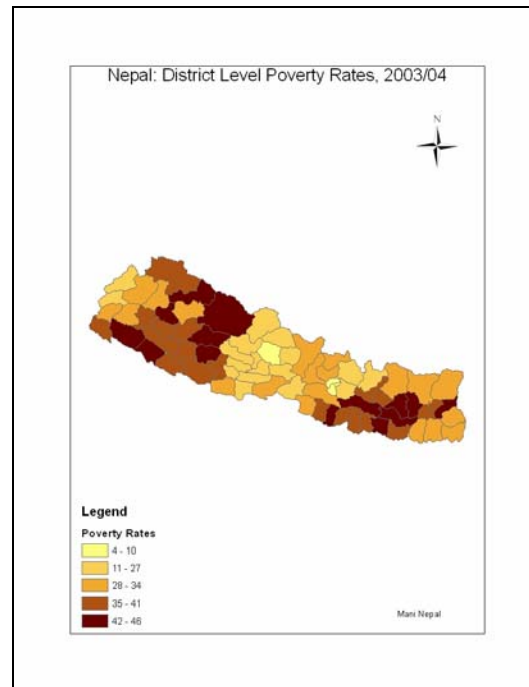
Across-the-board poverty

Nepal is one of the most ethnically heterogeneous countries with geography to match. Despite its much potential in hydropower, tourism, cash crop, and stunning beauty and bio-diversity, the country has remained impoverished for centuries. Regardless of how we divide the country, the daunting task of creating a New Nepal cannot be realized without looking at it in a larger context beyond ethnicity, color and creed.

Our rugged geography, landlocked-ness, feudal practices, and the Kathamandu-centric power and politics have all contributed to our misery. It is true that the Nepalis of the Madhesi origin have been in the receiving end of much social and economic injustice by a few feudal elites, but it is equally true that the outcomes of such injustices were not confined to the Terai belt. Of the bottom 25 poorly ranked districts, 16 come from the hills and the mountains, and 2 come from the Eastern Terai.

This is corroborated by the following poverty mapping too. Using the percent of head-counts (people below a poverty line) as a measure of poverty status, the following map shows a pervasiveness of deprivation.

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The dark colored districts represent the higher percentage of the people under poverty. The districts in the mid-west and the far-west spanning all ecological belts seem to have the most people under poverty. Even the relatively prosperous eastern and central regions have pockets of poor districts in the hilly and Terai regions.

Shaping destinies or promoting non-cooperative games?

Some argue that a federal structure on the basis of the Pahad versus Madhes (e.g., one Madhes/Terai) regions will rather give the people of different regions a right and opportunity to shape their destiny on their own. What destiny could the people of Humla, Jumla and Rolpa can chart, when all they have are the rugged mountains and not much else? Plus, how would the lumping of a Rai with the Magar and the Dalits and the Sherpa and the Bahun and the Chhetri be more logical? Would that not flare the ethnic tension further, and prompt migration down to the plains, in case if the hardship in the hills continues? Or, are we going to solve their problem by creating a culture of centrally controlled fiscal handouts?

With a weak central government in Kathmandu, what would happen if some resourceful Pahad region like the Limbuwan province bypasses the Terai region to sell its hydropower to the neighboring Indian region and keeps all the proceeds? Would the Terai region retaliate by reaping all the employment, tax receipts, and custom revenue benefit of the industrial parks along its border? If the current Pahade-Madhese mindset continues coupled with the economic deprivation that the Hilly areas face on a regular basis, what incentive would the Pahadis have to be cooperative on the flooding issue that plagues the Terai belt? What about all the millions of low caste Dalits and the indigenous groups? Where do they fit in this equation?

Per capita expenditure level

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The bottom line is that the level of poverty (headcount) is wide-spread all across the landscape that includes both the “Madhesi’s Terai” and the “Pahade’s Hills”, and it spans east to west. This picture is not even close in describing the conditions of those who are at the bottom of the social strata. Thus we draw upon two statistics to highlight the economic condition of the people of Nepal by ethnicity. First, we present the household welfare in terms of per capita household expenditure. We will focus on the rural Nepal which accounts for 83% of the total population.

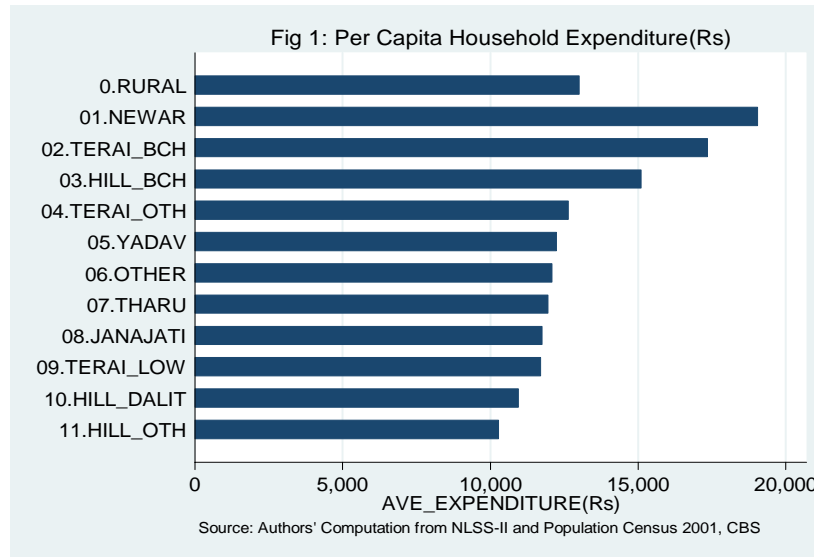
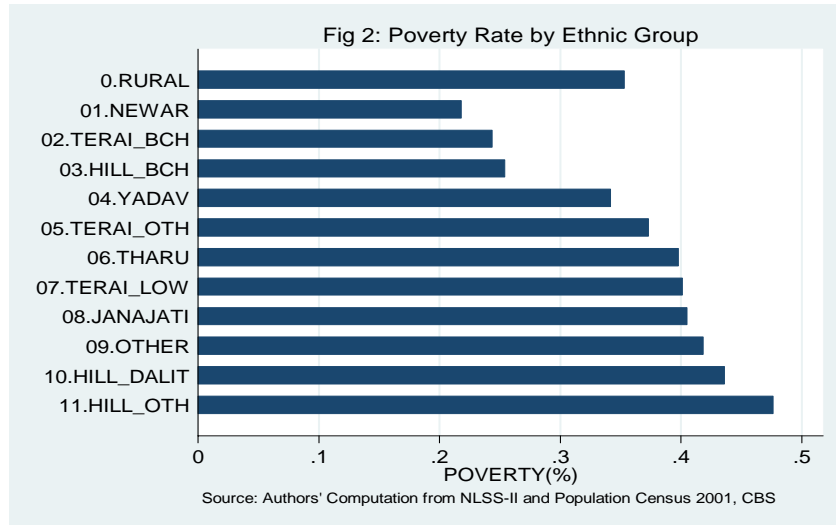


Figure 1 shows three groups as having the highest level of per capita consumption expenditure -- Newar, Rs19.0K, Madhesi/Bahun, Rs 17.5K; and Pahade Bahun/Chhetri, Rs. 15.1. At the lower end are the Hill and Terai Dalits (Rs. 11.0K, and Rs. 11.7K), and the Janjatis (Rs. 11.8K). To understand the disparity within each group, we present the poverty rate and the head counts of the poor.

Poverty rate by ethnicity

Figure 2 presents the percentage of people under the poverty line by ethnicity.

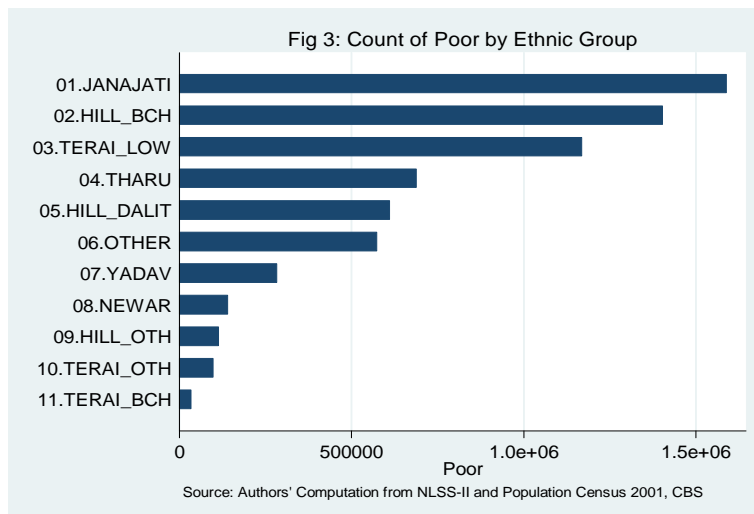
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In Figure 2, the poverty level measured as a head-count also reflects a similar ranking with the three ethnic groups (Newar, Madhesi/Bahun, and Pahade Bahun/Chhetri) leading the pack with only around 22%, 24%, and 25% of the respective population below the poverty line. On the other hand, the poverty status is worst among the Hill Dalits (44%) closely followed by the Hill Janjatis (41%) and the Terai Dalits (41%). Other indigenous caste in the Hills and the Terai do not fare any better. That is, poverty is neither a just Madhesi problem nor a just Pahade problem. In fact, a vast number of people totaling in the millions from each group are poor and deprived.

Counting the poor by ethnicity

Of the total rural population of 19 million people, seven million (35%) fall below the poverty line. Again, the picture is quite bleak all across the ethnic landscape.



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In absolute term, Hill Dalits, Tharus, and the lower caste Madhesis all have a vast majority of them (2.5 million) under the poverty line, whereas the Pahade Bahun/Chhetris and Janjatis with more than a million each suffer the similar fate. Similarly, Madhesi Yadavs do quite poorly against the Madhesi Bahuns (Fig 3). That is, millions have fallen victim to poverty and deprivation regardless of their ethnicity.

Who gets what and how much?

We can blame each other, our culture, a few elites, the feudal way of power and politics, neighboring India and even PN Shah, but the bottom line is that everyone is in the same boat. So, how are we going to divide the country and in how many ways? Which part of the country are we going to set aside for the Hill Dalits and the lower caste Madhesis? What about the millions of poor Phades of Bahun Chhetris and other origins, who also equally suffered through out the ages? What guarantee do we have that an ethnic division can do a better job in uplifting the economic status of the women (50% of the total population)?

These statistics are not presented to undermine the plight of the Madhesis, nor should anyone defend the age-old feudal Kathmandu-centric power politics. The sole purpose of this analysis is to remind all of us that the ethnically clustered administrative entities alone many not be very practical to solve a vast array of socio-economic problems that we face as a Nepali.

Erasing Hill versus Terai Division

Once we settle for the political issues, economic issues will resurface again. Political solution that is also viable economically would provide lasting solution for several problems that we are facing today. Time has come for the Teraibasis to look to the north and see a vast array of potential in its bio-diversity, natural resources, water, hydropower, minerals, forest products, herbs, and cash crop as a way of complementing it with its own agriculture production, fisheries, and industrial activities.

The Hill people on the other hand should also look at a Madhesi as a Nepali brother and sister and not treat them as a second class citizen. The ecological comparative advantage of the three belts, if harvested properly, can be a uniting force to solve many of the other problems in each community. Such a north-south federated system should accommodate ethnic and population balance in each regional unit to create a more representative electoral system to satisfy ethnic and cultural aspiration to the extent possible.

Also, just dividing up the nation in some geography will not provide the complete answer. In addition, other institutional arrangements such as the division of tasks, mixed proportional representation system of election, strong and caring central government, internal democracy, stable governance mechanism, and the strong rule of law are all equally important.

Resource Conflict

Narrowly defined ethnocentric federal divisions are also more likely to incite resource conflicts in the future. There are numerous examples of such conflicts all over the world (e.g., Zimbabwe, Angola, Chiapas, Congo, Indonesia, Liberia, Sierra Leone, Somalia and Sudan) over resources such as oil, arable lands, precious minerals, and fresh water. This type of resource conflict cannot be ruled out for an emotionally charged country like Nepal where the food security issue and drought are likely to continue to force the people from the erosion-prone mountainous regions to migrate down to the flood-prone fertile plains. Ethnically separated administrative unit without

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any regard for other important elements is bound to create more complications in the long-run. A cooperative membership model of ethnic regions under a resourcefully diverse state umbrella of, for example, Karnali, Gandaki, and Koshi will also reduce potential resource conflicts.

IV. Possible Solutions

Meaning of federalism

Federalism must be interpreted in a broader sense, and should not be confined to just language and ethnicity. It is also about the administrative structure, division of power and responsibility, economy of scale, and the efficient use of common resources. Sharing of the “goods” as well as the “bads” is also equally important in a federated system. Because of our unique geography, taking a 1000 KM fertile strip of low land and creating a federal state will make the people from the rugged mountains in the north quite vulnerable. Similarly, taking a few barren mountain peaks to create an ethnic enclave will not be economically viable.

Other competing models of federalism

Many proposals that are being floated suggest dividing Nepal into five to nine ethnic regions that includes a latest demand for a single Terai strip as a State. For example, the federal structure of the CPN (M) has nine ethnic regions, whereas some Madhesi leaders prefer five regions along the line of the Madhesi (southern Terai) versus Pahadi (northern Hill/Mountain) identities. Some even argue for a three-strip ecological based state system - terai, hill, and mountain. The CPN (M) model attempts to recognize the diverse “Pahadi” ethnic identities (Magar, Gurung, Tamang, Newar, Sherpa, Rai, Limbu, etc) and categorizes Nepal's 100 ethnic identities into seven Hill and Mountain states, and two terai states.

Constitutional expert like Yash Pal Ghai (Kathmandu Post, February 25, 2007) and Professor Lok Raj Baral (March 14, 2007, Kantipur) warn us against putting too much emphasis on ethnicity. But, Professor Baral proposes three terai regions, however. Then there are others who seem to prefer a unitary system with central control, and fear that ethnically fragmented Nepal may lead to disintegration of the country.

Similarly, Dr Om Gurung (Kathmandu Post, March 19, 2007), who heads the Nepal Federation of Indigenous Nationalities (NFIN), opposes the Madhes/Pahad type east-west federal structure as proposed by the Madhesi People's Rights Forum (MPRF). He offers a compromise to vertically divide the country into 14 zones and 54 districts. Keshab Suryabansi Magar, deputy general secretary of the Rastriya Janamukti Party, too does not favor dividing the nation along the ethnic line (Himal Khabarpatrika, 15-29, March, 2007).

Dr. Devendra Raj Panday, a prominent leader associated with the Citizens' Movement For Democracy and Peace (CMDP) and Transparency International, argues against using ethnicity and self-determination a basis for federalism (Kathmandu Post, April 2, 2007), but sees geography and economic viability as being equally important factors in such decision.

Proposed cooperative federal structure: a workable solution?

This proposal takes a middle of the road approach and takes into account numerous characteristics that include geography, resources, ecology, economy of scale, and ethnicity. The proposed devolutionary scheme divides Nepal into four cooperative federal states. Within each of

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these states, there will be three to five regions. These regions within each state could be based on the ethnic demography as proposed by the CPN(M).

For example, in western Nepal, the river systems such as Mahakali, Seti, Karnali, Bheri, and Rapti can be used to cover roughly about 25 districts in this Western State. Dolpa, Rukum, Rolpa, Pyuthan, and Dang may form the eastern border districts of the Karnali state.

Within this state, the southern terai districts (Kanchanpur, Kailali, Bardia, Banke, and Dang) can form a Tharu-dominated region. The hills and the mountains will also be divided into three to four regions according to ethnic, geographic and population consideration. These three to four regions covering 25 districts will form a basis of the western state to be known as the Cooperative Federal State of Karnali (Or simply known as Karnali State).

Each region within the Karnali state will use its population base to send elected representatives (e.g., from each region) to the State Assembly using the method of mixed proportional electoral system. Details of the electoral process can be worked out later, but the sparsely populated Mountain region must be protected with a minimum number of seats in such a State Assembly. The European parliamentary model could serve us as a guideline. These regions can also be used to send the representatives to the national parliamentary body at the center.

This Cooperative Federal State of Karnali could elect its governor through a direct electoral mechanism. No region within the state will have a right to secede. Furthermore, only the central government can raise the army. The division of responsibility and tasks among the various layers of the federal state has been presented in another section below.

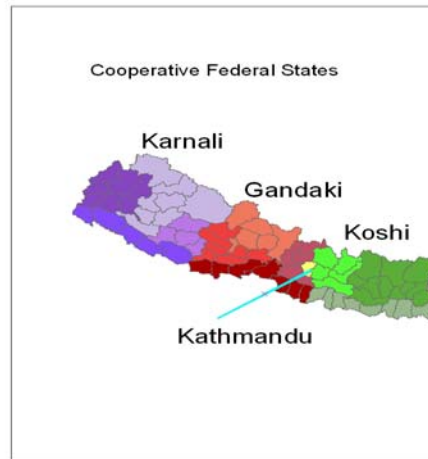
The Cooperative Federal State of Gandaki can be formed based on the following river systems: Kali, Narayani, Trishuli, and Bagmati. The seven southern districts in terai such as Kapilbastu, Rupandhehi, Nawalparasi, Chitwan, Parsa, Bara, and Rautahat can form a single southern region, and a suitable name can be assigned to this block. Rasuwa, Nuwakot, Dhading, Makawanpur, and Rautahat could be the eastern border districts of the Gandaki State.

Similarly, in the eastern front, the predominantly Maithali speaking belt (Sarlahi, Mahottari, Dhanusha, Siraha, Sunsari, and also Morang, and Jhapa) can be used as a guideline to form an Eastern terai region within the Cooperative Federal State of Koshi. The western border districts of this state may consist of Sindhupalchok, Kavre, Sindhuli, and Sarlahi.

The final and the fourth Cooperative Federal State of Kathmandu will comprise of the three regions in the capital of Kathmandu valley (Kathmandu, Lalitpur, and Bhaktapur).

A tentative map of the proposed structure is presented below:

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The structure of the current districts within each of the State and/or the Region can be retained as development planning districts or development cantonments. This will save a vast amount of administrative cost, and the current well-established district structure can be used for administrative operations and planning.

Division of Tasks

The new Constitution needs to be very specific about which powers go to the federal units. If the new federal system does end up based on language and/or ethnicity (regional level, e.g.), it seems reasonable to devolve education to the sub-national entities. Perhaps, we could also consider healthcare and some justice issues (based on regional concerns). But we need to be very careful with taxation however. Though we know this to be the norm in most federal systems, the fundamental inequality that frames the Nepali context is going to make this a very important and potentially explosive issue.

While devolution sounds great, we are still going to have to have a strong central government to even things out. There is a very good reason that Mississippi and New Mexico (in USA) do reasonably well in the grand scheme of things. Washington DC policy makers make sure that the rich states like Massachusetts and New York cough up lots of money to subsidize them. It's part of the reason that this country doesn't fall apart.

After a thorough research, a clear division of power and responsibility must be spelled out, as some countries do, in the Constitution across the four layers of governments – center, state, regions, and villages. The following list is presented as an illustration.

Center: income taxes, VAT, airways, aviation fees, innovation and patents, international trade, border custom and import/export duties, postal service, Nepal Army and national defense, SAARC-related regional and international matters, citizenship, science and technology, immigration, treaties, human rights, national highways, disaster managements, environmental regulations, public health and epidemic, monetary policy, national parks and forests, land-use management, and research and development, water resources, and larger scale hydro power and dams.

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Cooperative State: medium and small scale hydropower, electric utilities, mining, tourism, autonomous universities, north-south/east-west regional feeder roads, forest resources, state parks and lands, state police, flood control, waterways and navigation.

Region: sales taxes, vehicle registrations, business registration fees, schools, vocational schools, health, community forest, local law and order.

Village/urban centers: property taxes, health posts, local pathways, animal shelters, entertainment fees and duties, sanitation fees, local traffic, parking fees, primary schools, local tourism etc.

The center must come up with a mechanism to distribute revenues in an equitable manner. Countries like Canada and Italy have spelled out these tasks in their constitutions. An alternate approach would be to pass several by-laws after much research and negotiation instead of codifying them in the constitution.

Benefits of cooperative regional federal state

The economy of scale of the federated states like Karnali, Gandaki, and Koshi will have stronger bargaining power against the central government when it comes to harnessing and sharing of revenues from its collective resources like mining, forest products, herbs, wildlife, parks and recreation, wetlands, mountaineering, hydro, and water resources. Each federal state will have enough economic clout to run, for example, independent university system, one for each of the belts.

The cooperative federal system can involve all of its member regions, who can band together to cope with the natural disasters like famine, flooding, and food shortages. An economically viable federated state rather than the smaller ethnic regions are better suited to coordinate and cooperate to deal with these common problems. A newly released World Bank report also shows that the hydro revenue for Nepal could be around \$4-6 billion. Dividing it across the three river basins (Karnali, Gandaki, and Koshi), a billion dollar each revenue stream can bring a lot of prosperity to the people of the three states.

V. Concluding Remarks

Creating federal units on ethno-linguistic bases is immediately going to exacerbate tensions that are a result of the inequality between these groups. We should be concerned that resources are not going to be shared equitably, which echoes the point about the geographical interdependence between the topographical regions.

For example, federal units in Switzerland, relatively speaking, may have likely started at a much higher socioeconomic level than probably any group in Nepal. Nepal is far more complex than Switzerland in terms of caste issues and gender issues just for starters. Again, the point of comparison is poor. It's similar to when people expect any developing country to adopt a U.S.-style political system and expect it to work. Ironically, the Swiss model that has entered into the vocabulary of some of our political personalities did not allow its women to vote until 1971. That is, we need to find our own solution.

Furthermore, there are just a far greater number of groups to bring together in the Nepali context. That is, here is some threshold of the number of groups a federal system can bring together. Look

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at Belgium or Canada-- they're trying to bring together just two or three groups each (Canada: French and English; Belgium: Dutch/Flemish, French, and German) and both countries continue to struggle. And these are countries with incredible wealth and capacity.

What I have proposed needs much research, debate and analysis. What is clear is that federalism is more than a slogan. It cannot be solely based on ethnicity, especially for a complex country like Nepal with 100 ethnic groups and 80 languages. But, we also cannot continue to ignore the plight of the millions of those ethnic and political minorities who have not had a fair share of the Nepali pie. Equally important is not to undermine the millions of the most vulnerable ones like the Dalits, Janjatis and the women. The challenge for us is to come up with a workable solution that reduces ethnic tension, preserves ethnic pride, promotes economic cooperation, and preserves the national territorial integrity and the environment for the benefit of everyone.

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Notes

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