FINAL REPORT

DAAYITWA NEPAL PUBLIC POLICY FELLOWSHIP 2026

A POLICY RESEARCH REPORT ON

Strengthening Institutional Frameworks for Effective AI Governance in Nepal's Public Sector

conducted as a part of the Daayitwa Nepal Public Policy Fellowship 2026, in collaboration with Office of Prime Minister and Council of Ministers (National Artificial Intelligence Centre)

June 2026 – September 2026

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Strengthening Institutional Frameworks for Effective AI Governance in Nepal's Public Sector

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Submission Date: 05.09.2026



Executive Summary

The political transition of Nepal to a federal system under the Constitution of Nepal 2015 depicts a promise to govern its people prioritizing welfare of its people. The new architecture of governance consists of three tiers of government i.e., one federal government, seven provincial governments, and 753 local levels. At the same moment, Artificial Intelligence (AI) is becoming a significant tool and mechanism of the "modern" governance system. Nepal approved the National Artificial Intelligence (A.I.) Policy 2025. It establishes the National Artificial Intelligence Centre (NAIC) to regulate AI-driven transformation in the public sector. Yet the policy architecture remains substantially unbuilt as there is no provision that would allow the government to responsibly evaluate, procure, and deploy AI systems and to protect the rights of citizens who will feel the consequences of these systems most acutely.

In contemporary, governments everywhere are pushed to adapt AI and Nepal is no exception. Evidence-based AI adaptation, particularly for service delivery, resource planning, and communication with people may improve administrative efficiency. Regarding the AI adaptation, the National Artificial Intelligence (A.I.) Policy 2025 approved with an ambition for AI-driven transformation across all sectors of government. Further, a National Artificial Intelligence Centre is established in the capital.

However, the concern is how to implement the AI Policy in all tiers of government beginning at the federal level. The policy documents, institutional discussions, institutional structures, and technical assistance are not satisfactorily done. To adapt AI into governance needs a serious rights framework to reach out to the people as the consequences will be felt most acutely by the people who are already the most vulnerable.

This report is prepared under Daayitwa Nepal Public Policy Fellowship 2026 in partnership with National Artificial Intelligence Centre (NAIC), Office of the Prime Minister and Council of Minister (OPMCM). The report examines the institutional capacity Nepal's federal government needs before responsibly adopting citizen-facing AI systems, and further, translates that examination into implementable recommendations for the design of AI Excellence Centre under the National AI Policy 2025. The research proceeds from three questions: how the federal government currently uses AI systems; what minimum institutional capacity: staffing, process, legal literacy, and technology literacy is required before responsible AI adoption; and what gaps in the National AI Policy must be closed before AI Excellence Centres pilots go live.

The National AI Policy 2025 has ambitious goals. However, it lacks the practical detail needed to turn those goals into execution. While policy aims for a human-centred and ethical AI ecosystem, it does not clearly define the legal status and responsibilities of the proposed AI Excellence Centre. It does not explain how an AI model would first be developed at the federal level and then gradually expanded to provincial and local governments. Similarly, protections for citizens' rights remain broad commitments rather than clear procedures that government agencies must follow. Using a six-dimension framework for assessing AI Excellence Centres covering mandate and governance, partnerships, talent, data and infrastructure, delivery capacity, and responsible AI. The report finds that Nepal's existing institutions are still at an early stage of development, even though political interest in adopting AI is growing quickly.

The report concludes with ten recommendations built around three main priorities. First, the proposed AI Excellence Centre should be given a clear legal mandate, with a phased plan for moving from federal implementation to provincial and local levels before any pilot is launched. Second, the government should introduce a basic readiness threshold, or pre-adoption checklist, that agencies must meet before using AI tools that directly affect citizens. Third, rights-based safeguards should be built into procurement and deployment from the beginning. This should include mandatory risk and impact assessments, rather than waiting to address potential harms after AI systems have already been introduced.

Acknowledgement

This research report *Strengthening Institutional Frameworks for Effective AI Governance in Nepal's Public Sector* is prepared as a preliminary research report under the Daayitwa Nepal Public Policy Fellowship 2026. It would not have been possible without the support, both direct or indirect, of many people and institutions. I am grateful to each of them.

I first thank **Daayitwa Nepal Public Policy Fellowship 2026 team** for creating a platform where emerging researchers can involve in policy research in partnership with public institutions and under the invaluable guidance of mentors. The fellowship's structure, mentorship, training, and expectation of evidence-based and practical recommendations while giving the autonomous space for researchers have shaped this report from start to finish. I am grateful for the unwavering support of **Ms. Aditi Upadhyaya** and **Ms. Saurya Pandit** from the very beginning to the close of this fellowship. I must acknowledge **Sulav sir** for his guidance throughout. His insights on Policy Canvas and approach to presenting outcomes provide lessons that will stay with me for a lifetime. I acknowledge all the experts, trainers and resource persons who shared their knowledge and experience with us. Every session has been a valuable learning experience.

My heartfelt gratitude goes to my mentor, **Dr. Gokarna Sharma**, Associate Professor, Kent State University, USA for his thoughtful feedback and encouragement throughout the fellowship. His insights not only sharpened the research questions and research methodology but also helped to strengthen the analysis part of the research. His consistent guidance, constructive inputs and confidence in my independent thinking were instrumental in shaping this research journey.

I am sincerely grateful to my public partner institution, the **National Artificial Intelligence (A.I.) Centre, Office of the Prime Minister and Council of Ministers (OPMCM)**, Nepal for the opportunity to work on a question of national importance. I particularly thank my supervisor **Sh. Adesh Khadka**, **Director General**, **National Cyber Security Center**, **OPMCM** for his support, making institutional insight available despite having a tight schedule, finding experts, and trusting this study to contribute to the objectives of the National Artificial Intelligence (A.I.) Policy 2025.

I am equally indebted to **Dr. Sandhya Sitoula**, Executive Director of **NAAMII**, whose support was vital throughout this research, particularly the comparative insights and role of research institutions in the national AI ecosystem. Her consistent encouragement, generosity with her time and readiness to share her expertise made a meaningful difference to this research.

I sincerely thank **Dr. Sudan Jha**, **Professor of Computer Engineering at Kathmandu University** and **Member** of National Planning Commission, for valuable discussion on artificial intelligence, digitization, digital literacy and factors of efficient public-government relations. His expertise has broadened my understanding of these interconnected themes.

I am grateful to all the **key informants** who took part in interviews for their time, candour, and thoughtful reflections.

I am also deeply thankful to my PhD supervisor Professor **Dr. Ritu Gupta**, Dean of Faculty of Legal Studies, South Asian University, New Delhi, India for her support to pursue a fellowship relevant to my doctoral thesis and future endeavours.

To my fellow friends, **Bibek**, **Diya**, **Pravesh, Rakshya**, **Renisha**, **Richa**, **Sara**, **Shoumya**, **Suman**, **Suraj** and **Umesh**, I admire your sincerity, feedback and unsaid soulful ties from the bottom of my heart. I thank you all for the discussions, peer feedback, shared deadline and constant encouragement. Learning alongside you made this journey both rigorous and memorable!

Finally, I thank my family and friends for their constant support and encouragement during the many odd hours this work required.

The experience and learnings are truly timeless leaving a lasting impression that I will cherish and carry forward throughout my journey.

Much Obliged!

Tulasa Neupane

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1. Background, Policy Context, and Problem Statement

1.1.Background

The political transition of Nepal to a federal system under the Constitution of Nepal 2015 depicts a promise to govern its people prioritizing welfare of its people. The new architecture of governance consists of three tiers of government i.e., one federal government, seven provincial governments, and 753 local levels. This structural shift is, now, coinciding with a global surge in Artificial Intelligence (AI).

In contemporary, governments everywhere are pushed to adapt AI and Nepal is no exception. Evidence-based AI adaptation, particularly for service delivery, resource planning, and communication with people may improve administrative efficiency. Regarding the AI adaptation, the National Artificial Intelligence (A.I.) Policy 2025 (hereinafter referred as the 'AI Policy') approved with an ambition for AI-driven transformation across all sectors of government. Further, a National Artificial Intelligence Centre (NAIC) is established in the capital.

However, the concern is how to implement the AI Policy in all tiers of government beginning at the federal level. The policy documents, institutional discussions, institutional structures, and technical assistance are not satisfactorily done. To adapt AI into governance needs a serious rights framework to reach out to the people as the consequences will be felt most acutely by the people who are already the most vulnerable.

1.2.Policy Context

The National Artificial Intelligence (A.I.) Policy 2025 is a part of Nepal's plan for managing digital things. This plan has been growing for the twenty years which started with the enactment of the Electronic Transactions Act 2008. This act gave us the rules for talking to each other online and made electronic records and signatures official.

The Digital Nepal Framework 2019 came as a next step with an objective to regulate digital technology. It showed us a picture of how we can use technology to help our country grow in many areas. In August 2023, the National Cybersecurity Policy 2023 was approved focusing on cybersecurity. The policy is about keeping our digital government and public services safe.

All these laws and policies work together to support the AI Policy. The National AI Policy 2025 is built on top of them as an important policy because it sets a legal and policy foundation for AI governance in Nepal. These instruments constitute what the National AI Policy itself describes as the "foundational layer" on which AI governance must now be built.

Against this backdrop, the AI Policy commits Nepal to a safe and responsible ecosystem for the effective use of AI, with a stated vision of building a human-centred, ethical, and prosperous AI-enabled state. It promises to respect moral standards and safeguard citizens' personal data while promoting AI adoption across major sectors of governance. The Policy's institutional vision which is anchored in a dedicated AI institutional mechanism such as the international effectiveness literature reviewed in Chapter 2. However, as elaborated in Chapter 2, the Policy stops short of specifying the safety measures and rights protections that

the government must finalise before AI is adopted into governance systems, and it is largely silent on how the government is going to do initiative, purchase, deployment, and monitor the use of AI.

1.3.Problem Statement

AI is becoming a governance tool. The cautious and efficient adaption of AI in the public sector would support good governance. However, Nepal has almost no institutional structure ready to evaluate what AI systems are appropriate for the country, how to procure the identified AI systems, and what rights of people need to be safeguarded before the usage of AI systems in the public sector. The result is a widening gap between the ambition expressed in policy documents and the institutional machinery required to translate that ambition into safe, accountable practice.

The gap is especially consequential in a newly federal state. Decisions made now about how AI institutions are designed at the federal level will shape, for better or worse, what is inherited by provincial and local governments as AI adoption expands outward from the centre. A federal AI Excellence Centre established without a clear statutory mandate, without defined minimum institutional readiness criteria, and without rights-based safeguards risks entrenching those same weaknesses at every subsequent tier of government.

1.4 Purpose of the Study

This research responds to that problem by documenting the current state of AI use at the federal level, identifying the minimum institutional capacity a government body should possess before responsibly adopting AI in citizen-facing services, and translating both into specific, implementable recommendations for the AI Excellence Centre contemplated under the National AI Policy 2025. Its intended use is direct and practical: to serve as an evidence-based institutional backing for the National AI Centre as it moves from policy commitment to institutional design.

1.5 Research Objectives

Overall Objectives

To assess Nepal's institutional readiness for AI governance within the federal public sector and develop an institutional blueprint for AI Excellence Centre.

Specific Objectives

a. To examine the current landscape of AI adoption in selected federal government institutions.

b. To identify institutional capacity and coordination gaps affecting responsible AI use in federal government institutions.

c. To develop specific and implementable policy recommendations that can be incorporated into the implementation rules for the National Artificial Intelligence (A.I.) Policy 2025.

1.6. Research Questions

Primary Research Question

How are selected federal government institutions currently using AI systems in citizen-facing public services, and what institutional implications do these uses reveal for AI governance?

Specific Research Questions

a. What is the current landscape of artificial intelligence adoption in selected federal government institutions in Nepal in citizen-facing public services?

b. What institutional and coordination gaps do federal agencies encounter in deploying AI responsibly?

c. What institutional mandate, governance structure, legal authority, and operational functions should Nepal's AI Excellence Centre have to support responsible AI governance?

1.7. Scope and Limitation

This study focuses primarily on the institutional readiness of Nepal's public sector specifically at federal level for responsible AI adoption. Particularly, the attention is given to AI Excellence Centre in consideration to research, development, and data management in citizen-facing applications, and facilitation and coordination in the use of AI. It does not conduct a technical audit of individual AI systems or provide a comprehensive assessment of every AI-related initiative in Nepal. The research considers Nepal's provincial and local governments primarily from the perspective of federal to subnational sequencing rather than undertaking a comprehensive assessment of AI readiness in all seven provinces and 753 local provinces.

The major limitations of the study are as the following:

- Publicly available information on AI use within government institutions is limited. This limitation challenges establishment of a complete inventory of existing systems.
- The study was conducted within the 3 months timeframe of the fellowship, which constrained the scale of primary data collection.
- Comparative international experiences cannot be transferred directly to Nepal because institutional, legal, economic, legal, economic, and federal contexts differ substantially across countries.

2. Policy and Literature Review

This chapter reviews the evidence on what AI governance is and how it should be institutionalised to support Nepal's existing governance system as it adapts to the use of artificial intelligence. The review is organized around three themes:

a. Nepal's specific legal and governance context;
b. Global scholarship on AI governance;
c. The particular challenges a federal government, like Nepal, faces in developing AI governance capacity.

2.1.Literature Review

Theoretical Foundations: From Digitization to Digital Public Infrastructure (DPI)

Artificial Intelligence has become a core subset of broader innovation policy serving as a strategic imperative for institutional stability and service delivery in transitioning economies

like Nepal. The global policy landscape has moved away from the historical post-war model of national-scale science and technology investments, which often ignored territorial variations. Instead, modern governance recognizes "local innovation systems" that rely on firm networks, local institutions, and embedded assets.

For Nepal, this paradigm shift necessitates a multilevel governance approach that balances national oversight with regional implementation. Central to this architecture is the conceptualization of Digital Public Infrastructure (DPI) as the 'platform technologies,' specifically data and connectivity that determine the success of disruptive innovations. While sector-siloed digitization creates fragmented inefficiencies, a resilient digital foundation requires systems and networks that prioritize interoperability and cross-sectoral integration. To ensure readiness for advanced AI deployment, Nepal's public sector must adopt the OECD Digital Government Index (DGI) dimensions: being digital by design, data-driven, functioning as a Government as a Platform open by default, user-driven, and proactive. Ultimately, technology diffusion is not a passive event but a managed process requiring robust administrative structures to navigate the complexities of modern policy.

Strategic Institutional Coordination Models: Centralized vs. Decentralized Governance

The choice of institutional architecture is the primary determinant of administration coordination and policy coherence in AI adoption. Governments typically select between an administratively centralized approach characterized by lead bodies like the UK's DSIT or Germany's Fraunhofer model that consolidate innovation under one structure, and decentralized multi-institutional models that employs the distributed network approach found in the US and Canada.

For Nepal's federal structure, the adoption of Track 1: Innovation Centres as market intermediaries is vital. To resolve the tension between the Kathmandu-centric federal government and the seven provinces, a distributed network model should be implemented. These centres should serve an intermediary function bridging the gap between national research and local embedded assets in the provinces. By creating provincial-level nodes, Nepal can avoid fragmented digital silos and ensure that innovation reaches the local labor markets where it is most needed. This coordination, however, is only effective if fueled by high-quality data.

Data Governance, Quality, and Privacy Safeguards

Data governance represents a fundamental shift in regulatory regimes moving from voluntary industry standards to mandatory state-enforced safeguards essential for public trust. Within the Government Data Value Cycle, data is not a mere resource but a platform for the development of disruptive technologies. This cycle allows the public sector to conserve and sustain public value through three levels of optimization: conserving revenues by improving existing services, sustaining value by developing new services for current users, and expanding impact by reaching new segments. To transition away from extractive models, where citizen data is exploited without reciprocity, Nepal must prioritize a quality framework centred on interlinked valuations of data and services. This prevents systemic bias and ensures the integrity of state-administered algorithms. Furthermore, aligning with international standards like the European Union General Data Protection Regulation (GDPR) and Convention 108+ is critical for building confidence. Specifically, the requirement for

'affirmative consent' protects Nepali citizens from unregulated data harvesting by external vendors, managing the risk-aversion often associated with public sector automation. This secure data foundation provides the necessary environment for specialized human expertise to thrive.

In light of Constitutional framework of Nepal, AI governance framework in Nepal's public-sector should establish minimum requirements concerning:

- Lawful Collection and Use of Data
- Purpose Limitation
- Data Minimization
- Data Quality & Accuracy
- Information Security
- Access Controls
- Retention & Deletion
- Data-sharing Arrangements
- Documentation of Datasets used for AI systems
- Mechanisms for Addressing Inaccurate and Harmful Data



Human Capacity, Education, and Specialized Talent Pathways

Identifying skill gaps in the public service sector requires benchmarks such as the EU Competency Framework. To mitigate Nepal's AI based issues, the government should evaluate strategic recruitment options like skill-based hiring, specialization-based designation, and training. These methos help build internal expertise by creating pathways for professionals to contribute to the public service. However, this talent can only be effective if empowered by flexible, agile systems of procurement. Retaining territorially-embedded capacities in emerging technologies depends on the cultivation of human and social capital. To address the diverse skill requirements within the public sector, a tiered training strategy must be implemented:

a. General Employees: Focus on AI literacy and social skills to adapt to shifting workflows;
b. Leaders: Focus on strategic vision and risk assessment to evaluate policy implications;
c. Digital Professionals: Focus on machine learning and agile procurement for technical execution;
d. Legal & Policy Professionals: Who can connect technological decisions with law, policy, and public accountability.

Agile Procurement, GovTech, and Collaborative Partnerships

GovTech collaborations enable resource-constrained governments to harness external expertise from startups and SMEs. However, AI procurement is frequently hindered by information symmetry, where vendors possess significantly more technical knowledge than government buyers. This asymmetry creates the risk of vendor lock-in, a significant hazard for developing nations. To mitigate this, Nepal should look toward the UK AI Dynamic

Purchasing System (AI DPS) model, which functions as a pre-vetted purchasing vehicle. This system ensures contractual safety and, crucially, maintains state data ownership as a primary defense against external dependency. Furthermore, fostering a Triple Helix of university-research institute-industry-government relations through public-private partnerships facilitates technology transfer and embeds innovation within the national economy. Agile procurement must be balanced by these safeguards to ensure technological sovereignty.

Trustworthy Guardrails: Transparency, Auditing, and the Project Life Cycle

Proactive algorithmic transparency is a strategic necessity to mitigate socially problematic implications and protect human rights. The implementation of Centralized Public Registries and Algorithmic Impact Assessments allows the state to evaluate impacts on equity, health, and human rights before full deployment. Additionally, Supreme Audit Institutions and external auditors are vital for managing value for money risks and verifying fairness and cybersecurity. To manage the faster and broader rate of technological change, AI projects must follow a Phased Project Journey explicitly linked to Technology Readiness Levels to cross the Valley of Death:

a. Framing: Identifying the public need and specific use case.
b. Ideating: Establishing the conceptual framework.
c. Prototyping: Developing process and materials innovations to navigate the Valley of Death
d. Piloting: Deployment in controlled smart cities testbeds
e. Scaling Up: Expanding the deployment across jurisdictions
f. Continuous Monitoring: Ensuring long-term cybersecurity and fairness.

Effective AI governance in Nepal is not achieved through jargon, but through the smart governance of data acquisition and the strategic deployment of intelligent infrastructure. By focusing on these institutional foundations, Nepal can ensure that disruptive technologies are deployed in a manner that is equitable, productive, and resilient.

2.2 Nepal's Digital Governance Framework and the National AI Policy

Constitutional Framework

Part III of the Constitution of Nepal 2015 establishes a rights framework that is, by comparative standards, strong. Under Article 27, every[1] citizen of Nepal have the right to demand and receive information on any matter of his/her or public interest except the confidential information that must be protected by law. Article 28 guarantees the right to privacy of any person including his/her data. These rights are justiciable, citizen can challenge violations before the courts, which means that AI governance failures that produce rights violations expose the government to legal liability.

The significance of this for the AI Excellence Centre is substantial. AI system that filters content in ways that suppress political speech violates Article 17 and is changeable before the Supreme court. A government surveillance program that monitors citizens' communications without legal basis violates Articles 17 and 28. A government information system that operates only in Nepali and excludes minority language speakers from accessing public

[1] Here, the term 'every' refers to each individual citizen of the country.

information violates Article 19. These are not hypothetical risks. Nepal has a documented history of government proposals for digital surveillance and content monitoring. The 2024 media monitoring directive, retracted after civil society pressure, and the recent 2025 social media restriction, along with the reason of corruption, which triggered the GenZ Movement, are some of the clearest examples.

Reading Article 58, AI governance defaults to the federal level, because "AI" appears nowhere in Schedules 5-9 and the adjacent subjects it would fall under telecommunications, central statistics, university and research standards, are all Schedule 5 federal-exclusive powers. That means a provincial or local AI Excellence Centre cannot simply exist by provincial ordinance the way basic education can. Thus, it needs a federal enabling Act.

In regards to policy framework, Article 51(f) prescribes for the government policies to conduct study and research. The directive further prescribes to develop sustainable infrastructure with an integrated national identity management information system to manage all types of information and data of the citizens. Here, the infrastructure includes infrastructure for AI governance. Further, the information technology, including AI, can be expanded but in tune with national needs utilizing the technology in the national development. However, Article 55 restricts any question to be raised before the court in any matter related to directive principles and policies.

This means the constitutional groundwork for AI-driven government, for instance, integrated ID systems, IT expansion, data-linked development planning, already exists. But it is explicitly unenforceable by citizens. The National AI Policy 2025 is best understood as an implementing instrument for these directive principles, not a rights-creating one.

Further, the literature on AI and fundamental rights in developing countries consistently finds that rights violations from government AI are most likely to occur in the absence of pre-deployment review. Barzelay and Romanoff (2024) argue that in developing countries, algorithmic systems frequently reinforce existing inequalities rather than challenging them, because they are trained on historical data that reflects those inequalities and deployed in institutions that lack the capacity to identify or correct the resulting bias. For Nepal, where inequality by caste, ethnicity, gender, and geography is constitutionally recognized as a problem to be addressed, AI systems trained on historical government data risk encoding those inequalities into automated decisions against the constitutionally protected right to equality.

Article	Right	AI Relevance
17 (a)	Freedom of opinion & expression	AI content moderation; algorithmic filtering
17 (b)	Freedom to assemble peaceably	Predictive policing; online gatherings
18	Right to equality	Algorithmic decisions based on trained data
19	Right to communication	Automated content takedowns; AI in public sector that withholds public information
27	Right to information	AI as an enabler of transparent public information access; conversely, AI systems that obscure how government decisions are made
28	Right to privacy	AI collecting citizen data including biometric systems and behavioral profiling

Rights Frameworks in AI Governance

The international literature increasingly recognizes that constitutional rights frameworks are not merely constraints on AI governance rather these frameworks are architectural inputs. Institutions designed with rights protection as a structural feature, rather than a compliance afterthought, perform better on both rights and efficiency metrics. The European Union AI Act 2024 operationalizes these insights through risk-based classification: AI systems that affect fundamental rights are subject to the highest pre-deployment requirements, including mandatory conformity assessments and human oversight mechanisms. The logic is that the institutional architecture should reflect the stakes involved, specifically what must be done before an AI system is deployed.

The UNESCO Recommendation on the Ethics of AI (2021), adopted by all 193 member states including Nepal, provides a normative framework that reinforces constitutional rights obligations. It explicitly identifies freedom of expression, privacy, and the right to information as values that AI governance must protect, and it articulates the responsibility of member states to create institutional mechanisms for that protection. For Nepal, this international obligation reinforces the constitutional obligations under Articles 17, 19, and 28, creating a double foundation for the AI Excellence Centre's rights oversight function.

The UN AI Advisory Body's interim report 'Governing AI for Humanity' (2023) identifies seven institutional functions for AI governance that are relevant to the AI Excellence Centre design: regularly assessing the state of AI, improving interoperability, harmonizing standards, facilitating deployment, fostering multi-stakeholder collaboration, monitoring risks, and developing binding accountability norms. Notably, these functions are institutional rather than principles, they describe what an institution must do, not merely what values it must hold. This is the direction the literature has moved, and it is the direction Nepal's AI Excellence Centre design must follow.

The Digital Governance Foundation

The Electronic Transactions Act 2006 established the basic legal framework for digital communications and electronic records. The Digital Nepal Framework 2019 sets out a broader vision for technology-led development across sectors. The National Cybersecurity Policy 2023 addresses the security dimension of that vision. As noted in Chapter 1, these instruments together constitute the "foundational layer" on which the National AI Policy 2025 explicitly says AI governance must be built.

On a positive note, there is gradual improvement in Nepal's score over the period 206-2024 against the UN E-Government Development Index (EGDI) (Verma & Singh, 2025). However, a persistent gap exists in infrastructure, human resource capacity, and inter-institutional coordination. Despite a plethora of policies, Nepal continues to face challenges including insufficient digital infrastructure, reduced interoperability between digital systems, and digital illiteracy, particularly in rural areas and marginalized communities. This indicates towards an uneven e-governance trajectory.

The e-governance blueprint introduced by the E-Governance Board in February 2025 proposes new institutions including a Data Protection Authority and a National Cyber

Research and Training Centre. These institutions need to coexist with the proposed AI Excellence Centre without overlapping mandates.

This institutional proliferation is itself a governance risk. The literature on organizational theory warns against the creation of multiple bodies with adjacent mandates in the absence of a clear coordination mechanism. Nepal's digital governance already includes ministerial supervision, the E-Governance Commission, the National Information Technology Centre, and the National AI Centre. Adding an AI Excellence Centre without clearly defining its relationship to these bodies risk replicating the fragmentation that Anneke Zuiderwijk et al. (2021) identify as the defining failure of AI governance in developing countries.

The National AI Policy 2025: Ambitions and Gaps

The goals of National AI Policy are ambitious from aiming to the top 50 rank for Nepal in the Global Government AI Readiness Index (Goal 5.2), to train 5,000 AI professionals within five years (Goal 5.3), and establishing 761 AI Excellence Centres in federal, provincial, and local level in three months of enactment of this policy (Policy Implementation Action Plan 5, Schedule 1). It proposes a 14 member AI Regulatory Council chaired by the Minister for Communications and Information Technology, a National AI Centre as the central research and standards body, and complementary institutions including AI Excellence Centres and an AI Incubation Hub.

The policy's institutional vision is, in broad strokes, consistent with what the effectiveness literature recommends. It recognizes the need for a dedicated AI institution, it addresses human capital, it connects AI to sectoral applications, and it acknowledges ethical and rights obligations. On the contrary, Nepal has secured 2.8 score out of 5 in the AI Readiness Index score, placing it 150th of 193 countries in the 2025 Oxford Insights ranking. Despite Nepal's readiness for AI governance, the score reflects a substantial gap between stated ambition and institutional reality in Nepal's public sector exhibiting critical weaknesses in weak dissemination, absence of actionable implementation guidelines, and insufficient accountability mechanisms.

Here, three gaps are particularly significant for the AI Excellence Centre design. First, the policy does not specify the statutory form of the proposed AI Excellence Centre that could be a department, a board, a committee, or a wing of a research institution, with vastly different implications for independence and effectiveness. Second, while the policy proposes AI Excellence Centres in all seven provinces, it provides no sequencing logic for how the federal model is established first and the provincial models derived from it. The risk of attempting simultaneous establishment at all tiers with Nepal's current resource base is, as the Asian Development Bank governance assessment of Nepal (2019) reports, a pattern that has produced weak institutions at every level rather than strong ones at any. Third, the policy's rights protections remain aspirational, there is no institutional mechanism specified for pre-deployment constitutional rights review.

2.3.Federal Institutional Capacity: The Structural Challenge

Nepal's transition from a unitary to a federal system, formalized in the 2015 Constitution, is by any measure still in progress. The Asian Development Bank governance assessment of Nepal's federal institutions (2020) finds that the transition has been marked by unclear division of powers in practice, human resource deficits at provincial and local level, and

coordination failures between tiers. The institutions that were supposed to accompany the constitutional change, the fiscal equalization commission, the intergovernmental coordination councils, the shared data infrastructure were delayed or underfunded.

This structural context matters for AI governance in a direct way. The AI Excellence Centre cannot function as a federal standard-setter for provincial and local AI adoption if the intergovernmental coordination mechanisms it depends on do not work. The e-governance blueprint's vision of coordination among federal, provincial, and local governments in digital governance is correct in principle but has not been operationalized in practice for the simpler digital governance systems that preceded AI. The AI Excellence Centre must either build on existing coordination mechanisms, if they can be made to work, or create its own, which requires legislative authority and resources that are not yet budgeted. Further, governments face not merely capacity gaps but systemic institutional barriers: staff who lack both the technical skills and the legal understanding to implement digital services, coordination mechanisms that exist on paper but are not used, and a funding structure that prioritizes capital investment over recurrent costs. It means that the digital systems are procured but not maintained. These are the conditions into which any cascade of AI governance from the federal level will eventually flow. Designing the federal AI Excellence Centre without accounting for the institutional realities at the other two tiers would be a design failure.

2.4.AI Governance in Developing and Federal States

The Developing Country Challenge

The frameworks produced by the European Union (EU), the Organization for Economic Co-operation and Development (OECD) and the major technology powers reflect governance assumptions as mature regulatory institutions, sophisticated civil society, and high baseline digital capacity that do not transfer directly to developing country contexts. As 'What works in Brussels might not be effective Abuja' (Barzelay et al., 2024). The same observation applies, with equal force, to Kathmandu.

Developing countries face a specific version of the AI governance challenge. They typically have limited technical capacity to audit AI systems, legal frameworks that predate AI and do not address it directly, procurement practices that are vulnerable to vendor capture, and civil society organizations that are under-resourced relative to the task of holding government AI accountable. At the same time, the OECD finds that approximately 60% of its member countries have developed national AI strategies, with public sector AI adoption increasing by 35% annually (OECD, 2023). The World Bank (2026) reports that developing countries need to facilitate AI to facilitate the institutional preconditions: connectivity, compute, context, and competency (4Cs).

The phrase 'to facilitate the institutional preconditions' is critical about the AI efficiency gains in public services that are conditional on institutions capable of overseeing implementation. In absence, AI deployment produces not efficiency gains but automated dysfunction and rights risks. For Nepal, the implication is direct. The efficiency argument for AI in government is not a reason to accelerate past the institutional prerequisites. It is a reason to invest in those prerequisites first, so that the efficiency gains are achievable and the rights risks are managed.

The Federal Coordination Dimension

Federal states face an additional layer of AI governance complexity. The distribution of powers between tiers means that AI governance authority is not monolithic. Different jurisdictions may have authority over different aspects of AI deployment, and standards set at the national level may require subnational adoption through processes that are not automatic. The literature on AI governance in federal states is, as noted, sparse. But the broader literature on digital governance in federal systems offers relevant insights.

Bagale (2025) examining digital administration in Nepal, finds that federalization has created new opportunities for service delivery but has also fragmented the institutional landscape in ways that complicate digital transformation. The coordination mechanisms established under the Local Government Operation Act 2074 have not been effectively used for digital governance coordination, leaving each tier to develop its own digital approaches without consistency (Bagale, 2025). The AI Excellence Centre faces the same coordination problem at higher technological stakes.

The Strategy Gap

Roberts et al. (2021) describes the situation of 'strategy-institution gap' in which a country has approved an AI strategy but lacks the institutional mechanism to implement it. This gap, as they find, is more damaging than having a weaker strategy with a stronger institution, because a good strategy without an institution produces only documentation while even a modest institution with real authority and technical capacity produces tangible governance outcomes.

Nepal is at risk of this gap. The National AI Centre as currently constituted is not a statutory board and does not have its own technical departments for audit and testing. The AI Centre does not have a clearly defined mandate for subnational coordination. To combat, the AI Excellence Centre, if properly designed, has the ability to close that gap in terms of statutory form, technical capacity for audit and testing, structural independence of right oversight, and subnational coordination mechanisms built from federal level outward.

2.5.Synthesis

The specific policy review of Nepal and the global literature point to the same conclusion from different directions. Nepal's National AI Policy 2025 provides the aspirational foundation for AI governance but leaves the institutional design: a practical statutory form, sequencing across federal ties, and enforceable rights safeguards are unresolved. The international literature confirms that these are precisely the elements that determine whether an AI governance institution succeeds or merely exists on paper. a clear mandate and governance structure, sustained and diversified partnerships, deliberate investment in talent, trustworthy data and infrastructure, a disciplined delivery pipeline, and accountability mechanisms grounded in recognised principles such as those of the OECD. The remaining chapters of this report apply this synthesis to Nepal's specific federal context.

3. METHODOLOGY

3.1. Research Method

This research adopts a qualitative approach with descriptive analysis and positive paradigm. The choice of qualitative methods is not simply a function of the three-month timeline. It reflects the nature of the research questions themselves. The study seeks to understand the current state of AI governance, how institutional capacity shapes decisions for public sector, and how policy gaps manifest in real governance settings. These are the questions that a quantitative survey cannot answer well. The steps in the methodology are:

a. Identification and motivation of the problem
b. Definition of objectives for the framework
c. Design and development of Nepal AI Excellence Centre framework
d. Evaluation of the framework
e. Demonstration of the use of the framework
f. Communication of the framework

3.2. Sources of Data

The study uses both primary and secondary sources of information.

a. Primary Data

Key Informant Interviews (KIIs) were conducted with relevant stakeholders representing different dimensions of the AI governance ecosystem: government institution, AI & technology professional, and research institution. It focuses on digital governance, AI policy, public administration, research, and institutional development. KIIs were guided by structured, semi-structured, and unstructured questionnaires focusing on institutional experiences. KIIs were designed to complement the desk review. The interview focuses on:

- Existing and emerging uses of AI within government;
- Technical and human-resource capacity;
- Data governance and infrastructure;
- Relevant public institutions and research institutions;
- Legal and policy constraints;
- Requirements for responsible AI adoption;
- Potential mandate of AI Excellence Centre.

The KIIs checklist is provided in Annexure I.

b. Secondary Data

Secondary sources were studied and examined to understand domestic legal, policy and institutional environment. The objectives of desk research are to establish the policy context, identify institutional gaps, develop analytical framework, and inform comparative cases. The secondary sources reviewed include:

- The Constitution of Nepal 2015;
- National Artificial Intelligence (A.I.) Policy 2025;
- Electronic Transactions Act 2006;
- National Information and Communication Technology Policy 2015;
- Digital Nepal Framework 2019;
- National Cybersecurity Policy 2023;
- Comparative Institutional Analysis;
- Academic literature on AI governance and digital government;
- International AI governance frameworks and principles;

- Reports published by international organizations, etc.

3.3. Data Analysis

The data collected was analysed thematically in four stages:

Stage 1: Institutional Mapping

The mapping includes identifying the roles of relevant government institutions, existing policies, legal instruments, and AI related initiatives in public sector.

Stage 2: Thematic Coding

Data was organized around recurring themes corresponding to the six maturity dimensions: mandate and governance, partnerships, talent, data infrastructure, delivery capacity, and responsible AI and accountability.

Stage 3: Comparative Interpretation

Institutional conditions of Nepal were compared with the characteristics identified in the selected international AI models. Also, the comparative aspects have been discussed with the relevant stakeholder to critically analyse the anchor for the respective maturity dimension.

Stage 4: Policy Translation

Findings are translated into institutional and policy recommendations in consideration of:

- Whether the proposed action addresses an identified institutional gap;
- Whether the action can realistically be incorporated into the implementation framework of the National AI Policy 2025; and
- Whether the action contributes to responsible, accountable, and scalable AI adoption.

3.5. Ethical Consideration

The research emphasizes:

- Informed consent from all interview participants before recording begins. Participants were informed of the research purpose, how data will be used, and their right to withdraw at any point.
- All recordings and transcripts are stored in encrypted form.
- No participants were asked to identify specific colleagues or officials in relation to rights violations.
- Questions about governance or government overreach in avoidance of attributing sensitive statements.
- Use of information solely for the purpose of the research.

4. Comparative Institutional Models: AI Excellence Centres

4.1. International Models

A review of international experience surfaces six illustrative models directly relevant to Nepal's design choices.

a. **Singapore:**
   Singapore's Infocomm Media Development Authority (IMDA) is a statutory board under the Ministry of Digital Development and Information. It combines regulatory

oversight, policy development, and technical assurance in a single institution. It has developed the Model AI Governance Framework (MAIG), first published in 2019 and updated through 2020, with generative AI extensions released in 2024 and an agentic AI governance framework in January 2026, making Singapore among the first jurisdictions in the world to address governance challenges posed by autonomous AI systems. Its technical assurance function is embodied in AI Verify, and open-source testing toolkit that validates AI system performance against internationally recognized ethical principles, mapped to the NIST AI Risk Management Framework and ISO 42001.

b. France:

The National Institute for Research in Digital Science (INRIA) is France's national public research institute for computer science and automation. It was created in 1967 to advance digital science and strengthen ties between research and industry. In 2018, under France's National AI Strategy i.e., AI for Humanity, INRIA was formally charged with coordinating the national AI research programme, including leading priority research projects and acting as a central scientific operator for AI. This is to illustrate how an existing research institution can be re-mandated to anchor a national AI strategy rather than requiring an entirely new body.

c. Canada:

Mila-Quebec Artificial Intelligence Institute (Mila-Institut Québécois D'intelligence Artificielle) traces its origin to 1993, when Professor Yoshua Bengio founded a small academic laboratory at the Universite de Montreal. Over roughly two decades, that laboratory grew in size and ambition, formally expanding into Mila in 2017 through a collaboration between Universite de Montreal and McGill University, and becoming a non-profit in 2018. Mila now serves as a central node in the Pan-Canadian AI Strategy, combining deep-learning research, interdisciplinary collaboration, and industry engagement being an example of organic, university-anchored growth into a national institution over time, rather than a top-down creation.

d. India:

The Government of India has officially announced multiple AI Centres of Excellence in 2024. It allocated approximately Rs 990 Crore (roughly USD 120 million) across three dedicated Centre of Excellences (CoEs) focused on healthcare, agriculture, and sustainable cities, under the national commitment to "Make AI in India and Make AI Work for India." These CoEs are backed by multi-year funding and oversight through the Ministry of Education's strategic programmes, with leading institutions such as IIT Delhi, AIIMS Delhi, IIT Kanpur, and IIT Ropar designated to host and lead research illustrating a sector-specific, multi-hub model built on existing centres of academic and technical strength.

e. Rwanda:

Rwanda launched its Centre for the fourth industrial revolution in 2020 as the first of its kind in Africa, joining the World Economic Forum's global C4IR network. The centre is dedicated to research and development in emerging technologies, including AI, aligned with the government's Vision 2050 and its National AI policy goals. This is a relevant example for Nepal as a comparably resourced developing state that chose to anchor its AI institution within an internationally networked model rather than build in isolation.

f. Bangladesh:

Bangladesh has established government-supported Research and Innovation Centres (RICs) and non-university Centres of Excellence to advance applied research, digital transformation, and technology-driven solutions. These Centres operate under the ICT Division and Bangladesh Computer Council, often in partnership with international development agencies such as the World Bank. Launched to strengthen national capacity in AI, ICT, and innovation, they provide research infrastructure, evaluate multi-tiered project proposals, and support government and industry initiatives, positioning Bangladesh to develop locally relevant technological solutions and build human capital outside the traditional university framework.

4.2.The Maturity Checklist: An Analytical Framework

Drawing on the approaches followed by the AI Excellence Centres reviewed above and on frameworks such as that of the Digital Education Council, a six-dimension maturity checklist can be used to assess how ready any institution, including a newly proposed federal AI Excellence Centre is to function responsibly. This report adopts that checklist as its central analytical instrument in Chapter 2, 4.1., and 6.

S.N.	Maturity Checklist	Assessment
1	**Mandate, Governance and Strategic Direction**	A clearly defined mandate aligned with national priorities, formal governance structure, defined decision-making authority, and a costed multi-year strategy with measurable objectives
2	**Partnerships and Ecosystem**	Formal collaborations with government, academia, research institutions, and international partners adopting a hybrid funding model and active participation in national, regional, and global AI initiatives
3	**Talent and Capability Development**	Human-capital building through fellowships, training programmes, role-based certification, and cross-disciplinary teams combining AI, domain, and policy experts
4	**Trusted Data, Technology and Infrastructure**	Secure, scalable infrastructure, controlled data environments, standardised tooling, shared compute resources, and clear data-governance, privacy, and data security protocols
5	**Delivery Pipeline and Operational Methodology**	A structured process for use-case intake, feasibility assessment, prototyping, pilot execution, evaluation, and scale or transfer decisions, supported by defined key performance indicators (KPIs)
6	**Responsible AI and Accountability**	Formal review processes, systematic risk and bias assessment, and monitoring, in line with internationally recognised frameworks such as the OECD AI Principles, which emphasize

		accountability, risk management, and traceability. This dimension aligns directly with the human-centred, ethical, and inclusive commitments made in Nepal's National AI Policy 2025

4.3.Synthesis

Nepal does not need to build a testing methodology from scratch. What it does need to add, for example, which Singapore does not require, is a constitutional rights module: specific tests for compliance with Articles 17, 19, 27, and 28 of the Constitution of Nepal.

Effective AI governance in Nepal's public sector requires a dedicated, independent AI Excellence Centre that should be established first at the federal level, anchored in the National AI Centre, constituted as a statutory board with six functional wings, and designed with structural rights oversight independent from the executive. The strategy-institution gap identified by Robert et al. (2021), similarly, is Nepal's primary AI governance risk. The AI Excellence Centre is the mechanism to close it.

5. FINDINGS

The findings below are developed from the desk research, comparative case analysis, KIIs described in Annexure I, and structured using the AI Excellence Centre Maturity Checklist from 4.2. They represent the analysis available after completing desk research, comparative study, and KIIs. The findings are integrated into this section to corroborate, refine, or revise the patterns identified here, per the consultation-summary component of this deliverable.

a. Finding 1: Federal AI Use is Fragmented and Largely Undocumented

Available public documentation does not evidence a coordinated, government-wide inventory of AI systems in use at the federal level. Where AI-adjacent tools appear to be in use, for example, in digital service platforms, data-processing systems, or communications. This appears to occur at the level of individual ministries or agencies rather than through a centrally tracked or governed process. This is consistent with the National AI Policy 2025's own silence, noted in Chapter 2, on how government is to initiate, purchase, deploy, and monitor AI use, without a central intake or registry mechanism, it is structurally difficult for any single body, including NAIC, to have a complete picture of federal AI use.

b. Finding 2: Institutional Maturity is Pre-Foundational Across Most Dimensions

Applying the six-dimension Maturity Checklist to the current federal institutional landscape produces the following assessment

S.N.	Maturity Dimension	Current Status	Basis
1	**First: Mandate, Governance & Strategic Direction**	Pre-foundational	The National AI Policy 2025 proposes an AI Excellence Centre but does not specify its statutory form, governance structure, or a costed multi-year

			strategy with measurable objectives (Ch. 2.1).
2	**Second: Partnerships & Ecosystem**	Emerging	NAIC's establishment signals an intent to coordinate across government, but formal, funded partnership agreements with academia, industry, and international bodies are not yet evident in public documentation.
3	**Third: Talent & Capability Development**	Pre-foundational	No public evidence of structured fellowship, training, or certification pathways for AI-related roles in government akin to those seen in comparative AI Excellence Centres (e.g., Mila, INRIA).
4	**Fourth: Trusted Data, Technology & Infrastructure**	Pre-foundational	No unified data-governance protocol, shared compute resource, or controlled data environment for AI use is documented across federal ministries.
5	**Fifth: Delivery Pipeline & Operational Methodology**	Not yet Published	No documented process for AI use-case intake, feasibility assessment, piloting, or scale and transfer decisions exists at the federal level.
6	**Sixth: Responsible AI & Accountability**	Aspirational Only	The Policy commits to ethical, human-centred AI in principle, aligned with OECD AI Principles, but has not translated this into formal review, risk-assessment, or monitoring procedures (Ch. 2.1, 2.3).

The pattern across all six dimensions is consistent. Nepal's federal government has established the aspirational and rhetorical foundation for AI governance through the National AI Policy 2025 and the creation of NAIC, but has not yet built the specific institutional mechanisms that has statutory mandate, funded partnerships, talent pipelines, shared infrastructure, a delivery pipeline, or accountability procedures that comparative AI Excellence Centres in Singapore, France, Canada, India, Rwanda, and Bangladesh (Chapter 4.1) demonstrate are necessary for an AI institution to function rather than merely exist. This pattern is consistent with UNCTAD's (2024) broader observation that developing-economy AI governance gaps tend to cluster around institutional readiness rather than regulatory drafting Nepal's difficulty, in other words, is unlikely to be solved by further amending the Policy text alone.

c. Finding 3: The Federal-to-Local Sequencing Gap is the Most Consequential Structural Omission

Of the three policy gaps identified in Chapter 2.1, the absence of a sequencing logic for how a federal AI Excellence Centre model is to be established first and then adopted for provincial and local levels stand outs as the most consequential in a country with 753 local levels of widely varying capacity. Without an explicit sequencing and adaptation logic, there is a material risk that whatever institutional weaknesses exist at the federal level, as catalogued in Finding 2, will simply be replicated, rather than corrected, as AI governance expands outward to provinces and local governments with even less technical and legal capacity than the federal centre currently has.

d. Finding 4: Rights Safeguards Are Not Yet Operationalised

The major commitment of National AI Policy is towards ethical, human-centred, rights-respecting AI is not currently accompanied by an operational mechanism such as a mandatory pre-deployment risk or impact assessment that would require a government body to demonstrate compliance with that commitment before an AI system is procured or deployed in a citizen-facing service. This mirrors the international literature reviewed in Chapters 2.1 and 2.4. Zhong et al. (2025) emphasizes that minimising harm to citizens' rights requires governance mechanisms that are procedural and checkable, not merely declaratory.

e. Finding 5: Comparative Cases Point to Multiple Viable Institutional Starting Points

The comparative review in Chapter 4 suggests Nepal is not required to choose between a single correct institutional model. France's INRA shows that an existing research institution can be remanded rather than replaced. Mila shows that a university-anchored centre can grow organically into a national institution. India's model shows that a sector-specific, multi-hub approach can distribute AI capacity across existing centres of technical strength, and Bangladesh's Research and Innovation Centres show that meaningful AI and ICT capacity can be built outside the traditional university system, often with development partner support. Each of these offers a distinct, evidence-based starting point that NAIC could adapt to Nepal's federal and resource context, rather than needing to design an entirely novel model from first principles.

6. ANALYSIS

This chapter interprets the findings presented in Chapter 5 against the three research questions set out in Chapter 1, drawing on the analytical framework and comparative literature developed in Chapter 2.

Research Question 1 What is the current landscape of artificial intelligence adoption in selected federal government institutions in Nepal in citizen-facing public services?

The fragmentation and lack of central documentation identified in Finding 1 is itself analytically significant, not merely a data-collection limitation. It indicates that AI adoption within Nepal's federal government is currently occurring, to the extent it is occurring, in a decentralised, ministry-by-ministry manner, ahead of, rather than guided by, the institutional mechanisms the National AI Policy 2025 envisions. This sequencing, adoption preceding institution-building, is precisely the scenario the Policy Problem in Chapter 1 warns against. It is difficult to evaluate what AI systems are appropriate, safeguard rights, or govern procurement centrally when there is no reliable inventory of what is already in use. A central

and practical implication follows directly: NAIC's first institutional function should arguably be an AI-use registry or intake mechanism, both to establish situational awareness and to create the data backbone that any future governance mechanism will require.

Research Question 2: What institutional and coordination gaps do federal agencies encounter in deploying AI responsibly?

Mapping current conditions against the Maturity Checklist (Finding 2) makes it possible to translate "minimum institutional capacity" from an abstract concept into a specific, checkable threshold. Read across the six dimensions, a defensible minimum capacity floor. The point below which a government body should not proceed to adopt a citizen-facing AI system would include:

i. A named accountable authority for the AI system within the adopting body (mandate and governance);
ii. At least one identified technical or academic partner able to assess the system's suitability (partnerships);
iii. Staff with basic AI and data-literacy training relevant to the system in question (talent);
iv. A defined data-handling and security protocol for any data the system will process (infrastructure);
v. A documented use-case assessment completed before procurement (delivery pipeline); and
vi. A completed rights and risk impact assessment, reviewed independently of the adopting body (responsible AI and accountability).

Against this threshold, Finding 2 indicates that most federal bodies and NAIC itself, as a still-forming institution, do not yet meet the minimum capacity floor on several dimensions simultaneously. It is itself an important and actionable analytical result. It suggests capacity-building investment, not AI system procurement, should be the near-term institutional priority.

Research Question 3: What specific gaps in the National AI Policy 2025 must be addressed before AI Excellence Centre pilots go live?

Findings 3 and 4, read together, identify two gaps of comparable urgency but different character. The sequencing gap (Finding 3) is a structural design gap. It concerns how institutional authority and capacity are to flow from the federal centre outward across a three-tier federal system, and it cannot be resolved by any single pilot project. It requires an explicit policy decision, ideally codified in the Policy's implementation rules, on the sequence and criteria for extending any federal AI Excellence Centre model to provincial and local levels. The rights-safeguard gap (Finding 4) is a procedural design gap. It concerns whether the Policy's ethical commitments are backed by an enforceable process, and it can be addressed more directly through a mandatory pre-deployment risk and impact assessment requirement written into the implementation rules, modelled on the accountability and traceability principles of the OECD AI Principles that the Policy already aligns itself with (Chapter 2.4).

For legal mandate, Nepal should have a robust AI related laws and regulation that defines, regulates, structuralises the Excellence Centres.

Cross-cutting Analysis: What the comparative cases suggest about sequencing

Finding 5's observation that multiple viable institutional starting points exist internationally has a direct bearing on the sequencing question in 5.3. None of the six comparative cases in Chapter 4 attempted to build a fully mature, six-dimension AI Excellence Centre in a single step; each grew a specific institutional core first. A pro-innovation and principles-based institution in Singapore, a re-mandated research institute in France, a university partnership in Canada, sector-specific hubs in India, and internationally networked centre in Rwanda, a donor-supported ICT body in Bangladesh and matured across the remaining dimensions over time. This suggests that Nepal's federal AI Excellence Centre need not, and arguably should not, attempt to achieve full maturity across all six dimensions simultaneously before any pilot proceeds. Instead, the analysis in this chapter points toward a phased approach: establish mandate, governance, and a minimum rights-safeguard procedure first (the dimensions most directly tied to accountability and risk), and build out partnerships, talent, infrastructure, and a full delivery pipeline progressively, an approach elaborated into specific recommendations in Chapter 9.

7. DISCUSSION AND POLICY IMPLICATIONS

The analysis in Chapter 6 points to a consistent underlying story: Nepal's AI Policy and the establishment of NAIC represent a genuine and welcome policy ambition, but ambition alone does not constitute institutional architecture. The gap between the two, a pre-foundational maturity profile across most of the six checklist dimensions, fragmented and undocumented AI use, an unresolved sequencing logic, and aspirational rather than procedural rights protections. It is precisely the gap the Policy Problem in Chapter 1 identified before fieldwork began, and it has been substantiated rather than displaced by the findings and analysis in Chapters 5 and 6.

a. Implications for the Design of the AI Excellence Centre

The clearest implication is that the statutory form of the proposed AI Excellence Centre should not be treated as a drafting afterthought. As the comparative cases show, statutory form shapes everything downstream through funding stability, independence from the ministries whose AI use it may need to scrutinise, and its authority to require compliance with minimum capacity thresholds. A Centre established as a loosely defined coordinating unit within an existing ministry will struggle to perform the accountability function envisioned in the Policy's ethical commitments. A Centre with a clear statutory mandate, comparable in principle to INRIA's formal charge under France's AI strategy, is better positioned to hold other government bodies to the minimum capacity floor identified in Chapter 6.2.

b. Implications for Federalism

The sequencing gap identified in Finding 3 and analysed Chapter 6.3 has implications that extend beyond AI policy into the broader practice of Nepali federalism. If the federal AI Excellence Centre model is extended to provincial and local levels without an explicit adaptation logic, for instance, requiring provinces and local levels to meet a scaled-down version of the same minimum capacity floor before adopting AI tools of their own. This indicates federalism risks becoming a vector for replicating institutional weakness at every tier, rather than a structure for tailoring governance to local capacity needed. This is a live

and current policy choice, not a hypothetical one, it needs to be resolved in the AI Policy's implementation rules before, not after, provincial or local AI pilots begin.

c. Implications for Rights Protection

The finding that rights safeguards remain aspirational (Finding 4) has a direct and time-sensitive implication. Every citizen-facing AI system adopted before a mandatory risk and impact assessment requirement is in place is being adopted without the rights safeguard the Policy itself promises. Because, as Chapter 1 emphasises, the consequences of poorly governed AI systems fall most heavily on citizens who are already vulnerable, the risk of delay here is not neutral. It accrues asymmetrically to the people least able to contest or correct it. This strengthens the case, developed further in Chapter 9, for treating the risk and impact assessment requirement as an early, not eventual, priority.

d. Implications for Sequencing AI Excellence Maturity

Chapter 4.2.'s cross-cutting analysis of the comparative cases suggests a practical resolution to what might otherwise look like a contradiction: NAIC does not need to wait until it has achieved full maturity across all six Maturity Checklist dimensions before undertaking any pilot activity, but it also should not undertake pilot activity before establishing, at minimum, mandate and governance clarity and a working rights-safeguard procedure. This reframes "readiness" from an all-or-nothing condition into a phased, sequenced one, which is the organising logic behind the recommendations in Chapter 9.

8. CONCLUSION

Nepal's federal transition and its embrace of Artificial Intelligence in governance are occurring simultaneously, and the outcome of that overlap is not yet settled. The National AI Policy 2025 and the establishment of the National Artificial Intelligence Centre demonstrate that the Government of Nepal recognizes AI governance as a national priority. What this research has shown is that recognition has not yet been matched by institutional architecture: the statutory form of the proposed AI Excellence Centre remains undefined, a sequencing logic for extending any federal model to provincial and local levels is absent, and rights protections that the Policy promises in principle have not yet been translated into procedures that any government body must actually follow before adopting an AI system.

These are not indictments of the Policy's ambition. They are the ordinary and expected gaps that exist between the passage of a foundational policy and the drafting of its implementation rules. The value of this research lies in making those gaps specific and actionable rather than general and abstract, identifying through a structured maturity framework and comparative international evidence, exactly which institutional dimensions require attention first, and translating three broad research questions into a concrete evidentiary basis for how the National AI Policy 2025 should be operationalized.

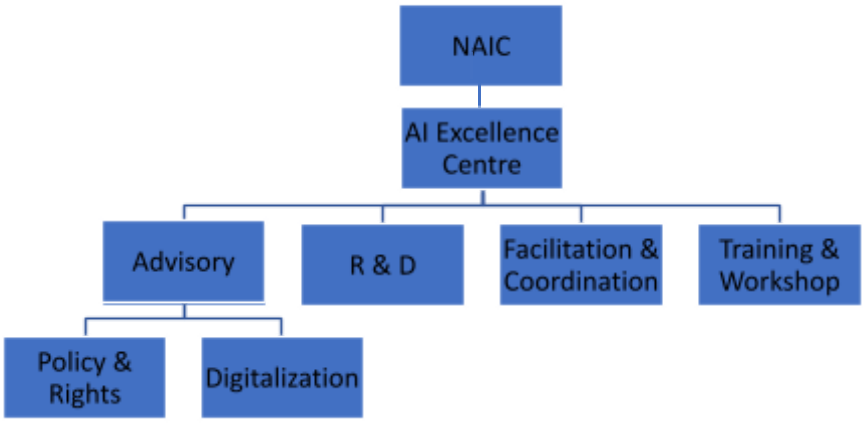
The central argument of this report is straightforward: Nepal does not need to choose between moving quickly on AI adoption and moving carefully. The comparative evidence reviewed in Chapters 2 and 4, and the phased approach developed in Chapters 6 and 7, show that mandate clarity and rights safeguards can be established early, without waiting for full institutional maturity, while partnerships, talent, infrastructure, and delivery capacity are built progressively. What Nepal cannot afford, given that the National AI Policy's own framing

recognises AI's consequences will be felt most acutely by the already vulnerable, is to allow AI adoption to continue to outpace institution-building, as the current fragmented and undocumented pattern of federal AI use (Chapter 6) suggests may already be beginning to happen.

9. POLICY RECOMMENDATIONS

The following ten recommendations translate the findings and analysis of this report into specific, implementable actions for incorporation into the implementation rules of the National AI Policy 2025, organized by the three imperatives identified in Chapter 6: institutional mandate, minimum readiness, and rights safeguards.

a. Institutional Mandate and Sequencing



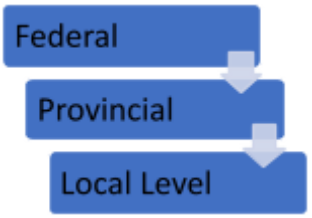
Recommendation 1: Codify the statutory form of the AI Excellence Centre

The implementation rules of the National AI Policy 2025 should specify the AI Excellence Centre's statutory form including its legal status, reporting line and decision-making authority relative to NAIC and OPMCM rather than leaving this to informal practice. This directly addresses the first policy gap identified in Chapter 2.1 and finding 2 (Mandate, Governance and Strategic Direction).

Recommendation 2: Adopt a re-mandate-first approach where existing institutional capacity exists

Where an existing research or technical institution has relevant capacity, the government should consider formally re-mandating it, following the model demonstrated by France's INRIA (Chapter 4.1), rather than defaulting to a wholly new institution with an approach that can shorten the time to functional capacity.

Recommendation 3: Establish an explicit federal-to-provincial-to-local sequencing plan



The implementation rules should specify the sequence and criteria for extending any federal AI Excellence Centre model to provincial and local levels, including a scaled minimum-capacity threshold appropriate to local-level resourcing, directly addressing Finding 3 and the federalism implications discussed in Chapter 5.3.

The sequencing from federal to provincial to local level is important from the perspective of a smooth federal governance system that devolves the government power and authority into federal entities equally. However, the provincial and local level in itself cannot enact any regulation that is not enlisted under designated schedules of the Constitution. As there is no designated provision or schedule to address AI governance and institutionalization of AI in Nepal's public sector, the provincial and local level has to set up the AI governance mechanisms in accordance with the federal laws. Further, as the AI does not have any territorial limitation, the AI governance mechanisms, including AI tools, should be supervised and regulated by the Federal Government in view of national security and national interest.

b. Minimum Institutional readiness

Recommendation 4: Adopt a formal pre-adoption minimum capacity checklist

Government should formally adopt the minimum capacity floor developed in Chapter 7.2, a named accountable authority, research institutions and university as an identified (technical) partner, minimally trained staff, a defined data-handling protocol, a documented use-case assessment, and a completed risk and impact assessment as a mandatory precondition before any government body procures or deploys a citizen-facing AI system.

Recommendation 5: Establish a central AI-use registry

NAIC should establish and maintain a central registry of AI systems in use or under consideration across federal ministries, directly addressing the fragmentation identified in Finding 1 and creating the data foundation needed for any future oversight function.

Recommendation 6: Invest in structured talent-development pathways

NAIEC should design fellowship, training, and role-based certification pathways for AI-related government roles, drawing on the models observed in Mila and India's Excellence Centres (Chapter 4.1), to close the Talent and Capability gap identified in Finding 2.

Recommendation 7: Establish baseline data-governance and infrastructure standards

The government should adopt a shared minimum data-governance, privacy, and security protocol applicable to any AI system processing citizen data, closing the Trusted Data, Technology and Infrastructure gap identified in Finding 2.

c. Rights Safeguards and Accountability

Recommendation 8: Make a pre-deployment risk and impact assessment mandatory

The implementation rules should require an independent risk and impact assessment covering data protection, algorithmic bias, and impact on vulnerable groups before any citizen-facing AI system is deployed, translating the Policy's aspirational rights commitments into an enforceable procedure, as identified in Finding 4 and discussed in Chapter 5.4.

Recommendation 9: Align formally with the OECD AI Principles

NAIEC should formally adopt, and require adopting bodies to demonstrate compliance with, accountability, lifecycle risk-management, and traceability principles consistent with the OECD AI Principles already referenced in Nepal's institutional framework (Chapter 2.3), giving the Policy's ethical commitments a recognized external benchmark.

Recommendation 10: Sequence AI Excellence Centres maturity rather than requiring it in full at the outset

Consistent with the cross-cutting analysis in Chapter 6, NAIC should not delay initial institutional action until full maturity is achieved across all six Maturity Checklist dimensions. Mandate clarity (Recommendation 1) and the rights-safeguard procedure (Recommendation 8) should be prioritised first; partnerships, talent, infrastructure, and a full delivery pipeline should be built progressively, following the phased growth pattern observed across the comparative models reviewed in Chapter 4.

Concluding Note

In concluding remarks, these ten recommendations are designed to be directly usable within the implementable rules of the National AI Policy 2025, consistent with the applied, evidence-based purpose of this Fellowship research set out in Chapter 1. Their sequencing, mandate and rights safeguards first, capacity-building progressively, is intended to allow Nepal's federal government to move forward on AI adoption without repeating, at greater scale, the institutional gaps this report has identified at the point where AI governance in Nepal currently stands.

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Annexure I

1. **National AI Centre (Official)**

a. Has Nepal conducted, or is it planning to conduct, an AI readiness survey?
b. What kind of approval, review, and oversight processes currently apply to AI governance tools being developed, procured, or deployed by public sector institutions in Nepal?
c. Who is responsible for assessing whether an AI system meets applicable technical, legal, security, privacy, or ethical standards? And what are the criteria for such assessments?
d. Where does AI governance responsibility sit at the ministerial levels in practice?
e. Does Nepal have a comprehensive action plan, implementation roadmap, or specific institutional mechanism for establishing and operationalizing AI governance in the public sector?

2. **Sectoral Commission (Member)**

a. Should Nepal develop and implement AI literacy programs?
b. Is Nepal ready to adopt AI in the public sector? What are the key opportunities, challenges, and gaps that need to be addressed?
c. How can Nepal ensure that the use of automated systems in public sector does not adversely affect people's rights?

3. **Research Institution (Director)**

a. What gaps exist in Nepal's AI talent pipeline? What would help to close these gaps?
b. What role could academic and research institutions play in the proposed AI Excellence Centre?
c. What are the required capabilities and contributions that would make a research institution well suited to participate in or support the Centre?