



CESIF

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Kumaripati, Lalitpur



www.cesifnepal.org



info@cesifnepal.org

A. International Relations and Foreign Affairs

News Brief

On July 2, 2025, Millennium Challenge Corporation (MCC) confirmed [continued support for the Nepal Compact](#), despite a broader U.S. foreign aid freeze. Later, on July 26, the U.S. Embassy in Kathmandu confirmed that the \$697 million Millennium Challenge Corporation [\(MCC\) Nepal Compact will continue](#), which ended months of uncertainty and allowed the highway and transmission like project to proceed, reinforcing U.S. strategic support in Nepal.

On July 11, 2025, flash floods [destroyed the Miteri bridge and customs yard](#) at Rasuwagadhi, severing Nepal–China road connectivity. Over 30 trucks with imported goods were swept away, jeopardizing \$80+ billion in trade and forcing the Nepal government to urgently coordinate reconstruction with China ahead of festive season demands. On July 18, officials confirmed that [China will build a Bailey bridge](#) before Dashain to restore trade, while Nepal accelerated road repairs in the flood-hit area.

On July 12, 2025, twelve communist parties in Nepal, including the Maoist Centre and Unified Socialist, [rallied in Kathmandu to condemn Israeli military actions](#) in Gaza and Iran, calling them acts of “genocide.” Leaders marched from Ratnapark to Exhibition Road, urging an end to imperialist wars and advocating for global peace.

On July 21, 2025, Nepal and China [signed four bilateral agreements](#) to deepen cooperation in healthcare, energy, and capacity-building. Projects include a bone marrow transplant center in Chitwan, feasibility studies for expanding Civil Service Hospital and building a cross-border transmission line, and training for 1,270 Nepali civil servants in China. China also pledged support for rebuilding flood-hit infrastructure in Rasuwa.

On July 29, Former Prime Minister Pushpa Kamal Dahal [“Prachanda” claimed](#) that powerful foreign nations are spending vast sums in Nepal through INGOs and NGOs to expand geopolitical influence, often creating parallel budgets that outscale government spending. He warned such unchecked financial flows could undermine Nepal’s sovereignty unless brought under formal state oversight.

News Analysis

Steady Advancements in Nepal-India Ties

The month of July saw a slow but steady progression in Nepal–India relations, marked by a series of constructive developments across diplomacy, security, infrastructure, and boundary management. These indicate a deeper integration of the two countries’ interests and a maturing of bilateral engagement.

The resumption of bilateral [home secretary-level talks](#) in New Delhi, after a nine-year pause, was perhaps the most significant development. The meetings came in the aftermath of the Pahalgam terrorist attack in Jammu & Kashmir, which prompted India to more proactively engage its neighboring countries, including Nepal, on pressing security concerns, particularly those relating to border surveillance, infiltration, and intelligence sharing. The long-discussed Mutual Legal Assistance Agreement saw concrete progress, and the Extradition Treaty was discussed at length,

which signals India's seriousness in strengthening institutional cooperation and, by extension, mending its ties with Nepal through concrete outcomes.

Meanwhile, at the seventh Boundary Working Group meeting, held in New Delhi after a long gap of six years, both sides also agreed to [complete boundary work within three years](#), deliberately setting aside the controversial Kalapani and Susta disputes. This compartmentalization reflects a more mature and pragmatic diplomacy, focused on achievable goals rather than stalemates. These steps are also important in creating a positive atmosphere ahead of Prime Minister KP Sharma Oli's long-anticipated [official visit to India on September 16](#).

[India's ₹390 million grant support](#) for five new High Impact Community Development Projects in Madhesh, Sudurpashchim, and Gandaki is another key highlight. These initiatives in education and health reinforce the understanding that India remains Nepal's most immediate and accessible partner, not just geopolitically but geographically. The point was underscored by the recent floods that wiped out Nepal–China connectivity at the Rasuwagadhi border, including the collapse of the Miteri bridge. The incident reminds us of the natural and infrastructural challenges Nepal faces when relying too heavily on its northern neighbour.

Importantly, India's approach toward regional partners shows consistency. Even the Maldivian president, who ran on an aggressively "India Out" campaign, has had to recalibrate under geopolitical and economic realities. During Modi's recent visit, India offered [\\$565 million in support to the Maldives](#)—a reminder that India's goodwill remains critical to all South Asian countries, regardless of past irritants.

This is a lesson Nepali leaders should take seriously. While bilateral efforts are underway at the government level, domestic actors must refrain from issuing undiplomatic or short-sighted statements. The UML's recent internal directive listing ["foreign-influenced forces" as a threat](#), implicitly pointing toward India, is a case in point. Such rhetoric risks derailing the very environment needed for meaningful cooperation.

As PM Oli prepares for his September visit, his focus should be on negotiating strategic agreements that unlock investments for Nepal's long-term growth. With India set to host the [Global AI Summit in 2026](#), this is an opportune moment for Nepal to initiate discussions on tech collaboration, innovation transfer, and digital infrastructure support—areas vital to shaping Nepal's economic future.

B. Domestic Politics and Federalism

News Brief

The Janata Samajbadi Party–Nepal (JSP–N), led by Upendra Yadav, has [officially withdrawn its support](#) from Prime Minister KP Sharma Oli's government. The party cited failures in governance, economic management, corruption control, and constitutional amendments. JSP–N's exit shifts the balance of power in the upper house, where the ruling alliance now falls short of a majority. This move complicates the government's ability to pass legislation through the National Assembly. The coalition still maintains a strong majority in the House of Representatives, but the loss of upper house support presents major political and legislative challenges going forward.

The CPN-UML has [blocked former President Bidya Devi Bhandari's attempt](#) to rejoin the party. Bhandari, who signaled her [intent to return to active politics](#), was denied formal recognition by the party leadership. The move has deepened factionalism within the UML. Senior leaders are divided over her political comeback and the leadership style of KP Sharma Oli. Bhandari insists no one can deny her UML membership. However, the party argues that former heads of state should remain above active partisan politics.

Former Minister for Federal Affairs and General Administration [Raj Kumar Gupta resigned](#) on July 15, 2025. The resignation followed amid allegations that he accepted an NPR 7.8 million bribe for influencing a political appointment and transfer in Kaski district. The scandal erupted following a leaked audio recording in which Gupta is allegedly heard negotiating with intermediaries over the bribe. With Gupta's exit, focus shifts to whether other implicated figures, such as Minister Balaram Adhikari, will face scrutiny or political consequences.

Bagmati's Chief Minister, Bahadur Singh Lama, lost his [position as the leader of the Nepali Congress parliamentary party](#) after a majority of lawmakers backed Indra Bahadur Baniya. The move followed a deepening internal party conflict, with four ministers resigning and supporting a no-confidence motion against Lama. Despite the loss, Lama has refused to step down as Chief Minister. He has appointed three new ministers to retain control of the provincial government.

President Ramchandra Paudel returned the Constitutional Council Amendment Bill to the House of Representatives. He said the bill weakens the constitution by allowing decisions with a minority vote. The bill had been passed by both houses on July 15. It allows the Prime Minister and one other member to make decisions. The CPN-UML criticized the President's move, calling it a challenge to parliament. The Nepali Congress supported the President's decision. This disagreement has caused tensions within the ruling coalition. It shows the growing distrust between the UML and Congress.

News Analysis

Bhandari's Blocked Comeback and the Politics of Personalities

Bidhya Devi Bhandari announced her intent to rejoin the CPN-UML on June 14, 2025. She aimed to challenge KP Sharma Oli for the party chair. The UML central committee swiftly denied her membership. This move laid bare Oli's determination to stamp out any rival. He sought to be seen as the sole, irreplaceable leader.

Bhandari had cultivated strong ties with Beijing during her presidency. Chinese envoys quietly backed her return. They viewed her as a stabilizing, pro-China figure. Her blocking may have disappointed key external patrons. It also highlighted the stakes of internal UML factionalism.

Oli framed the denial as a matter of party rules. But insiders say it was about optics. He feared that Bhandari's popularity could fracture his base. He wanted a clean slate with no credible alternative. His message was clear: dissent would not be tolerated.

Beyond UML, Nepal's politics remains fixated on individuals. Debates over civil service reform or education bills are secondary. Party conventions revolve around who holds the reins, not what they plan to do. Leaders jockey for position rather than develop policies. Public discourse elevates personalities over programs. This dynamic sidelines long-term national interests.

Bhandari's thwarted bid is symptomatic of this system. It shows how rules are bent to protect the powerful. It exposes the limits of democratic debate inside major parties. And it underscores the hollow nature of policy discussion in Kathmandu's corridors of power.

Unless the focus shifts from personalities to platforms, Nepal will keep repeating the same patterns. New faces without new ideas will change little. Real progress demands a break from leader-centric posturing. It demands a politics of substance over spectacle.

C. Political Economy and Development

News Brief

EV Vehicles in Nepal now hold a [76 percent share](#) in Nepal's new vehicle market. The government restructured its vehicle taxation regime as per the revised policies import duties are reduced to rates as low as 10% for EVs with smaller battery packs. Chinese EVs dominate Nepal's import market with Rs34.20 billion import of Chinese models, followed by India.

Nepal's exports increased by 81.8% [during the previous fiscal year](#), reaching Rs277 billion. This exponential growth can be attributed to re-exports of crude edible oils like soy, sunflower, and palm oil, which are not domestically produced in Nepal. In the first ten months of the current fiscal year, Nepal exported Rs90 billion worth of edible oils to India.

Nepal's stock exchange (NEPSE) index had surged 1.03 percent on 20th July, which was its [highest level in four years](#), closing at 3,002.07 points. Nepal's stock market has gained momentum following the announcement of the [monetary policy](#) on 11 July, for the new fiscal year that began on 17 July. The index has since then closed in the green in 11 of the past 13 trading days.

The FDI has [approved a proposal](#) worth Rs 20 billion to establish a modern buffalo meat export facility in Nepal for the Chinese company Chengdu Jian Co. Ltd. The plant is believed to create 5,156 new jobs and export meat products worth around Rs 150 billion annually to China.

News Analysis

Nepal to finally graduate from a Least Developed Country to a Developing Country Status

After decades of planning, work, and hurdles, Nepal is finally set to [transition](#) from Least Developed Country status to a Developing Country Status. The recent improvement in per capita gross national income has finally made this graduation possible in 2026.

The change in the development status also means changes in how Nepal received loans on a global scale. Nepal has long been receiving large amounts of official development assistance (ODA) and grants as a least developed country at a low interest rate. The graduation from least developed to developing could also mean that the interest rate on loans is likely to increase. The appreciation of the US dollar against the Nepalese currency has added burden of public debt. At a time like this, Nepal will also lose its access to special funds such as the Least Developed Countries Fund (LDCF).

Nepal is the first country to graduate [without meeting](#) the GNI criteria, highlighting ongoing structural weaknesses. External instability factors like climate disasters, COVID-19, and Trade shocks have a huge impact on Nepal's economy, and Nepal remains vulnerable without many strategies to combat such changes.

As development partners are changing their development assistance policies, Nepal needs to find new sources of finance for its development. In order to ensure a smooth transition, Nepal must expand and diversify its exports and develop productive capacity, and reduce poverty. There has to be engagement of key stakeholders to support technical and digital resources and encourage economic diversification.

D. Environment and Climate Change

News Brief

Experts, policymakers, journalists, and the mountaineering community gathered under the auspices of the [Himalayan Climate Charter](#), supported by BYN Blackyak Group, Khumbu Pasang Lhamu Rural Municipality, Nepal Mountaineering Association, and SPCC, to forge a unified pledge for regional climate action.

On July 8, a glacial lake outburst flood from Tibet battered Rasuwa's Bhotekoshi River, sweeping away 14 lives, including Nepali and Chinese workers, and crippling at least [10 hydropower projects](#). The critical Miteri (Sino-Nepal Friendship) Bridge was destroyed, disrupting bilateral trade.

Extreme weather has forced the [relocation of residents from Tilgaun to urban centres](#), including Kathmandu, highlighting the rise of internal climate displacement.

Persistent dryness is threatening water supplies and crop yields. The government has declared [Madhes Province a national disaster zone](#) for three months to coordinate relief.

Over [350 snakebite victims](#) have been treated in Kathmandu since January, with many bitten at higher altitudes where snakes are increasingly appearing. Rural victims face life-threatening delays due to limited awareness and healthcare access.

News Analysis

Rasuwa Flood in Focus

July's environmental warning wasn't abstract. It came crashing down through the Rasuwa flood. On July 8, a glacial lake outburst from Tibet's side triggered a sudden surge that killed 14 people, damaged key infrastructure, and cut off the Miteri Bridge, one of Nepal's major trade links with China. Hydropower plants in the region were also swept away, exposing not just physical vulnerabilities, but diplomatic and systemic ones too.

The disaster wasn't completely unpredictable. The glacial lake had been unstable for some time. But Nepal received no early warning. This reveals a serious problem – the absence of transboundary

climate communication. There was no information flow from upstream, and no real-time coordination. It turned into a tragedy that could've been prevented. What we're looking at now is not just the immediate loss of lives and infrastructure, but potential supply shortages during the festival season. With border trade paused, food price hikes seem likely, adding more pressure to already vulnerable households.

But this isn't just about Rasuwa. It's a symptom of the deeper climate risks Nepal is living with, melting glaciers, unpredictable monsoons, and fragile infrastructure. As the Himalayas warm faster than the global average, we're likely to see more disasters like this, unless our systems adapt quicker than the climate shifts.

The collapse of Miteri Bridge also signals that the costs of climate inaction are economic and geopolitical too. If we don't invest in cross-border communication and climate-resilient infrastructure now, we risk getting left behind, isolated, and unprepared.

The message is clear. Nepal needs to push for stronger early warning systems, invest in diplomacy that prioritizes shared climate risks, and build infrastructure that doesn't collapse under pressure. Rasuwa wasn't just a flood. It was a wake-up call.

E. Gender, Social Inclusion & Human Rights

News Brief

Amnesty International Nepal's report "*Nowhere to Go*" reveals that hundreds were [left homeless as Nepal failed to enforce the right to housing](#) due to forced evictions from 2020–2024, as authorities failed to enforce the Right to Housing Act of 2018.

The government has increased the minimum monthly wage for workers to [Rs 19,550 per month](#), effective from the beginning of the new fiscal year 2082/83 BS. The revised wage includes a basic salary of Rs 12,170 and a dearness allowance of Rs 7,380.

Nepal has banned the messaging app Telegram, citing a rise in online [fraud concerns](#) and money laundering, the country's telecom regulator said on Friday, saying it had been increasingly misused for criminal activity.

A coalition of Nepali [victims' and civil society groups](#) submitted a report to the UNHRC criticizing Nepal's transitional justice process for lacking transparency, legitimacy, and victim participation, despite recent legal reforms.

[A parliamentary committee](#) has concluded discussions on 55 proposed amendments to the Land-Related Nepal Acts (Amendment) Bill, which seeks to revise key land laws to benefit landless Dalits and squatters, as internal deliberations begin amid uncertainty over broader consultations.

News Analysis

Land Bill in Nepal: A Deep Dive into the Latest Analysis

The Constitution mandates social justice and equitable distribution of resources, principles that underpinned the landmark Land Act of 1964. That act's primary goal was to dismantle feudalism by imposing strict land ceilings to prevent the concentration of land in a few hands. While the new bill purports to uphold constitutional duties by providing for the landless, its exemption for real estate developers fundamentally subverts the very logic of these historical precedents, effectively creating a loophole that could reinstate the economic disparities the original laws sought to abolish.

Its most controversial provisions exclude housing firms from land possession limits and risk legitimizing encroachment of ecologically vulnerable public and forest land. Critics argue the bill uses the plight of marginalized communities as a smokescreen for crony capitalism, echoing past scandals and benefiting powerful business interests at the expense of the environment. The pressure from the government to push the bill, despite fierce opposition even from within its own coalition, speaks to the stakes. It is a matter of policy, but it is a battle that sets the direction of Nepal's future development, pitting the prospect of sustainable, equitable growth against the advancement of short-term commercial goals.
