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A. International Relations and Foreign Affairs

News Brief

During the closing of the Central Committee meeting of the CPN-UML, party chair and prime minister KP Sharma Oli “[reaffirmed Nepal’s commitment to non-alignment](#) and balanced neighbourhood policy,” also vowing “to resolve territorial disputes with India and reclaim the land incorporated in the new map of Nepal issued in 2021.” He has also [declared](#) that his government would not compromise Nepal’s national interest to retain power. Addressing allegations of political maneuvering, he stated, “The people’s trust and sovereignty will remain our foremost priority.”

CPN–UML’s General Secretary [Shankar Pokhrel claimed](#), albeit indirectly, that his party has been facing attacks from India ever since CPN-UML’s strong opposition to the 2015 blockade.

India has agreed to [lift weight restrictions](#) on cargo trucks operating on the Asian Highway, a significant step for improving regional trade connectivity. The decision is expected to facilitate smoother transportation of goods between Nepal and India, enhancing bilateral trade and economic cooperation. India has also [invited bids](#) for the construction of the Dodhara-Chandani dry port in Nepal’s far west. The project aims to enhance trade facilitation and connectivity, significantly benefiting businesses in the region.

In an interview, BIMSTEC’s general secretary [Indra Mani Pandey emphasized](#) that countries common to both SAARC and BIMSTEC stand to benefit from leveraging the unique advantages of each organization. The official highlighted that while SAARC fosters South Asian regional collaboration, BIMSTEC’s trans-regional framework offers broader connectivity.

The inaugural [Sagarmatha Sumbad will be held](#) from May 16-18 in Kathmandu, focusing on climate change and its impact on mountainous regions. The dialogue aims to bring together global leaders, experts, and activists to discuss sustainable solutions for climate resilience.

News Analysis

The Ripples of Trump Presidency in Nepal

On January 20, Donald Trump [swore to be the 47th US president](#), and within hours, he signed a flurry of [executive orders](#), which are set to affect not just the American public but countries and people all over the world. One of the most visible direct impacts of Trump’s reelection that Nepal has seen so far is from the [90 days freeze on all its foreign assistance](#). According to reports, four Direct Financing Projects—on Health, Agriculture, Education, and Inclusive Policy—either funded by or through the USAID are [impacted by the freeze](#). Whether the Trump’s executive order will affect or halt other grants to Nepal, such as the Millennium Challenge Corporation (MCC) or military assistance, is yet to be seen, but the 90-day pause for review and an uncertainty whether the American assistance will continue, and in what sectors or degree, have jeopardized a number of vital projects, programs, and even employment and livelihood of many. Deportation of some 1365 Nepali illegal immigrants in the first round, and a possibility of more coming in later, is another major direct effect of Trump’s presidency on Nepal and Nepalis.

Besides the direct immediate impacts, Trump's reelection and his executive orders—aimed at stopping illegal and destabilizing migration, denying climate change, and imposing higher tariffs—is likely to affect Nepal and thousands of Nepalis in one way or another. Trump's anti-DEI (Diversity, Equity, and Inclusion) executive order may lead to either a significant reduction or even a complete halt in American assistance to organisations, programs, and projects that have been promoting diversity and inclusion in different aspects and platforms of Nepali society and politics—through capacity building, empowerment, advocacy, and training.

In purely geopolitical terms, Trump's reelection and his "[pragmatic foreign policy](#)" approach that prioritizes America's safety, strength, and prosperity has important implications for Nepal, situated between two countries that feature most prominently in the Trump administration's radar. On the one hand, Trump's cabinet is stacked with China hawks, with Elon Musk as a notable exception, which suggests that Trump's stance on the world's second largest economy will be characterized more by geostrategic and economic competition. On the other hand, the US sees India as a key strategic partner in the region, evidenced not only by bilateral agreements and initiatives but also the optics of their engagement: Indian EAM S. Jaishankar was seated in the absolute VIP spot—[first row, first column](#)—at Trump's inauguration ceremony and was the first Quad leader US Secretary of State Marco Rubio [held a meeting](#) with; Indian PM Modi was one of the first key leaders Trump had [a telephone call](#) with; while Trump will be in India to attend the Quad Summit later this year, Modi will be [visiting the US](#) in February. These indicators suggest a growing US-India partnership in areas of mutual benefit in the months ahead, but with Trump demanding that India do more for "[a fair bilateral arrangement with the US](#)," including buying more American security equipment from the US, the US-India relations under Trump are not straightforward either.

India's foreign policy conduct is shaped by a cautious pragmatism. While it fosters a gradually deepening strategic partnership with the US, India has also expressed [a willingness to stabilize its relationship](#) with China; its engagement at bilateral and multilateral platforms such as BRICS+ and SCO, along with a recent commitment of "[full support for the Chinese presidency](#)" of the SCO, offers a good indication of this approach. This could also be read as Modi reminding Trump of India's strategic importance for the US in its competition with China, especially when he has been [threatening tariffs on India](#).

Against this backdrop, Nepal will find it even more challenging to navigate the evolving geopolitical complexities in the future. Both Trump and Modi place Indo-Pacific and China on top list of their priorities, necessitating "[a wider collaborative approach](#)," and as a geopolitically important country, Nepal is highly unlikely to slip off Trump's, or Modi's, radar. In fact, India's willingness to engage Nepal [on boundary issues](#) after years of uncomfortable pause indicates its priority on stabilizing its relations in the neighborhood. However, over the years, China's presence, influence, and strategic gains in Nepal have grown significantly, which means that the three countries will vie for greater sway over the landlocked country in an increasingly complex set of domestic political landscape—no matter how often PM Oli claims that Nepal will prioritize relations with its neighbors in a "[truly balanced, friendly, suspicion-free, and mutually respectful](#)" manner.

B. Domestic Politics and Federalism

News Brief

CPN-UML's central committee meeting was held in Chyasal on January 5-7 2025. Party Chairperson KP Sharma Oli presented a political document that focused on the need for party unity and organizational reform. His political document sharply criticized [India's regional role and US's stance on Taiwan](#), while praising China. Oli strongly criticized factionalism within the party, viewing it as a challenge to his leadership and a threat to the UML's stability following recent electoral losses. He hinted at a [tougher disciplinary conduct](#) and urged the party members to express discontent in party meetings not in public. The document PM Oli presented has a tone, perceived as overtly China-friendly and India-critical, and has raised concerns about Nepal's foreign policy balance and its geopolitical implications.

CPN (Maoist Centre)'s Central Committee meeting concluded on January 7 2025. The meeting endorsed Chairman Prachanda's [political report on party transformation and reorganisation](#). Prachanda called the meeting historic and emphasized its role in strengthening ideological unity and laying the groundwork for a socialist revolution. Prachanda in the meeting also claimed that the "[the present government doesn't have much life left](#)." The party announced a six-month campaign to engage with the public ahead of a national convention beginning February 13, coinciding with the "People's War" anniversary. The meeting also finalized plans for task allocation, ensuring all leaders are assigned responsibilities.

Residents of Taplejung's Pathibhara area [clashed with authorities](#) during a protest against a disputed cable car project on Thursday, leaving four people injured. The confrontation occurred as locals attempted to halt construction. The "No Cable Car" group has cited concerns over environmental damage and threats to the sacred site of Mukmulung. Police intervened to control the situation, using force to disperse the crowd. Project developers claim the initiative will boost tourism, but opponents demand an immediate halt, calling for further dialogue and assessments of cultural and ecological impacts.

The government has registered a new [Social Media Bill in the National Assembly](#). The bill proposes strict penalties for spreading fake news, including up to five years in prison and a fine of Rs 1.5 million. The bill aims to regulate digital platforms by holding individuals accountable for misinformation and defamatory content. Concerns have emerged over potential threats to free speech. Many critics warn that vague definitions of "fake news" could be misused to suppress dissent. Supporters argue that the law is necessary to combat the growing spread of disinformation and maintain social harmony. The bill is currently under discussion, with several stakeholders debating its implications on press freedom and digital rights.

News Analysis

Nepal Government's Use of Ordinances to Bypass Parliament

Nepal government's decision to [pass multiple ordinances](#) without parliamentary debate has raised serious concerns about the institutionalization of democratic processes. President Ramchandra Paudel, in recommendation by the cabinet, issued five ordinances covering governance, financial accountability, privatization, and investment law in January 2025. The decision to implement these

laws without legislative scrutiny signifies a worrying trend of executive overreach.

Ordinances are emergency legal instruments. However, several governments in Nepal have relied on them as a mechanism to avoid parliamentary deliberation. Without legislative oversight, the executive branch concentrates decision-making and weakens democratic institutions. This sets a dangerous precedent for future governance, with the foundational principle of checks and balances compromised.

The [opposition and legal experts have expressed significant dissatisfaction](#) with this approach. The lack of legislative discussion denies lawmakers the chance to debate policies that have a direct effect on national governance. A democratic government should guarantee that laws are enacted with the agreement and involvement of elected representatives, rather than being enforced through executive orders.

Bypassing Parliament creates a lack of transparency in governance, which restricts public accountability. When discussions in the legislative assembly are absent, citizens remain unaware of important policy changes. The Nepalese Constitution upholds parliamentary sovereignty, and the current trend of avoiding this process suggests a decline in democratic governance.

To truly institutionalize democracy, it is essential to follow procedural integrity. The actions of the Nepal government reflect a hesitance to adopt democratic principles. This has raised significant concerns about how legislation will be handled in the future. Political leaders need to emphasize open legislative discussions to foster trust in governance and preserve democratic values. If such executive actions continue without oversight, Nepal risks undermining its democratic structure, eroding public confidence, and reducing the significance of Parliament.

C. Economy and Development

News Brief

In Nepal's first fiscal half, 7,349 of 12,974 vehicle imports were EVs, [surpassing fossil fuel vehicles](#). Despite a 10% import duty hike, robust sales continue, driven by favorable financing (90% loan coverage), aligning with environmental and economic goals.

Nepal's wheat production lasts only three months, [requiring imports to meet demand](#). In FY 2080/81, imports surged to NPR 2.73 billion. Despite a government support price of NPR 3,867.38 per quintal, market prices remain high at NPR 75 per kg.

[IMF projects Nepal's economy to grow over 4% in FY 2024-25](#), supported by post-flood reconstruction and public capital expenditure. However, floods caused Rs46.68 billion in damage, with inflation rising to 6.1%. IMF pledges \$40.6 million in financing under the ECF.

Nepal risks inclusion on the FATF grey list due to [inadequate money laundering controls](#). However, Governor Adhikari highlights that with effective implementation of new laws and regulations, Nepal can exit the list, pending FATF's February 2025 assessment.

Finance Minister Paudel has urged [stakeholders to identify core issues](#) in Nepal's banking sector, citing rising bad loans, stagnant loan demand, and declining profits. Prioritizing problems will help streamline solutions, enabling more effective financial sector reforms.

Finance Minister Paudel expressed concern over [stagnant loan disbursements despite growing deposits](#), urging banks to adopt strategies for increasing lending. The Agricultural Development Bank, holding Rs 259 billion in deposits, has disbursed Rs 206 billion, focusing on agricultural sector investment.

As of mid-January 2025, [Nepal's public debt exceeds Rs 2,536 billion](#), or 44.46% of GDP. External debt accounts for 51.31%, while internal debt comprises 48.68%. The government has raised 43.89% of its annual debt target, with Rs 182 billion paid in principal and interest.

The [IMF has approved \\$40.6 million for Nepal](#) under the Extended Credit Facility (ECF), bringing total disbursements to \$283.9 million. Despite challenges like 6.1% inflation and rising non-performing loans, Nepal's growth is expected to exceed 4% in FY 2024-25.

Nepal Rastra Bank has provided Rs 25.5 billion in [interest subsidies for concessional loans](#), benefiting 113,148 borrowers. The NRB supports 10 sectors, with Rs 172.29 billion disbursed across banks, development banks, and microfinance institutions by mid-December 2024.

Despite regulations, [illegal transactions through Chinese payment apps](#) like WeChat Pay continue to drain foreign exchange. NRB's 2019 circular and legal provisions aimed to curb misuse, but foreign funds still flow to Chinese accounts, undermining Nepal's economic stability.

News Analysis

Nepal's Economic Reform Needs a Bold Step Towards Sustainable Growth

Nepal, a small landlocked nation beset by political instability and economic underdevelopment, has embarked on an ambitious reform journey over recent decades. Despite facing significant setbacks, such as [devastating floods in 2024](#), which disrupted key sectors like agriculture, infrastructure, and transport, the country has shown resilience. Projections for the fiscal year suggest a growth rate of over 4%, driven largely by public capital expenditure, especially in post-disaster reconstruction efforts. However, this short-term growth, while welcome, highlights the need for systemic reforms to ensure long-term, inclusive, and sustainable economic development. The floods, which caused an estimated Rs 46.68 billion in damages, led to inflationary pressures, notably a [6.1% increase in food prices in December 2024](#). Despite the IMF revising its growth forecast downward from 5.1% to 4%, it recognised the role of infrastructure development and disaster recovery in stabilising the economy. Nevertheless, such recovery, although important, is insufficient to build a resilient economy in the long term. The challenge lies in transforming this recovery into a more diversified and self-sustaining economy, a task that will require comprehensive and bold reforms across several sectors.

One of the most pressing challenges for Nepal is its financial sector, which grapples with structural weaknesses that undermine economic efficiency. The [rise in non-performing loans \(NPLs\)](#) has raised concerns about the stability of the banking system, reflecting broader systemic issues such as inadequate credit risk management, over-reliance on cooperatives, and weak institutional oversight. The current situation hampers efficient resource allocation, as monetary policy tools like interest rate reductions have provided only temporary relief without addressing the root causes of financial instability. The lack of credit growth has led to liquidity constraints, stifling investment in critical sectors like infrastructure, agriculture, and small and medium-sized enterprises (SMEs), which are essential for economic diversification and job creation. The Nepal Rastra Bank (NRB) and other

regulatory bodies must prioritise structural reforms in the financial sector. This includes improving credit risk management, closing regulatory gaps in the cooperative sector, and strengthening the capacity of supervisory institutions to enforce financial discipline. Such reforms are necessary to restore confidence in the banking system and foster a more dynamic, growth-oriented credit environment.

Another significant challenge facing Nepal is its vulnerability to money laundering and its failure to fully comply with [international anti-money laundering \(AML\) standards](#). The country is at risk of being added to the Financial Action Task Force (FATF) grey list, which could lead to increased costs for international transactions, reduced foreign investment, and strained economic relations. To avoid this, Nepal must urgently enhance its AML framework, particularly in emerging sectors such as digital transactions and cryptocurrencies, which present new vulnerabilities. Strengthening enforcement mechanisms, improving transparency, and promoting greater collaboration between government agencies and the private sector are essential steps to meet international AML standards. By doing so, Nepal can create a more secure and reliable financial system that attracts foreign investors and bolsters its global economic standing.

[Remittance inflows continue to be a critical pillar of Nepal's economy](#), contributing significantly to its current account surplus and foreign exchange reserves. However, the economy's heavy reliance on remittances, which grew by only 4.4% in the first five months of the fiscal year (a sharp decline from 24.2% growth the previous year), highlights broader vulnerabilities. The challenge lies in creating sustainable domestic sources of income and employment to reduce dependency on external inflows. Additionally, Nepal's growing external debt, now surpassing Rs 2,536 billion (44% of GDP), poses long-term risks, particularly given the potential impact of global interest rate fluctuations. Effective debt management and the expansion of domestic revenue generation through tax reforms will be crucial in avoiding a debt crisis and maintaining fiscal stability. Nepal stands at a crossroads. While recent indicators of economic recovery are encouraging, the path to long-term, sustainable growth requires a deep, structural reform agenda that addresses the country's persistent vulnerabilities. These include the need for a more resilient financial sector, reduced dependency on remittances, improved governance, and better infrastructure. If Nepal can accelerate reforms and build a more diversified economy, it can unlock its full potential and create a foundation for inclusive growth. This will require bold steps, strong political will, and a commitment to overcoming the structural impediments that have historically hindered the country's development.

Nepal's economic reform journey is at a critical juncture. The country must now take decisive steps to build on recent growth, address its financial sector's inefficiencies, and strengthen its international standing. Only through comprehensive reforms can Nepal achieve the sustainable, inclusive economic growth needed to improve the living standards of its citizens and establish a more prosperous future.

D. Gender, Social Inclusion & Human Rights

News Brief

A provincial conference against caste-based discrimination in Pokhara issued the "Pokhara Declaration" to eradicate untouchability and discrimination. It urged the immediate implementation of constitutional provisions for housing, land grants, and free education for Dalits. [The conference emphasized strict enforcement of anti-discrimination laws, skill-based training, and proportional representation in government roles.](#) Recommendations included setting up Dalit desks in police offices and integrating caste discrimination topics into school curricula. The provincial government is preparing a Dalit Bill, urging its passage this winter. Organized by INSEC and co-hosted by various organizations, over 150 Dalit activists and stakeholders participated in the event.

Madan Rai, an agricultural expert and founder of the 'Shubhadra Madan Foundation,' has been convicted of sexually abusing young girls and adolescents residing at his foundation. The Khotang District Court, under Judge Narayan Prasad Dahal, found Rai guilty of child sexual abuse on January 24 (Magh 10), as confirmed by court spokesperson Sudip Bhattarai. Six adolescent girls provided detailed accounts of the abuse to Setopati. The District Attorney's Office filed the case on June 4 (Jestha 21, 2080). Rai was charged [under the Children's Act, 2018 \(2075 B.S.\), specifically Article 66, Sub-article 3, and Articles 67, 72, and 75,](#) which define acts like touching sensitive body parts, exposing private parts, and pressuring for sexual activities as child sexual abuse.

A dispute over the Pathibhara cable car project in Taplejung's Fungling-11 led to clashes between security forces and local protesters on January 26, 2025, causing injuries on both sides. [The National Human Rights Commission \(NHRC\) of Koshi Province is monitoring the situation.](#) In a prior inspection in November 2024, the NHRC recommended proceeding only after dialogue with stakeholders, emphasizing citizens' rights alongside development. Indigenous Limbu/Yakthung communities, who view Pathibhara as a sacred site, have demanded restoring its historical name, Mukkumlung, and halting the project. The NHRC continues to urge cultural preservation, indigenous rights, and dialogue for resolution.

News Analysis

Trump's Aid Freeze Leads to Project Stalls for 90 Days

US President Donald Trump has issued an executive order suspending American assistance funded through the State Department and USAID, impacting projects worldwide. In Nepal, [major four projects are impacted related to health, agriculture, education and inclusive policy](#) which has been a priority of the government. These projects are worth millions of dollars and now the projects have been frozen for 90 days [affecting over 300 NGOs, consultancies and non-profits.](#) The project in the [health sector worth \\$25 million, agriculture program 421 million has been halted. Since 1951, USAID has provided \\$1.5 billion in aid to Nepal, supporting key sectors like education, agriculture and women's empowerment.](#) A recent five-year development agreement worth \$659 million was aimed at fostering a self-reliant and inclusive Nepal.

The decision of Trump's alignment with his "America First" agenda emphasizes accountability for US taxpayers and investments in the domestic economy. Trump's decision also underscores a broader trend of shifting US foreign policy under his administration, impacting developing nations' dependency on American support. While the Millennium Challenge Corporation (MCC) projects

remain secure, the freeze exposes vulnerabilities in projects critical to Nepal's development, including healthcare delivery, agricultural productivity, and education. The suspension particularly threatens initiatives aimed at promoting social equity and inclusivity, such as gender empowerment programs and support for marginalized communities.

The healthcare sector, heavily reliant on foreign aid, faces significant setbacks, with funding cuts affecting the supply of essential medicines and the training of healthcare workers in rural regions. In agriculture, development programs designed to enhance productivity and climate resilience are now at risk. Education initiatives, particularly those aimed at increasing access to quality education for girls and disadvantaged groups, may suffer from resource constraints. The impact extends beyond immediate project disruptions. The withdrawal of US aid challenges the long-term sustainability of Nepal's development efforts. Projects with a strong focus on social equity and inclusion are particularly vulnerable, as they often rely on consistent external funding to maintain their operations. The Gender Equality and Social Inclusion (GESI) framework, which has been a cornerstone of many development initiatives in Nepal, could face delays or scaling down due to financial limitations.

With decisions like this, Nepal now needs to explore more sustainable funding models and improve its local capacities for self-reliance. Diversifying funding sources, including partnerships with other bilateral and multilateral donors, as well as engaging the private sector, could help bridge the financial gap. Strengthening public financial management systems and enhancing accountability mechanisms can also build donor confidence and attract new investments. This situation presents Nepal with an opportunity to reflect on the efficiency and transparency of its aid management. By adopting best practices in governance and ensuring that development projects are aligned with national priorities, Nepal can reduce its dependency on external aid and foster a more self-reliant development approach. Lessons from countries that have successfully transitioned to sustainable funding models can offer valuable insights for Nepal as it navigates this challenging but transformative period.
