



**CESIF**

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**Centre for Social Innovation and Foreign Policy**

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## A. International Relations and Foreign Affairs

### News Brief

Nepal has sent diplomatic notes to India and China over their agreement to use Lipulekh Pass without Nepal's consent. The Foreign Ministry said [Lipulekh, along with Kalapani and Limpiyadhura, lies within Nepal's constitutional territory](#). Nepal asked India to address the dispute through bilateral mechanisms and urged China to respect past communications. India rejected Nepal's claim, calling it unjustified but open to dialogue. Nepali leaders have demanded that the government raise the issue during [Prime Minister Oli's upcoming visits to both neighbors](#).

Indian Foreign Secretary Vikram Misri arrived in Kathmandu on August 17 at the invitation of Nepal's Foreign Secretary Amrit Bahadur Rai for a two-day official visit. He met with Prime Minister KP Sharma Oli, President Ramchandra Paudel, Foreign Minister Arzu Rana Deuba, and senior political leaders, including Sher Bahadur Deuba and Pushpa Kamal Dahal. Talks focused on [infrastructure connectivity, development cooperation, and preparations](#) for Prime Minister Oli's upcoming visit to India. Misri also delivered a [formal invitation from Indian Prime Minister Narendra Modi](#) and reviewed progress in ongoing bilateral projects.

Prime Minister KP Sharma Oli attended the Shanghai Cooperation Organisation (SCO) summit in Tianjin, China, from August 31 to September 1. His SCO visit is ahead of his scheduled visit to India on September 16. During the summit, he is [likely to meet leaders](#) including Xi Jinping and Vladimir Putin. This will be the first time a Prime Minister from Nepal is attending the SCO summit.

Vietnamese Vice President Vo Thi Anh Xuan concluded her [official visit to Nepal](#), where she met with President Ramchandra Paudel at Sheetal Niwas. During their meeting, both leaders identified strong potential to deepen cooperation in trade, tourism, investment, technology transfer, and using Buddhism as a cultural bridge. They agreed to convene the first meeting of a Bilateral Consultation Mechanism soon and even discussed the possibility of direct air connectivity. Vice President Xuan also held talks with Prime Minister KP Sharma Oli and Foreign Minister Arzu Rana Deuba, expressing shared interest in strengthening diplomatic, economic, and people-to-people ties.

The United States [will hand over two M28 Skytrucks and one air ambulance](#) to the Nepali Army in the first week of September. Two Skytrucks were already delivered to Kathmandu on August 23. While the Skytrucks are confirmed as part of U.S. grant assistance, it remains unclear whether the air ambulance is also a grant or a procurement by Nepal. The new aircraft are expected to enhance the army's capacity in cargo transport, medical evacuation, VIP movement, and parachute operations. Officials said that out of five aircraft being provided, including two Skytrucks, one air ambulance, and two Bell helicopters, four will come as U.S. grants, while Nepal will purchase one.

### News Analysis

#### *Nepal-India relations hit a strain right before PM KP Oli's visit*

PM KP Sharma Oli finally got his much-awaited official invite to visit India. However, the relationship has become strained right before the visit. At the centre of the rupture is the long-standing tri-junction dispute over Lipu Lekh, Limpiyadhura, and Kalapani. Nepal published and

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constitutionally enshrined a revised map in May 2020, incorporating the area, as a response to [India's incorporation of Kalapani](#) into its map.

India's recent agreement with China to facilitate trade through the Lipu Lekh pass has been [read in Kathmandu as an alteration](#) of the practical status quo in a contested zone. Nepal has responded by sending formal diplomatic notes to both neighbors. Kathmandu has signaled that the India-China agreement carries sovereign and political implications for Nepal. This sequence of events complicates PM Oli's upcoming visits to China for the SCO, where he is likely to meet President Xi Jinping, and subsequent official visit to India, where engagement with Prime Minister Narendra Modi is anticipated.

In Nepal, the 2020 map has created heightened nationalist expectations that in turn constrain Oli's diplomatic leeway. Perceived concessions have political costs while an uncompromising posture risks a complicated bilateral position. The immediate diplomatic consequence is likely to be damage control. Oli is expected to reiterate Nepal's position and seek procedural assurances and renewed technical talks. New Delhi will likely attempt to depoliticize the trade decision and argue its case, and Beijing's role, explicit or implicit, adds a strategic dimension that narrows Oli's room for quiet compromise.

The nature of the dispute around the territory and the absence of Nepal from India-China negotiations likely mean that the Lipu Lekh episode will remain a persistent irritant. The longer-term imperative for Nepal, therefore, is to institutionalize border diplomacy through transparent cartographic evidence, archival exchanges, and mediated technical negotiation, thereby defending sovereign claims while preserving functional relations with both neighbours.

## B. Domestic Politics and Federalism

### News Brief

The Supreme Court has ordered an [investigation into the 2007 Gaur massacre](#). The incident, which involved clashes between the then-Madhesi Janadhikar Forum (MPRF) and the Communist Party of Nepal (Maoist), claimed the lives of 27 Maoists and injured another 53 individuals. The case has named 113 individuals, including senior politicians such as Upendra Yadav, chair of the Janata Samajbadi Party-Nepal (JSP-N), as defendants. In response to the directive, JSP-N leaders and cadres staged protests in different locations, including [Taulihawa](#), [Rajbiraj](#), and [Janakpur](#).

The ruling parties, Nepali Congress and CPN-UML, have initiated a move to [remove Deputy Speaker Indira Rana Magar](#), citing concerns over her conduct. The [controversy](#) stems from a two-and-a-half-year-old case in which she wrote a letter to the United States Embassy requesting visa interview dates for herself and five other individuals. Another reason for her removal lies in the [Constitutional Council](#), where the ruling coalition lacks a majority. However, efforts to remove her have faced opposition from various quarters. It has caused [internal rifts within the Congress](#), the RSP has strongly [defended her](#), and other opposition parties have threatened [protests](#).

The Election Commission's ['Political Party Self-Assessment Procedure, 2082'](#) has sparked widespread opposition from political parties, citing violation of democratic values and constitutional norms. The 25 points prescribed in the draft require parties to self-assess their operations, covering

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financial transparency, inclusivity, internal democracy, and more, via software designed by the commission. [Ten parties](#), including the CPN (Maoist Center), Rastriya Swatantra Party, and Rastriya Prajatantra Party, issued a joint statement opposing it. Similarly, the Nepali Congress (NC) has also [voiced its opposition](#).

Bagmati Chief Minister [Bahadur Singh Lama resigned](#) following his party's directive. Shortly after, Indra Baharu Baniya was [sworn in](#) as the new Chief Minister. The provinces' 14-member cabinet now includes six ministers from UML and eight from NC. Key appointments include Shivaraj Adhikari as Minister for Internal Affairs and Law, Urmila Nepal for Youth and Sports, and Prabhat Tamang for Finance and Planning. However, the cabinet formation has been [criticized](#) as Baniya bypassed several NC lawmakers who had opposed him in the parliamentary party elections.

Key legislative developments include the proposed National Intelligence Bill, the rollout of the National AI Policy 2025, the IT and Cybersecurity Bill, the endorsement of the long-debated Land Bill, and the recently passed Education Bill.

## News Analysis

### *Legislative Developments in Oli's First Year*

The coalition government led by KP Sharma Oli marked its first year in office in July. [Addressing the House of Representatives on August 13](#), Oli painted a largely positive picture of his government's performance. While the unlikely partnership between the CPN-UML and Nepali Congress has brought a degree of political stability, its legislative record raises serious concerns.

Among the most controversial is the [National Intelligence Bill](#), which grants sweeping surveillance powers to monitor citizens' phone calls, messages, videos, and other materials with minimal oversight. This raises serious questions about the right of privacy guaranteed under Article 28 of the Constitution.

The [Information Technology and Cybersecurity Bill](#) has also raised concerns over freedom of speech, data security, and digital rights. For example, Clause 88(1) criminalizes the production, distribution, or display of "obscene material" via electronic systems, with penalties of up to two years in prison or fines of up to two lakhs. However, the bill provides no clear definition of "obscene material." This could be misused to censor dissent, target journalists, and suppress freedom of expression. Similarly, Chapter 10 makes provisions for protecting personal privacy, but fails to address basic provisions such as accessing, correcting, deleting, or preventing misuse of personal data. Sections 54-58 and 47 also state that owners of "sensitive information infrastructure" must provide necessary information to the National Cyber Security Center. However, it does not define the term.

The [Land Bill, endorsed after much debate](#), also leaves key questions unanswered. It allows the government to confiscate land given for agriculture, industry, or other purposes if it is left idle, "under-utilised," or used for a different purpose. Its vague language on land acquisition, rights of tenants and smallholders, and compensation also creates ambiguities. The bill has drawn strong criticisms from opposition parties, notably Madhes-based parties and the CPN (Maoist Centre). The Janata Samajbadi Party Nepal (JSP-Nepal) has also withdrawn support from the Oli government, citing the [Land Bill's inability to resolve "grassroots issues" as one of the reasons](#). Similarly, the

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[Education Bill, passed in a rush despite widespread opposition and protests](#), raises concerns about its hasty implementation despite the lack of consensus on critical issues.

On a positive note, the government [rolled out the National Artificial Intelligence \(AI\) Policy 2025](#), which aims to create an enabling environment for the development, expansion, and safe use of AI across sectors. However, its effectiveness will depend on addressing foundational challenges, including Nepal's vulnerable digital infrastructure, a shortage of AI professionals, and the nascent protection of digital rights in the country.

While the government's legislative agenda has been ambitious, it has failed to deliver on its major promise of constitutional amendments, which was the very reason the coalition was formed. Although some measures indicate progress, certain bills have been passed hastily and rely on vague language. To protect citizens' fundamental rights and prevent the government from exercising arbitrary power, stronger safeguards, clearer definitions, and robust oversight are needed.

## C. Political Economy and Development

### News Brief

The Rastra Bank (NRB) has ordered Laxmi Sunrise Bank to [shut down](#) its fully digital service, [OrangeNXT](#). This decision comes as a shock as Nepal's 2025-26 budget and the Nepal Rastra Bank (NRB) policy reaffirmed promotion of neo-banks, which served over 65,000 customers and held Rs170 million in deposits. The OrangeNXT service was designed with the intention of serving the tech-savvy urban youth and migrant workers. This service allowed video KYC and mobile banking without branch visits. However, Fintech experts warn that this move stifles innovation and financial inclusion. NRB [cited](#) that the absence of a legal framework for digital-only banks leaves customers to revert to traditional accounts.

The prices of consumable goods like vegetables and fruits are skyrocketing ahead of Dashain and [Teej](#). This has put a strain on Nepal's festive markets. Seasonal yields, weather disruptions, and festival demand have led to this price increase. Flood-damaged border routes have delayed imports of necessities like food, clothing, and electronics. Unless the supply stabilizes before the holidays, [economists](#) note that low consumer sentiment may limit festive spending.

[Induction stoves](#) are easing chores, improving health, and supporting local businesses in Madhesh. With frequent power cuts and loadshedding, the induction revolution, and various power upgrades are underway, aiming for 4,000 MW by 2050, signaling a shift toward cleaner and safer kitchens.

Nepal received an unusual visitor this August - [a flying car](#). During the NADA Auto Expo, huge crowds swamped to see the flying car. The China-made flying taxi made headlines as Prime Minister KP Oli himself visited the show. Authorities have shared opportunities related to technologies in the aviation sector while citing the need for infrastructure changes.

### News Analysis

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## ***Shifting macroeconomics of Nepal, but is it sustainable?***

Nepal Rastra Bank's (NRB) latest report, [Current Macroeconomic and Financial Situation of Nepal \(Mid-July 2025\)](#), shows a cautiously optimistic economic trajectory. Real Gross Domestic Product (GDP) growth for FY 2024/25 is estimated at 4.61 percent, up from 3.67 percent the previous year, reflecting a gradual recovery after the slowdown of the previous year. Sector-wise, agriculture, industry, and services are expected to grow as well. While growth is returning, structural weaknesses persist. Gross fixed capital formation (GFCF) is the total value of a country's spending on fixed assets that will be used to produce goods and services in the future, which has declined to 24.07 percent of GDP, and domestic savings remain low at 6.55 percent, though Gross National Savings (36.24 percent of GDP) continue to benefit from remittances.

Remittance has once again become the lifeline of Nepal's budgetary structure. Remittance has increased [19.2 percent](#) in NPR terms, underpinning household incomes and national savings. Energy and tourism offer further growth potential, with installed electricity capacity reaching 3,591 MW, predominantly from hydroelectricity.

Despite encouraging signs, Nepal's economic recovery remains fragile. While economists suggest that Nepal's economy is improving, with growth expected at 4.4–5.1%, to generate enough jobs and sustain progress, the country must push toward at least [7% growth](#) through reforms and stronger investment. The low level of domestic savings and declining capital formation indicate that investment-driven growth is still weak, leaving the economy dependent on remittances and consumption. Such dependence exposes Nepal to external shocks, currency volatility, and global economic fluctuations. Sectoral growth remains uneven, with agriculture and industry lagging behind services, which could exacerbate structural unemployment and regional disparities.

## **D. Environment and Climate Change**

### **News Brief**

The Ministry of Forests and Environment has begun preparations to present Nepal's key concerns, including carbon trading, loss and damage, and Himalayan protection at [COP-30](#) in Brazil this November.

President Paudel urges a [stronger global commitment to the Paris Agreement](#). Addressing climate stakeholders, President Ram Chandra Paudel pressed for binding global action and adequate climate finance for vulnerable nations like Nepal, urging a stronger commitment to the Paris Agreement.

HKH parliamentarians gather in Kathmandu for the regional climate collaboration. Lawmakers from the [Hindu Kush Himalaya \(HKH\)](#) region met to push a joint front on transboundary adaptation, climate migration, and disaster resilience.

Continuous [rainfall blocked nine major highways](#) across the country, including stretches of the Galchhi–Trishuli–Rasuwa–Gadhi road and the North–South Koshi Highway, leaving thousands stranded.

[Landslides in Dang](#) blocked the Rapti Highway, while multiple collapses along the Karnali

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Highway in Kalikot left sections impassable.

## News Analysis

### *COP-30: Can Nepal Move from Voices to Victories?*

As Nepal approaches COP-30, the situation is critical. The government aims to highlight mountain vulnerabilities, secure more climate finance, and promote carbon trading. The call to "Protect the Himalayas" is prominent, but the true measure will be its practical impact on Nepalis.

Nepal's pending graduation from Least Developed Country status threatens to reduce concessional climate funds, even as disasters intensify. COP-30 is therefore vital for Nepal to argue that climate vulnerability, not GDP, should determine global climate financing. Without new frameworks, loss-and-damage commitments may not materialize.

COP-30 also tests Nepal's credibility. The country has a history of ambitious climate policy pledges but inconsistent implementation. August's landslides, which blocked roads, demonstrate the fragility of current infrastructure. If Nepal requests resilience funds internationally while neglecting to climate-proof its own infrastructure, its message will be weakened.

To succeed, Nepal must achieve two goals: advocate for a financing system that recognizes the global value of the Himalayas, and ensure that acquired resources are translated into safer infrastructure, stronger warning systems, and climate security for its population. Failing this, COP-30 risks being merely another series of unfulfilled promises.

## E. Gender, Social Inclusion & Human Rights

### News Brief

Minister of Women, Children and Senior Citizen Nawal Kishore Sah Sudi tabled the Human Trafficking and Transportation (Control) (First Amendment) Bill in the House of Representatives, introducing a broader definition of trafficking aligned with the UN Palermo Protocol.

The UN Committee on the Elimination of Discrimination against Women (CEDAW), in its review of Nepal's seventh periodic report, recommended lowering the legal marriage age from 20 to 18 for both girls and boys, aligning with the Convention on the Rights of the Child.

According to Amnesty International Nepal's report, 'Nowhere to go: Force evictions in Nepal', hundreds have been left homeless due to forced evictions that violate the country's constitution and laws. The report states that this is a result of the government's failure to establish a regulatory framework for the Right to Housing Act-2018, combined with local authorities' disregard for the law.

The Supreme Court of Nepal issued an interim order to the Nepali government on Friday to recognize same-sex marriage by allowing same-sex couples and other non-heterosexual couples to register for marriage in the country.

The U.S. government's 'Human Rights Report-2024' concludes that Nepal's human rights situation has not improved, citing persistent issues such as extrajudicial killings, torture, and human trafficking. The report highlights severe restrictions on freedom of expression and the media, with violence, intimidation, and arbitrary arrests of journalists leading to a climate of 'self-censorship'.

Despite recent amendments to Nepal's transitional justice Act, victims and civil society say the process lacks independence and legitimacy. In a shadow report to the UN Human Rights Council, they urged urgent reforms to ensure justice, truth, reparations, and an end to impunity.

## News Analysis

### *Nepal's marriage age debate*

The debate over Nepal's marriage age reveals a profound paradox where a legally progressive stance has created unjust social outcomes, and the proposed solutions, while pragmatic, are fraught with risk. Critically, the recommendation from the UN's CEDAW committee appears tonally deaf to Nepal's specific context; while promoting a global standard of 18, it effectively encourages the rollback of a stricter, domestically chosen measure (age 20) that was implemented to combat the nation's deeply entrenched problem of child marriage. The government's motivation, however, stems from a legitimate flaw in its own legal framework: the current law acts as a blunt instrument, failing to distinguish between predatory exploitation and consensual teenage elopements, thereby criminalizing young people and burdening the justice system.

The proposed "Romeo & Juliet" law is a pragmatic attempt to fix this, but it is a perilous solution. By replacing a clear, objective age-based rule with a subjective one based on age proximity and consent, it risks creating a legal gray area that could be easily exploited by abusers. This entire issue points to a larger failure; the law is being used as a tool to manage complex social issues, such as the lack of sex education and the reasons for youth elopement, that it is ill-equipped to solve alone. Ultimately, Nepal is caught between upholding a strong, symbolic stance against child marriage and the need for a more nuanced law that reflects reality, with the significant danger that in trying to solve one problem, it may inadvertently weaken vital protections for its most vulnerable citizens.