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A. International Relations and Foreign Affairs

News Brief

In early February, the Duke and Duchess of Edinburgh, Prince Edward and Duchess Sophie, made an [official visit to Nepal](#), marking the first British royal visit since 2016. During their visit, they engaged in cultural tours around Bhaktapur and conservation efforts in the Annapurna region, underscoring the enduring relationship between the UK and Nepal.

Nepal continued to experience the suspension of various US-funded initiatives caused by President Donald Trump's executive order that halted foreign development assistance for 90 days. Significantly, two major infrastructure projects—energy transmission and road improvement—under the Millennium Challenge Corporation (MCC) were halted. Additionally, [seven other projects](#) across sectors such as education, health, and agriculture faced pauses, prompting concerns about potential delays, or even permanent suspension, and their impact on Nepal's development trajectory.

On February 13, Nepal and India endorsed investment plans for [two 400 kV cross-border transmission lines](#), signaling a commitment to bolster energy cooperation. The agreement aims to enhance electricity trade and improve energy security for both countries, reflecting the deepening India-Nepal bilateral ties in the energy sector.

Foreign Minister Arzu Rana Deuba announced [Nepal's candidacy](#) for the United Nations Human Rights Council (UNHRC) for the 2027-2029 term. During a reception in Geneva, she highlighted Nepal's progress in promoting and protecting human rights, emphasizing achievements in safeguarding the rights of women, children, and minorities, and called for international support for Nepal's bid.

Nepal [voted in the favor of the General Assembly resolution](#) titled “Advancing a comprehensive, just, and lasting peace in Ukraine.” Notably, both its immediate neighbors, China and India, abstained while the US voted against it, siding itself with Russia and North Korea.

Swift action from both Nepali and Indian government officials [helped avoid possible crisis](#) in bilateral ties after escalating protests against the Kalinga Institute of Industrial Technology (KIIT), whose authorities were accused of gross mishandling and negligence leading to the suicide of Prakriti Lamsal, a Nepali undergraduate student at KIIT.

News Analysis

News Analysis: Impact of U.S. Foreign Aid Suspension on Nepal's Development Initiatives

The abrupt suspension of US foreign development assistance, following President Donald Trump's executive order, has cast a shadow over Nepal's development landscape. This 90-day freeze has led to the halting of multiple US-funded projects, notably [those under the Millennium Challenge Corporation \(MCC\)](#), which includes critical infrastructure endeavors like energy transmission lines and road enhancements. The MCC's \$500 million investment, agreed upon in 2017, was poised to significantly bolster Nepal's infrastructure and economic growth.

Besides the MCC projects, [seven additional initiatives](#) spanning education, health, agriculture, and statistics have been paused. These projects, funded by the U.S. Agency for International Development (USAID), are integral to Nepal's socio-economic development. The sudden

suspension not only disrupts ongoing progress but also raises concerns about the livelihoods of those employed under these programs and the communities benefiting from them.

The freeze stems from the U.S. administration's intent to reassess the efficacy and alignment of its foreign aid with national interests. While such evaluations are within a donor nation's prerogative, the immediate cessation poses challenges for recipient countries like Nepal, which rely on sustained support for their development agendas. The lack of clarity regarding the duration of the suspension and the criteria for resumption adds to the uncertainty, hindering Nepal's ability to plan and execute its development projects effectively.

Historically, Nepal has maintained a delicate balance in its foreign relations, leveraging support from neighboring giants India and China, as well as Western nations. The current suspension of U.S. aid may prompt Nepal to seek alternative partnerships to fill the void, potentially altering its diplomatic and economic alignments. For instance, Prime Minister K.P. Sharma [Oli's recent visit to China to seek investments](#) and revitalize infrastructure projects under the Belt and Road Initiative indicates a strategic pivot to diversify development partnerships.

Domestically, the aid suspension has tangible repercussions. The Ministry of Health has already terminated the contracts of 36 staff nurses in federal and provincial hospitals due to the funding freeze, highlighting the immediate impact on essential public services. Such disruptions could impede progress in critical sectors, affecting the country's overall development trajectory.

In response to these challenges, the Nepali government faces the imperative to reassess its development strategies. Diversifying funding sources, strengthening self-reliance, and enhancing diplomatic engagements to secure alternative support are potential pathways to mitigate the impact of such unforeseen aid suspensions. Additionally, fostering transparency and efficiency in project implementation could bolster donor confidence and ensure the continuity of essential development programs.

In conclusion, while the US foreign aid suspension presents significant hurdles for Nepal, it also offers an opportunity for the country to reevaluate and fortify its development and diplomatic strategies. By adapting to these challenges, Nepal can strive towards a more resilient and self-sustained growth trajectory.

B. Domestic Politics and Federalism

News Brief

The Maoist Centre has launched [a nationwide campaign](#) to reconnect with the people after months out of power. The party aims to revitalize its political base and address public concerns. Leaders have been visiting districts in Terai/Madhesh, holding discussions, and assessing grassroots issues. The move comes amid declining influence and internal challenges. The campaign seeks to [strengthen the party](#) ahead of future elections.

Authorities imposed a prohibitory order in Taplejung after protests over a cable car project. The order, issued on February 23, [bans gatherings of over 5 people until further notice](#). The demonstration has led to clashes between police and the protesters, leading to injuries to both sides. Protesters

oppose the project, citing environmental, spiritual, and local concerns. Security forces were deployed to control the situation. The district administration urges dialogue to resolve the dispute.

A [new bill to amend and consolidate laws](#) related to the Nepal Police was introduced in Parliament. The bill grants the Ministry of Home Affairs authority over the mobilization, control, direction, and supervision of the Nepal Police. It also places police personnel under the chief district officer's command to maintain peace, security, and crime control. Many [police officials are unhappy](#), fearing the provisions undermine their autonomy and increase political interference. Critics argue it weakens the chain of command and affects career growth. The bill has sparked growing dissatisfaction within the force.

Baburam Bhattarai has been elected [chair of the Nepal Samajbadi Party](#). The party aims to strengthen its socialist agenda and expand its political influence. Leaders emphasize the need for ideological clarity and structural reforms. Similarly, the Nepal Majdoor Kisan Party (Nemakipa) is holding [its general convention](#) in Bhaktapur. The party is focusing on strengthening its organizational structure and ideological stance. Leaders emphasize self-reliance and opposition to foreign influence.

A faction within the Nepali Congress suspects party president Sher Bahadur Deuba is delaying the general convention for personal gain. Critics believe he aims to [extend his leadership and weaken internal opposition](#). Some leaders are pushing for timely elections to ensure democratic practices. The delay has intensified internal disputes and uncertainty. The issue could impact the party's future leadership and direction.

News Analysis

Government's Push for Ordinances is A Test of Democratic Norms

Nepal's ruling coalition is using [all possible means to pass contentious ordinances](#). This has raised concerns about its commitment to democratic principles. Faced with resistance from opposition and smaller parties, the government is exploring strategies that some argue undermine parliamentary norms and political fairness.

One significant move under consideration is [amending the Political Parties Act](#) to pressure smaller political forces into supporting the ordinances. This proposed amendment, if implemented, could coerce fringe parties into aligning with the government's agenda. The threat of party split compromises the smaller parties' ability to practice independent political agency. Such an approach indicates an attempt to manipulate legislative procedures for political gain rather than fostering genuine consensus.

The ordinances in question include the highly debated land ordinance, which has already been [rejected by the Janata Samajbadi Party \(JSP\) Nepal](#). JSP-Nepal is one of the coalition members, and this rejection showcases the growing dissatisfaction among key political players. The government's insistence on pushing these ordinances, despite clear opposition, is an attempt to bypass the normal legislative process.

Prime Minister Oli has stated that ordinances will be [tabled after further discussions](#), yet ruling parties continue to seek alternative ways to ensure their passage. This has led to fears that democratic institutions are being sidelined in favor of executive dominance. Instead of building consensus, the

government is using tactics that could weaken political pluralism and set a dangerous precedent for governance in Nepal.

Ultimately, while ordinances are a constitutional tool, their excessive and strategic use to bypass democratic processes threatens the credibility of Nepal's parliamentary system. If the government continues on this path, it risks eroding trust in democratic institutions and fostering a culture of political coercion over consensus-based governance.

C. Political Economy and Development

News Brief

The Nepalese government has allocated NPR 2 billion for a flood-damaged bridge reconstruction, prioritising pre-monsoon contract finalisation. [Broader road infrastructure recovery requires NPR 18.88 billion](#), highlighting extensive flood-induced economic disruptions.

[Nepali banks maintain interest rates amid weak loan demand](#), despite surplus liquidity. Credit growth is sluggish, with rising real estate and share collateral loans, while business lending declines, reflecting subdued economic activity.

The Nepalese rupee depreciates to [an all-time low](#), with the US dollar at NPR 140.30. This signals external sector vulnerabilities, inflationary pressures, and potential monetary tightening amid widening trade deficits and capital outflows.

The [Indian oil lobby urges restrictions on Nepalese edible oil imports](#), citing rule violations and market disruptions. SEA warns of revenue loss, advocating tariff reforms and stricter trade regulations to protect domestic producers.

[Birganj's Inland Revenue Office exceeded revenue targets by 2%](#), driven by excise duty (NPR 23.45B vs. NPR 18.98B target) and income tax (NPR 17.12B vs. NPR 16.76B). However, VAT and interest tax underperformed, highlighting structural inefficiencies.

[Nepal's Secured Transactions Bill, 2023](#), expands collateral scope to movable assets, enhancing credit access. BFIs can now lend against machinery, IP, and livestock, yet consumer goods remain excluded. Effective post-presidential authentication.

Nepal and India advance cross-border transmission plans, [targeting 15,000 MW exports by 2035](#). [Key 400 kV lines to be completed by 2030](#), with Nepal holding a 51% stake in joint ventures.

[Nepal trims its budget](#) by 9% to Rs1.69 trillion due to low spending capacity, with only 35.89% utilised in six months. Poor planning, inefficiencies, and fragmented governance undermine fiscal management and economic growth.

News Analysis

Nepal's Monetary Policy: Navigating Inflation and Economic Slowdown Amid Global Pressures

The Nepal Rastra Bank (NRB) has once again opted for caution, keeping its key monetary policy rates unchanged despite mounting inflationary pressures and an economy struggling to regain momentum. As the NRB enters the final months of Governor Maha Prasad Adhikari's tenure, the central bank's decision to maintain an expansionary stance provides a striking insight into the ongoing balancing act between stimulating growth and containing inflation.

Released in July 2023, the NRB's monetary policy had initially adopted an expansionary approach, aimed at providing much-needed support to a sluggish economy. [Seven months into the policy's execution](#), the central bank appears satisfied with its current trajectory, as evidenced by the unchanged key policy rates: 5% for the policy rate, 3% for the deposit collection rate, and 6.5% for the bank rate. The decision reflects the NRB's prioritisation of economic stimulus over immediate inflation control, despite the inflation rate hovering at 4.97%, a slight drop from last year. While inflationary pressures have shown signs of easing overall, food prices have experienced a worrying surge. Food inflation stands at 7.53%, with vegetable prices soaring by an alarming 28.52%. These figures underscore the challenges faced by the central bank in managing an economy grappling with supply-side constraints and rising demand for essential goods. The extent to which monetary expansion contributes to rising food prices remains a subject of debate, with some questioning the long-term sustainability of an expansionary policy in the face of such inflationary pressures.

The NRB's reluctance to raise the policy rate, despite these concerns, is underpinned by a desire to stimulate economic activity. In his mid-term review, Governor Adhikari emphasised the importance of a "cautiously flexible approach," signalling that the central bank is focused on promoting growth at a time when global economic uncertainty continues to weigh heavily on Nepal's recovery. The review also left the Cash Reserve Ratio and Statutory Liquidity Ratio unchanged, reinforcing the status quo in an attempt to maintain liquidity in the financial system. Despite the challenges, the NRB's approach to liquidity management has been notably aggressive. The financial regulator absorbed NRs 148.61 trillion in net liquidity through deposit collection and the standing liquidity facility, a significant increase from the previous year's NRs 27.94 billion. This massive infusion of liquidity contrasts sharply with the growing demand for credit, which saw an increase of NRs 265.56 billion in the private sector, highlighting a disconnect between available liquidity and the demand for loans.

In response to this, Governor Adhikari has introduced two key changes: the reduction in the provision rate for 'pass' loans and a tightening of financing for electric vehicles (EVs). The first move, which reduces the provision rate for pass loans from 1.1% to 1%, is designed to boost the profitability of banks and financial institutions (BFIs), which have faced pressure in recent quarters. This reduction will allow BFIs to report higher operational profits, offering a much-needed cushion to an industry struggling with capital adequacy challenges.

The second, more controversial move, involves a reduction in the loan-to-value (LTV) ratio for EV financing. The NRB has reduced the permissible LTV ratio for EVs from 80% to 60%, requiring borrowers to cover 40% of the loan amount themselves. This tightening of EV financing comes amid concerns about rising imports of electric vehicles, which have strained the country's foreign exchange reserves and exacerbated the trade deficit. The government has been offering tax incentives for EVs, but the rapid increase in imports—valued at NRs 14.7 billion—has raised concerns about

the sustainability of such incentives. The move also signals that EVs may no longer enjoy the same level of tax relief in the upcoming fiscal policy. The Nepal Automobile Dealers' Association (NADA), which has long advocated for a higher LTV ratio for EVs, has expressed dissatisfaction with this change, arguing that it undermines the government's clean energy commitments. However, the NRB's decision to raise the LTV ratio for internal combustion engine (ICE) vehicles to 60%, up from 50%, has been met with approval by NADA, highlighting the mixed reactions to the central bank's policy adjustments. Further changes include the increase in the Non-Deliverable Forward (NDF) limit from 15% to 20%, designed to enhance the ability of banks to manage exchange rate fluctuations. NDF contracts, which allow banks to hedge against exchange rate risk, are crucial in a country like Nepal, where currency volatility can have far-reaching impacts on trade and inflation.

In a final move, the NRB has decided to link the loan interest rates of microfinance institutions (MFIs) to their base rates, in line with the policies applied to BFIs. This is a significant shift, as MFIs will now have greater flexibility in adjusting their lending rates in response to changing market conditions. Governor Adhikari's expansionary approach, which included lowering benchmark interest rates and eliminating caps on institutional margin loans, has undoubtedly provided short-term relief to Nepal's economy. However, the longer-term implications of this policy remain uncertain, especially in a world where inflationary pressures, currency volatility, and external shocks continue to pose significant challenges. As Nepal navigates the next phase of its economic recovery, the NRB's cautious stance—at once accommodating and restrictive—will be closely scrutinised. The balance between stimulating growth and containing inflation will define the central bank's legacy, and the future of the nation's economic stability depends on its ability to adapt to a rapidly changing global landscape. For now, the NRB's monetary policy seems focused on the immediate goal of supporting a fragile recovery, but the road ahead is likely to remain fraught with challenges.

D. Environment and Climate Change

News Brief

Nepal is [organizing the first Sagarmatha Sambad](#), a multi-stakeholder dialogue on climate change, from May 16-18 in Kathmandu. Themed "Climate Change, Mountains, and the Future of Humanity", the event aims to build global cooperation in preserving mountains and securing a sustainable future for humanity. Although the Ministry of Foreign Affairs and the Ministry of Forests each have allocated NRs 5 million to organize the event, officials report that foreign interest in Sagarmatha Sambad remains low.

Nepal has ranked 69th on the Climate Risk Index 2025, a stark departure from its previous high-risk rankings. However, [experts like Dr. Dharam Raj Upreti dispute this ranking](#), citing Nepal's lack of a comprehensive system to document loss and damage statistics, which leads to data discrepancies that obscure the true extent of climate risk. Regardless, the ground reality remains alarming, with regional experts warning of increasingly extreme weather events.

The Ministry of Finance [announced 21 projects for the Global Climate Fund \(GCF\)](#) country project pipeline. These projects focus on protecting vulnerable communities from climate-related disasters, promoting renewable energy in Himalayan river basins, and strengthening climate resilience. However, the announcement came just a week after the United States withdrew from the Paris Agreement, which raised concerns about potential funding gaps for these efforts.

In Taplejung's Pathibhara, a \$22-million cable car project is [causing intense conflict, with four activists wounded by gunfire and 21 officers injured](#). Environmental activists argue that the project threatens sacred forests and endangers critical wildlife habitats of red pandas, black bears, and snow leopards. Conversely, the government sees it as a national pride project that will revitalize tourism.

Climate change is [forcing Nepalese families to abandon mountain and hill villages](#) due to extreme weather events and agricultural decline. Landslides, floods, and prolonged droughts have destroyed farmlands, triggered migration to urban centers and abroad, and created ghost settlements in rural regions.

News Analysis

The CRI Ranking Paradox: Statistics at Odds with Lived Experience

In 2021, only four years ago, Nepal placed tenth on the Climate Risk Index, indicating its serious vulnerability to climate change. Nepal's recent ranking of 69th on the Climate Risk Index 2025, hence, has left experts in disbelief. On the face of it, this improved position presents a compelling narrative of overcoming environmental vulnerability. However, this narrative is inconsistent with the grim realities of citizens across the country.

Dengue-carrying mosquitoes, empowered by climate change, continue to spread at an alarming rate. In 2019, the total reported cases of dengue in Nepal was 17,992, but by 2022, it had [escalated to 37,131](#). Simultaneously, extreme weather events are becoming increasingly intense. Recently, unprecedented rainfalls between 27 and 29 September 2024 devastated the country, where more than [228 lives were lost](#). CGIAR even reports that [atypical disasters are happening more frequently](#) in Nepal.

The increasing frequency and intensity of extreme weather events in Nepal have been concealed in the CRI ranking through a fundamental methodological flaw: the CRI is based on publicly available historical data sets on extreme weather events' impacts. However, extreme weather events and their impacts are often underreported in Global South countries because of [data quality and coverage challenges and data gaps](#). Consequently, it is no surprise that the ranking overwhelmingly overrepresents high-income countries that have the resources at their disposal to address data challenges. In fact, [seven of the 10 most affected countries](#) in 2022 belonged to the high-income country group.

However, this is not a problem limited to the CRI. Data gaps exist across all forms of data collected in Nepal. The Nepal Demographic Health Survey (NDHS) is only conducted every five years, the National Population and Housing Census (NPHC) every ten years, and the Nepal Living Standard Survey (NLSS) also at ten-year intervals. To chart an accurate path forward, Nepal needs to bridge these systemic data gaps and strengthen its data infrastructure.

E. Gender, Social Inclusion & Human Rights

News Brief

ILGA Asia Conference held in Kathmandu

[Nepal hosted the 10th ILGA Asia Conference, bringing 600 LGBTQIA+ activists to Kathmandu](#) amid rising global anti-LGBTQIA+ sentiment. Organized by ILGA Asia and Blue Diamond Society, the event highlights Nepal's role in advancing queer rights. [Discussions focus on marriage equality, legal gender recognition, and youth advocacy.](#) While Nepal has made progress, activists stress ongoing challenges like bureaucratic barriers to same-sex marriage and restrictive gender policies. Government officials reaffirm support for LGBTQIA+ rights, but regional setbacks persist. Activists see Nepal's progress as a model for Asia, emphasizing unity and resistance in the fight for equality.

Foreign Minister Deuba Strengthens Nepal's Global Ties with Visits to Oman and Switzerland

Nepal's Foreign Minister, Dr. Arzu Rana Deuba, made two key international visits. [She attended the 8th Indian Ocean Conference in Muscat, Oman \(Feb 14–20\)](#), where she spoke on amplifying the Global South's voice and held bilateral meetings with Omani officials to enhance cooperation in trade and energy. Later, [she traveled to Geneva, Switzerland \(Feb 22–28\) for the 58th UN Human Rights Council session](#), where she advocated for Nepal's human rights commitments and sought support for Nepal's candidature to the council for 2027–2029. Both visits reinforced Nepal's diplomatic engagement and pursuit of global partnerships.

Pathibhara Cable Car Protest Turns Violent, 13 Injured in Clashes

Violence erupted [on 20 February 2025, between the 'No Cable Car' protestors and security forces in Pathibhara](#), Taplejung district, resulting in injuries to at least 13 individuals, including a protester, a taxi driver, and 11 security personnel. The conflict began when protestors, opposing the Pathibhara cable car project, tried to march toward the construction site. In response, security forces from the Nepal Police and the Armed Police Force (APF) intervened, escalating the situation. To control the unrest, the security personnel fired seven teargas canisters at the protestors. The clash highlights the ongoing tensions surrounding the project, which has faced significant opposition from local communities.

News Analysis

Land-related Ordinance 2081: A Step Towards Reform or a Threat to Marginalized Communities?

Nepal's [Land-related Ordinance 2081, issued under Article 114 of the Constitution](#), has stirred significant debate due to its potential impact on land distribution, real estate, and marginalized communities. The ordinance aims to address land reform delays and the concerns of landless settlers, yet it raises concerns about increased land commercialization and potential displacement.

The ordinance provides hope for historically landless communities by enabling them to secure land ownership. However, it also promotes real estate expansion, making it easier for companies to acquire and develop land. While this could boost economic activity, it may also lead to land

monopolization, driving up land prices and making ownership unattainable for ordinary citizens. [The government's land ceiling limits—such as 25 Ropanis in Kathmandu Valley and 10 Bighas in Terai—attempt to regulate land accumulation.](#) Still, weak enforcement could allow large-scale private acquisitions, exacerbating inequality.

Historically, efforts to resettle squatters have faced challenges. [In 2012, PM Dr. Baburam Bhattarai attempted resettlement by constructing 230 shelters after evicting hundreds of families from Bagmati riverbanks.](#) Despite spending NRs. 230 million, the program struggled due to lack of comprehensive data on squatters. Currently, over 1.09 million applications have been submitted by landless settlers, further complicating policy implementation. To ensure equitable land reform, the government must establish strong oversight mechanisms to prevent misuse, protect marginalized communities, and balance development with social justice.
