



**CESIF**  
Centre for Social Innovation  
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# MONTHLY NEWSLETTER

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**Centre for Social Innovation and Foreign Policy**

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## A. International Relations and Foreign Affairs

### News Brief

In early April, Prime Minister K.P. Sharma [Oli visited Bangkok](#) to attend the 6th BIMSTEC Summit. There, he held a much-anticipated [bilateral meeting](#) with Indian Prime Minister Narendra Modi. While both sides emphasized activating dormant mechanisms to address outstanding issues, PM Oli's remarks after the summit hinted at an [underwhelming outcome](#). The visit also resulted in eight bilateral agreements between Nepal and Thailand in areas including tourism, education, and health.

Meanwhile, India formally recognized Nepal's central food lab in Kathmandu, [easing a five-year-old barrier](#) for agro-exports. Separately, Nepal and India signed a MoU to enhance [agricultural collaboration](#) and held high-level talks to streamline [customs coordination](#) and trade facilitation. The BBIN Motor Vehicle Agreement protocol was also [finalized](#). Tensions briefly flared after Indian police were detained in Nepal. The incident was resolved, but it prompted [a circular from India's Home Ministry](#).

In the north, a delegation from the Maoist Center [visited China](#) to discuss bilateral ties. [Trade imbalance](#) at the Korala border and lagging infrastructure on Nepal's side became evident. The geological feasibility study for the Kerung-Kathmandu railway entered its [final phase](#). Also, one of the two Nepali nationals arrested by Chinese authorities and sentenced to prison, Karma Rapke Lama, was [released from the prison](#) in Lhasa on April 30, 2025.

On the humanitarian front, Nepal sent 41 tons of [relief materials](#) to cyclone-affected Myanmar.

[A new collaboration](#) between Nepal Clearing House Ltd. and Mastercard marked a step toward cross-border payments. International visits included those by [Indian Power Minister Manohar Lal](#) and [UAE Deputy PM Sheikh Mansour bin Zayed Al Nahyan](#).

Finally, news of Elon Musk's decision to shutter MCC raised [alarm in Nepal](#) about the fate of U.S.-backed aid projects.

### News Analysis

The highly publicized meeting between PM Oli and Indian PM Modi in Bangkok was positioned as an opportunity to reset bilateral ties following months of diplomatic inertia. However, the optics and outcomes of the meeting hint at an enduring ambivalence rather than a breakthrough. PM Oli's post-meeting remarks alluded to friction, with suggestions that the meeting did not proceed as expected, despite formal assurances of activating mechanisms to address disputes.

This ambiguity underscores the deep-seated trust deficit that continues to define Nepal-India relations. While the recognition of Nepal's central food lab by India is a tangible step forward, and the agriculture MoU signals sustained cooperation, both sides continue to hold divergent views on legacy issues such as the EPG (Eminent Persons Group) report and border management. Oli's dual tone—seeking closeness while implying interference—only reinforces the perception of inconsistency in Nepal's India policy.

The diplomatic episode surrounding the arrest of Indian police officers in Nepal further highlighted the fragile nature of border governance. Though resolved through backchannel diplomacy, the

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incident exposed the urgency for updated cross-border operational protocols to avoid unnecessary diplomatic crises. The Indian Home Ministry's subsequent circular indicates India's own discomfort with the evolving dynamics.

PM Oli's foreign policy has often been described as opportunistic—trying to extract concessions from both India and China while keeping Washington's strategic interests at bay. Yet such balancing acts are increasingly difficult in today's polarized geopolitical environment. India appears ready to cooperate, but is wary of Oli's unpredictability and populist narratives. China, on the other hand, continues to engage through high-level meetings and symbolic gestures, while progress on strategic infrastructure remains slow and politically contested.

In this context, Nepal's best chance at sustaining balanced diplomacy lies not in dramatic resets but in consistent, institutional engagement backed by bipartisan consensus. The BBIN protocol, cross-border trade initiatives, and diplomatic maturity in handling recent tensions are encouraging signs. But unless grounded in clarity and coherence, such progress may remain episodic. The Bangkok meeting, far from signaling a reset, reveals the delicate recalibration underway—and how easily it could unravel.

## B. Domestic Politics and Federalism

### News Brief

After 29 days of nationwide demonstrations and an education strike, the Nepal Teachers' Federation has [suspended its protest after a nine-point agreement](#) with the government. The decision came after the [Cabinet endorsed the deal](#), which includes provisions such as subsidised treatment in civil hospitals, inclusion of temporary teachers in the Social Security Fund, sick leave accumulation, and minimum wages for early childhood development teachers. The government has also committed to passing the School Education Bill by June 29. The protest began on April 2 and stemmed from demands to implement past agreements and reform education policy.

[Plainclothes police abruptly arrested](#) Nagarik Unmukti Party patron Resham Chaudhary during a party unification event with Janamat Party in Kathmandu. The arrest, based on [a Supreme Court letter](#) linked to the 2015 Tikapur massacre, was later deemed unauthorised and reversed by the court. A court official who issued the order was detained, with authorities citing “human error” and launching an internal probe. The arrest has sparked suspicion among both parties. [CK Raut alleged a high-level conspiracy](#) behind the disruption. Despite the turmoil, leaders confirmed that the postponed unification programme will proceed in the coming days.

Rastriya Prajatantra Party (RPP) Chair Rajendra Lingden and senior [leaders were briefly detained](#) on April 20 for staging a protest inside the restricted Singha Durbar premises. The leaders, including Buddhiman Tamang and Gyanendra Shahi, were taken into custody after displaying pamphlets following a parliamentary party meeting. They were held at the Kathmandu Police Range and released after a few hours. Simultaneously, other RPP cadres protested in the New Baneshwar-Bijulibazar area, with [tensions briefly rising near security barricades](#). The RPP has been staging protests demanding the return of the monarchy and the release of leaders arrested in earlier demonstrations.

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Prime Minister KP Sharma Oli addressed the Madhesh Provincial Assembly on April 8. He highlighted infrastructure projects, Nepal's diplomatic ties, emphasizing national unity, federal cooperation, and pledged timely constitutional amendments. However, opposition members [criticized the speech as lacking concrete commitments](#), especially on police integration and provincial empowerment. They also expressed disappointment over his silence on a key resolution passed by the assembly in December 2023. Experts say Oli's speeches across provinces show rhetorical support for federalism but little actionable commitment.

## News Analysis

### *Brewing Discontent: A Wake-up Call for the Government*

Over the past month, the signs of public frustration have become unmistakable. From the streets of Kathmandu to the premises of provincial assemblies, protests have intensified. This represents a deepening dissatisfaction with governance, transparency, and public service delivery.

The recent report by the parliamentary subcommittee, submitted to the Public Accounts Committee, has added fuel to this unrest. The report reveals [substantial irregularities in the procurement process related to Pokhara International Airport](#). It has highlighted inflated costs in the airport's construction and how opaque dealings plagued the project even before the construction. Coming at a time when Nepal grapples with economic pressures and budgetary constraints, this revelation has only intensified perceptions of systemic corruption.

Simultaneously, protests by teachers, resident doctors, and civil servants signal a broader discontent. Teachers brought education to a halt for nearly a month, demanding implementation of long-standing agreements and fair treatment. Resident doctors, on the other hand, [have been on protest since April 3](#), demanding a living allowance equivalent to that of the 8th-level civil servants, workplace violence, and ensuring security in hospitals. Even [civil servants have threatened to take to the streets](#) if their demands for legal reforms and fair personnel policies are not addressed.

These protests are bigger than isolated grievances. They are symptoms of a larger crisis in governance. While Nepal's political leadership has often emphasized stability and development, these repeated and wide-ranging protests show a failure to engage meaningfully with public concerns. The government cannot afford to treat these demonstrations as mere disruptions. It must recognize them as legitimate expressions of frustration rooted in unfulfilled promises, corruption, and inadequate public services.

If this rising tide of discontent is to be stemmed, the government must urgently prioritize good governance, address valid demands through dialogue and reform, and improve the everyday conditions of public servants and citizens alike.

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## C. Political Economy and Development

### News Brief

[Nepal's economy to grow 4.61% amid recovery](#), but weak savings, tourism setbacks, and slow spending constrain stronger momentum.

US tariff shift poses minimal GDP risk for Nepal, but [export uncertainty rises as trade preferences near expiration](#).

[On automatic route, FDI commitments nearly double](#) Nepal received investment pledges worth Rs57.97 billion, 97 percent of them via the automatic route.

[Nepal's development spending hit just 29% of target by Q3](#); overall budget and revenue performance also remain below expectations.

[Nepal's trade deficit hits Rs 987B, fueled by rising imports](#)—petroleum, smartphones, EVs—despite cooking oil export boom.

[Nepal secures Rs 222B in foreign aid pledges](#)—75% loans—focused on energy, climate, and infrastructure in FY 2024/25.

[Nepal to launch Rs 100B infrastructure fund](#)—51% state-owned—to mobilize alternative finance, attract private capital, and boost growth.

Nepal's capital spending lags again—[only 31% spent so far; over Rs 5B returned](#), reflecting persistent public sector inefficiency.

Petition challenges Gunakar Bhatta's potential appointment as Nepal Rastra Bank governor, citing [legal violations and political interference](#).

### News Analysis

#### *Race for Governorship— Political Capture?*

Nepal stands at a crucial economic juncture. At a time when inflation is receding, external indicators are improving, and interest rates are at a historic low, the country has a rare window to drive economic momentum. Yet, paradoxically, internal macroeconomic fragility persists, market confidence is feeble, and the private sector remains immobilized. The irony is stark: while the conditions are ripe for recovery, the machinery of state remains inert — paralyzed by indecision, and worse, by the politicization of critical institutions like the Nepal Rastra Bank (NRB).

At the heart of this inertia is the delay and controversy surrounding the appointment of the next NRB Governor. [Governor Maha Prasad Adhikari's tenure officially ended on April 6](#), but more than three weeks later, the post remains unfilled. The delay violates not only the letter of the NRB Act — which mandates an appointment at least a month before the vacancy — but also the spirit of central bank independence. Instead of a merit-based, transparent process, the appointment has been entangled in partisan horse-trading between the ruling coalition partners: the Nepali Congress and the CPN-UML.

Political appointments are not new to Nepal, but the central bank must be held to a higher standard. A credible, autonomous central bank is essential for macroeconomic stability. It is the institutional anchor that manages inflation expectations, regulates financial institutions, and assures foreign investors of policy continuity. If political interference continues to undermine the NRB, the consequences for market trust and economic recovery could be severe.

The dysfunction is not limited to process. Even the recommendation committee tasked with nominating the next governor — consisting of the Finance Minister, a former governor, and an economic expert — has been non-functional. Bijaya Nath Bhattarai, a former governor and committee member, [resigned citing the committee's complete inactivity](#). His resignation letter serves as a grim indictment of a system where outcomes are pre-decided by political consensus, rendering institutional mechanisms ceremonial at best.

There is growing speculation that the ruling coalition has informally agreed to nominate Dr. Gunakar Bhatta, a former executive director of Nepal Rastra Bank, as the next Governor. However, his potential appointment has become legally contentious. A writ petition pending in the Supreme Court challenges recent changes to the eligibility criteria—specifically, the removal of the upper age limit—alleging the amendments were tailored to accommodate Bhatta. This has intensified public concern that regulatory frameworks are being manipulated to serve political ends rather than the national interest. As of May 1, 2025, [the recommendation committee](#)—mandated under Section 15(3) of the Nepal Rastra Bank Act—has been reconstituted, reviving hopes of a lawful appointment process.

Nepal's economy cannot afford this continued drift. Although foreign reserves, remittances, and the current account have improved, internal indicators tell a different story. Capacity utilization in industries remains below 50%, loan demand is stagnant despite low interest rates, and government capital expenditure is dismally low — only Rs 82 billion spent out of an allocated Rs 352 billion as of February 2081. Small and medium enterprises, once the lifeblood of Nepal's grassroots economy, are withering due to weak purchasing power and broken financial linkages in cooperatives and microfinance.

The NRB governor's role becomes even more critical. Nepal needs a central banker with deep technical knowledge, an apolitical disposition, and the strategic foresight to balance stabilization with stimulus. Adhikari's term, though controversial, offers lessons. His early tenure saw bold, accommodative policies during COVID-19 that helped stave off immediate collapse. Yet, poor credit targeting led to capital misallocation, fueling unproductive sectors like luxury imports and real estate. The subsequent abrupt monetary tightening, while necessary to defend external stability, caused a credit crunch that hampered recovery. A more balanced, anticipatory policy framework is essential going forward. The next governor must confront structural challenges: weak banking governance, rising non-performing assets, and lingering AML/FT concerns that have placed Nepal on the international grey list. The digitalization of finance — an area where Adhikari made substantial progress — also demands continuity and innovation, particularly in cybersecurity and financial inclusion. But all of this hinges on trust. If the appointment is perceived as a political reward rather than a professional selection, the central bank risks losing credibility — not only with the domestic private sector but also with international partners and rating agencies. The politicization of the governorship would signal that the government values short-term political gains over long-term economic stewardship.

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This episode is not merely about who becomes governor. It is about whether Nepal is serious about insulating its economic institutions from political expediency. The Finance Ministry and the Cabinet must rise to the occasion. They should honor the institutional process, reconstitute the recommendation committee with urgency, and commit to transparency. Above all, they must appoint someone based on merit, not on proximity to party power.

## D. Environment and Climate Change

### News Brief

During the Summiters Summit held in Thame, Namche on International Earth Day, [Qatari Princess Asma Al Thani voiced deep concern over the impact of climate change](#) on the Himalayas, noting that Mt. Everest has lost much of its snow and vitality since her 2019 climb. She highlighted the devastation caused by recent glacial lake outburst floods and stressed that these are symptoms of a larger, man-made climate crisis. Emphasizing the need for early warning systems and technological interventions, she called for global collaboration to protect fragile mountain ecosystems.

Nepal has become a vibrant breeding ground for around 60 species of [summer migratory birds](#), which arrive from countries like India, Thailand, and even as far as Australia, due to its favorable climate, food availability, and safe nesting conditions. Notable species like the chestnut-headed bee-eater, Indian paradise-flycatcher, and blue-tailed bee-eater have already reached various regions including Rupandehi, Kapilvastu, and Nawalpur. The Asian koel, which migrates from Sub-Saharan Africa, is expected to arrive by late May.

The Nepal Academy of Science and Technology (NAST), in collaboration with the National Trust for Nature Conservation, organized a national seminar on Other Effective Area-Based Conservation Measures (OECMs). Experts emphasized the [importance of involving Indigenous communities and women, coordinating stakeholders, and understanding the local context before adopting OECMs widely](#). Challenges such as climate change, overexploitation, and weak policy implementation, while advocating for the inclusion of traditional conservation practices were highlighted.

A [PET recycling facility](#) capable of processing green plastic bottles has been launched in Bharatpur, Chitwan, to tackle riverine plastic pollution and promote a circular economy. The facility sources bottles nationwide, especially from rivers, with members of the indigenous Bote community contributing by collecting plastic waste.

### News Analysis

#### *Acute air pollution, little to no efforts*

Nepal is currently facing an acute air pollution crisis fueled by a record number of forest fires and a lack of rainfall. [Wildfires usually start from March in Nepal, when farmers burn the crop residue on the fields and the threat keeps growing until April-May](#), depending on precipitation. Thousands of fire incidents occur throughout the country during this period and many of them go unrecorded, with the highest concentrations in the southern and western regions. [Smoke from these areas is being carried by wind patterns into the densely populated Kathmandu Valley](#), causing PM2.5 levels to surge far above safe limits—often exceeding 300  $\mu\text{g}/\text{m}^3$ , which is classified as hazardous. The

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resulting smog has led to school closures, flight disruptions, and a significant rise in respiratory illnesses and cardiovascular complaints, placing immense pressure on healthcare services.

Environmental experts attribute the worsening fires to a [prolonged dry season and delayed pre-monsoon rains, which have created ideal conditions for forest combustibility](#). The fires are also aggravated by the lack of effective forest management and surveillance systems. While agencies such as the [Department of Forests and Soil Conservation are coordinating with the Nepal Army](#) to control the blazes, experts stress that this reactive approach is insufficient. They advocate for community-based forest patrols, improved early warning systems, and climate-resilient planning. Without urgent intervention, Nepal's escalating air pollution crisis risks becoming a recurring public health and ecological disaster.

## E. Gender, Social Inclusion & Human Rights

### News Brief

On 24 April 2024, [Amnesty International Nepal launched Amnesty International's global annual human rights report, \*The State of the World's Human Rights\*](#), in Kathmandu. The event brought together over 120 participants, including journalists, human rights defenders, civil society members, and international representatives. The report, released globally in 155 countries, was unveiled locally by Amnesty Nepal Chair Bipin Budhathoki. Director Nirajan Thapaliya presented its key themes, including global human rights challenges like armed conflict impacts on civilians, gender injustice, climate crisis, and AI threats. He also highlighted Nepal's issues, such as excessive police force, restricted freedoms, caste and gender discrimination, and migrant worker abuse.

The Surkhet High Court upheld life imprisonment for 23 individuals in the 2020 Soti incident, where Nawaraj BK and five others were killed. [However, it overturned the Rukum West District Court's ruling on caste-based discrimination, acquitting all accused on those charges](#). Victims' families and Dalit rights activists have condemned the verdict, staging protests outside the court. The decision has sparked renewed concerns over justice for caste-based violence and the accountability of Nepal's judiciary in protecting marginalized communities.

The Nepal Police has issued an [arrest warrant for Rajesh Ahiraj, the former Chief of Madhesh Province](#), in relation to a rape case. The complaint alleges that Ahiraj physically and mentally abused a minor girl from the Madhesh region starting when she was 17 years old.

### News Analysis

#### *Surkhet High Court Upholds Life Sentences in Soti Massacre Case*

The Surkhet High Court has upheld life [imprisonment for 23 individuals convicted in the 2020 Soti massacre](#), where six young Dalit men, including Navaraj BK, were killed in Rukum West. A division bench of Judges Som Kanta Mainali and Matrika Prasad Bhandari confirmed the verdict issued by the Rukum West District Court. The court, however, overturned additional punishments related to caste-based discrimination and untouchability, citing lack of sufficient grounds. The violence occurred [on May 23, 2020, when Navaraj and his friends visited Soti to escort his girlfriend](#). They

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were attacked by a mob armed with domestic weapons, and their bodies were later recovered from the Bheri River. Initially, 34 individuals were charged, and 23 were sentenced to life in December 2023. The high court's partial reversal highlights ongoing challenges in prosecuting caste-based violence in Nepal while affirming accountability for homicide.

The 2020 incident, in which six Dalit youths were killed for challenging caste norms through an inter-caste relationship, represents a clear case of structural violence rooted in caste hierarchy. By overturning the caste-based discrimination verdicts, the High Court missed an opportunity to enforce Nepal's constitutional safeguards against caste-based oppression.

Article 24 of the Constitution of Nepal (2015) explicitly prohibits untouchability and caste-based discrimination in both public and private spheres, making such acts punishable by law. Article 18 guarantees the right to equality and equal protection before the law for all citizens, regardless of caste, gender, or background. Furthermore, Article 42 provides the right to social justice for Dalits and other marginalized groups. The verdict, while delivering partial justice, fails to fully address the systemic discrimination at the heart of the case. It signals a gap in the judiciary's commitment to dismantling deep-rooted caste biases, undermining Nepal's constitutional promise of inclusion, dignity, and equal justice for all.

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