

Monthly Bulletin



RIGHTS Nepal

Digital Transformation | Human Security |
Good Governance | Strategic Engagements

Monthly Bulletin

RIGHTS Nepal is a think tank founded in 2020, based in Kathmandu with the mission of focusing on nationwide policies, decisions, plans, actions and their justified need, development and outcome.

This publication has been specifically designed to assess the important events of the past month on the basis of four major pillars: **Digital Transformation, Human Security, Good Governance and Strategic Engagements**



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Digital Transformation

Digitization of Government Services in Nepal

Nepal's economy displayed robust growth in FY2019, with a 7.1 per cent growth annually. The service sector contributed 57% and the agricultural industry added another 24%. Particularly during the Covid-19 pandemic, global economies experienced a significant negative GDP growth and Nepal was no exception. While the impacts of the pandemic were devastating, Nepal was presented with an opportunity to explore digitization in all areas of service delivery. Digital transformation — the adoption of online business models and overall transfer of economic and social activity online—changed how economies work, how businesses run, and how societies interact.

The ICT Evolution

After a successful transition into a federal republic, Nepal started an economic revolution to bring about progress and prosperity. Consequently, the need for the development of Information, Communication and Technology (ICT) was realized. Major sectors including education, health, tourism, employment, finance, agriculture, and environmental conservation and promotion are all significantly impacted by ICT. A report published by the World Economic Forum stated that the country's GDP will expand by 0.75 per cent for every 10% increase in its digitization score. In a world that has excelled at e-governance over the past 30 years by utilizing information and communication technology, Nepal ranked 132 out of 193 countries in the E-Governance Development Index of 2020.

ICT has been regarded as a key driving force in transforming traditional Nepali society into a knowledge-based society. Nepal Government has passed crucial laws needed to implement e-governance. Important legal developments include Information Technology Umbrella Act 2014 and Electronic Transaction Act 2006, which legalized digital signatures for certain contracts and transactions to a certain extent. These rules were supplemented by IT Policy 2010, ICT Policy 2015, e-Governance Master Plan (eGMP) 2007 and eGMP-II 2015, and 10-Year Master Plan among others.

According to the Ministry of Communication and Information Technology, the government's holistic strategy aimed at increasing digital literacy and fostering the development of ICT in Nepal has been initiated through Digital Nepal Framework (DNF). The framework was created as a guide for how digital initiatives might support economic expansion. Additionally, it looks for innovative ways to effectively solve significant societal issues and pinpoint opportunities for Nepal to compete in the global economy. Eight categories— digital foundation, agriculture, health, education, energy, tourism, finance, and urban infrastructure—represent 80 activities that make up the DNF.

It is certainly unrealistic to expect the government to instantly leapfrog to greater levels of digital maturity. Coordination between government ministries, development partners and the broader social ecosystem will be necessary to institutionalize new technologies and digital governance. According to Nepal Telecommunications Authority, as of mid-February 2022, 126.72 per cent of Nepal's population had access to fixed broadband and 97.42 per cent had access to mobile broadband.

Influence of a Pandemic

Nepal has been a staunch supporter of manual techniques and paper documentation before the Covid-19 pandemic. Most things, including government procedures, commercial activity, billing & record keeping, and deliveries, tend to be completed at their own pace (Bhattarai, 2020). However, the Covid-19 pandemic mandated that practically all companies and service providers automate record-keeping, sales, supply chain management, marketing, delivery management, and payment activities. The government, which has been trying to automate these operations for many years, also accelerated the automation of its public data/information, approvals process, and tax collecting and payout processes. National Identity Card (NID) Programme was first inaugurated in November 2018 and issued to the people of the Panchthar district and government officials working inside Singha Durbar (Buddhacharya, 2019). The card will be a key basis for the delivery of various government services once it is implemented. It will replace the existing citizenship card. NID is available online through all 77 district administrative offices around the country. Similarly, the government provision has made NID mandatory to register for e-passports. (Department of National ID Card and Vital Registration, 2022). On 17th November 2017, Nepal Government issued Electronic Passport (or biometric passport) as a replacement for Machine Readable Passports(MRP). Public Key Infrastructure(PKI) embedded in the E-Passport ensures the authenticity and integrity of personal information (Department of Passport, 2022).

Challenges

Despite efforts to digitize government services, numerous security encounters and server problems hinder steady service delivery to citizens. The Department of Transport Management (DoTM) had initially shut down all services of transport offices in March 2022 across the country citing recurring server problems as 5,72,000 people had applied for their driving license examination. In response, DoTM released a new website for the application and registration of driving licenses as a replacement for the old website in June 2022 to provide service in a more systematic and accessible way.

Additionally, e-payments were first implemented by the federal government for payout transactions in 2015 and revenue collection activities to/from recipients' banks in 2018. This transition of government organizations from cheques to direct deposits into banks took more than three years. From Rs 3.1 billion in the fiscal year 2016–17 to Rs 221.1 billion in the fiscal year 2019–20, such digital payout transactions have increased exponentially. The number of government transactions (payout and revenue collection) surged by 9 times during the COVID-19 shutdown period, which spanned from mid-July to mid-October 2020 (the first quarter of the fiscal year 2020/21).

Digital Transformation

Nepal Government has also created Government Enterprise Architecture (GEA) and Nepal e-Governance Interoperability Framework (NeGIF), which mark foundational initiatives for enabling the roll-out of citizen-centric digital services and systems that are interoperable and provide a framework for seamless integration. These frameworks include National ICT Policy, National Broadband Policy, and Electronic Transaction Act (Digital Nepal Framework, 2019).

Nepal Government's efforts to digitize public services include the launch of the Nepal National Single Window (NNSW) system, National ID card, digitization of data from land revenue offices, Nagarik app, and so on. However, long overhauling queues are regularly observed in the Department of Passport while the NID program initiated in 2018 is still in completion.

The federal government and commercial sector have yet to institutionalize and take full advantage of the enormous advantages that digital technology offers, including its competitive advantage in terms of sustainable growth, objectivity and enhanced governance, and responsive service delivery. Although digital technologies have a significant positive impact on productivity, it also poses new challenges for businesses as production methods, sources of competitive advantage and market structures change. Income inequality and other gaps have grown concurrently, especially in industrialized economies, fueling social unrest and political agitation.

Nepal can improve its digital sovereignty by administering cyberspace, taking control of networks, and enforcing data and information regulations. Data security should be ensured by Nepal's cloud, and connectivity and information must be well protected. According to the Ministry of Communication and Information Technology (2022), a total of Rs 8.59 billion has been allocated. Outsourcing processes for digitizing, to companies that can manage passport and national ID cards and e-passports could leverage development and build a knowledge-exchange network in the national IT eco-system.

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Human Security

Human Security: Quality of Life in Nepal

Urban Refugee:

In the past ten years, urban refugees from countries including Afghanistan, Pakistan, Somalia, Myanmar, Bhutan, Sri Lanka, Iran, and Iraq, have entered Nepal at different points of time. According to UNHCR, urban refugees apply for asylum in cities and are allowed to live autonomously with permission to work and make a living for themselves. Official records state that there are about 700 urban refugees in Nepal as of the year 2019.

Nepal is not a signatory member of the 1951 UN convention and has refused to recognise urban refugees, who are deemed illegal immigrants under its law and are subject to a daily fine of USD 6. Foreign nationals who stay in Nepal for more than 185 days after their visa expires are referred to as "illegal" immigrants per Immigration Act 2048.

Registered urban refugees are granted temporary identification cards by the government which guarantees security. However, provisions for work or employment opportunities are not included. The lack of employment opportunities and resettlement facilities in Nepal forced urban refugees to stage a sit-in protest targeting the UNHCR agency highlighting an 11-point demand. Although refugees from different countries face different challenges, a fundamental framework must be in place to address issues such as granting refugee status, managing refugees, and developing repatriation strategies without violating the non-refoulment principles of the nation.

Health Security: Clean Food, Drinking Water and Sanitation

Nepal's recent policies, strategies and plans have become more comprehensive in their approach to addressing food security. Policies and strategies:

- The Agricultural Development Strategy (ADS 2015-2035) bridges the divide between creating a competitive commercial agricultural sector and improving livelihoods, and access to food and nutrition in the country.
- The Multi-Sector Nutrition Plan (MSNP 2018- 2022) brings the health, education, WASH and agricultural sectors together to craft a multi-sector approach to nutrition.

Together these two strategies reflect a comprehensive approach to food security. Nepal has made good progress in reducing malnutrition and food insecurity for more than 30 million people over the last decade, showing year-on-year progress in key indicators. In 2020, the country ranked 66nd out of 117 qualifying countries on the Global Hunger Index (GHI), a multidimensional approach to measuring hunger that looks at the adequacy of national food supply, child undernutrition and child mortality.

Major highlights of 2022:

- Sisdol, Kakani and Banepa are one of the largest dumping sites in Nepal where 100 tons of solid waste are dumped on average per day. Over 200 households with around 1,200 family members who reside near Sisdol and Banchare Danda landfills have been categorized as highly affected households. Contamination of air and drinking water has posed severe health threats to the community. According to Kumar Byanjankar, an aide of Mayor Balen Shah, a team of experts from the National Academy of Science and Technology led by Sarita Rai, head of the environment department are in process of carrying out a study and necessary tests of samples of water and gas at Sisdol.
- With new cases of COVID-19 doubling every three to four days, Nepal is most likely on the brink of a new wave of COVID-19. On July 2022, the Ministry of Health and Population confirmed the BA.5 subvariant of omicron in Nepal, which is more transmissible than previous variants. As of mid-July, 2022, active cases stand at 1284 throughout the country. According to MOHP, as of July 2022, 1 million people in Nepal have been infected, 967,516 have recovered, 11,952 have died as a result of COVID-19 complications and 20.4 million people or 70% of the total population of Nepal have been fully immunised.
- According to the Ministry of Health of Nepal, 28 positive cases of Cholera were reported in Kathmandu Valley till mid-July. The widespread contamination of drinking water in Kathmandu Valley is said to be the root cause of the contamination of the disease. To eradicate or control the flow of the disease, Kathmandu Metro has decided to stop the selling of street foods in Kathmandu to reduce the increasing number of cases.
- Farmers from the southern plains of Nepal have regularly visited Kathmandu in the past two years to protest as sugar mills have not been paying them for their crops. The agitating farmers claim the sugar mills owe them Rs 900 million for their sugarcane crops. The outstanding amounts claimed by the farmers and the sugar mills are said to be different, and government data shows that the mills are in arrears for Rs. 650 million while the remaining Rs. 250 million is stated as disputed. According to Rakesh Mishra, patron of the Sugarcane Farmers Struggle Committee, out of Rs 650 million owed to farmers by the mills as claimed by the Ministry of Industry, Commerce and Supplies, Rs130 million still remains unpaid. This has caused less production of sugar and unemployment issues affecting marginalised communities in the Terai region.

Human Security

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Good Governance

Political Instability: A Governance Challenge

Nepal has enacted several laws in order to promote good governance, including Good Governance Management and Operation Act 2006, Right to Information Act 2006 and Local Government Operation Act 2016. Article 232 of the Constitution of Nepal has divided responsibilities to all three levels of Government, while the Federal, Provincial and Local Level Coordination and Relations Act 2020 has been formulated and implemented to ensure its effectiveness. According to the Transparency International Report (2021), Nepal's position on the Corruption Perception Index is 117th out of 180 countries.

The Government of Nepal announced a budget of NPR 1.793 trillion (USD 14.7 billion) for the upcoming fiscal year 2022-23 which is an increase of 5.5% as compared to the budget for 2021-22. The budget is directed towards achieving economic growth of 8% in the fiscal year 2022-23. According to the Finance Minister, this budget aims to control inflation by 7% and generate employment opportunities by enhancing domestic production. Further objectives of the budget include achieving a self-reliant economy by prioritizing agriculture, education, industrial development, expansion of hydroelectricity and transmission lines, and promoting tourism.

Frequent changes in Ministries

Local level elections were held in all districts of the country on May 13, 2022, under an alliance of the five party-coalition government. The Election Commission of Nepal (ECN) on July 7th recommended the government hold its federal and provincial elections on November 18, 2022. The ruling Nepali Congress announced in July 2022 to contest the provincial and federal elections in alliance with existing members of the ruling coalition.

Prior to the elections, Prime Minister Deuba reshuffled the cabinet on July 4th with the appointment of three new ministers from the Janata Samajbadi Party (JSP), a significant player in the ruling coalition. The position of Minister for Physical Planning and Infrastructure has been given to Mohammad Ishtiyak Rai, and the position of Minister for Forests and Environment was handed to Pradip Yadav. Similarly, Mrigendra Kumar Singh Yadav has been appointed as the new agriculture minister. Earlier in June, four ministers from the Unified Socialist party were reshuffled with Bhawani Prasad Khapung named minister for health and population, Metmani Chaudhary as minister for urban development, Sher Bahadur Kunwar assigned as minister for labour, employment, and social security, and Hira Chandra KC has been named minister of state for health and population.

Finance Minister, Janardhan Sharma, resigned from the post on July 6th, 2022 after a nationwide protest following charges of inviting two unauthorized individuals just one day before he delivered the budget to Parliament in order to change tax rates. Prime Minister Sher Bahadur Deuba currently heads the Finance Ministry.

First-year tenure of Prime Minister Sher Bahadur Deuba

Sher Bahadur Deuba, who was sworn in as Prime Minister on July 13, 2021, after the Supreme Court gave a verdict against the dissolution of the House of Representatives by the then Prime Minister KP Sharma Oli, completed his first-year tenure. This also highlighted the problem of frequent prime minister changes in Nepal. The Prime Minister's Secretariat has made public 42 achievements that have been accomplished by the Deuba government in his first tenure. Some of the major achievements are highlighted below.

- Holding the local level elections in a peaceful manner and ensuring the elections to the federal parliament and provincial assemblies.
- The government started selling electricity to India by expanding inter-country transmission lines in May 2022.
- The visit of Indian Prime Minister Narendra Modi to Lumbini on the occasion of the Buddha Jayanti and Prime Minister Deuba's visit to India were two important events in the area of expanding the cordial relations between the two countries.
- Top US officials' visits to Nepal and Nepal's Chief of Army Staff's visit to the US are two important international visits to and from Nepal. The government has reiterated its commitment to a one-China policy during the visits of several high-level from China.
- Poor household identity cards have been provided to people living below the poverty line. Air ambulances have been provided in rural areas to provide services during disasters such as accidents, floods and natural calamities.
- The endorsement of the US Assistance Project Millennium Challenge Corporation (MCC) from the Federal Parliament had remained one of the major successful works of the government. Likewise, the decision to not accept the State Partnership Programme has been another work.
- The government decided to provide an old age allowance under the social security program from the age of 68, started a farmers' pension program, decided to provide 98 types of medicines free of cost to the people under the poverty line and increased the salary of civil servants by 15 per cent.

Good Governance

The numerous changes in government not only affected the development works but also depressed foreign investors from coming into Nepal to do business and increased corruption. Corruption by officials has often led to inflation in prices of basic goods and services and also obstructed the delivery of foreign aid . According to the Transparency International report (2021), Nepal's position on the Corruption Perception Index is 117th out of 180 countries. Despite being accused of focusing on low level cases, the Commission for Investigation of Abuse of Authority (CIAA), Nepal's top anticorruption agency, has been more active in recent years.

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Strategic Engagements

Nepal's Adherence to India and China; Expanding US Influence in the Region

Nepal has always maintained neutrality and a balancing policy to take advantage of its status as a buffer state between India and China and to avoid unwarranted meddling. To protect its sovereignty and independence in the complex geopolitical climate of today, Nepal has long practised non-alignment. A tripartite conflict between India, China, and the US at this time influences Nepal's national interests.

India, Nepal, and China, all part of the South Asian geopolitical environment have witnessed substantial tectonic shifts recently. For Nepal's foreign policy, a rising China, shifting Indo-Chinese relations, and an expanding American presence in the subcontinent have presented both opportunities and problems.

Bilateral Agreements and Emphasis on Cross-Border Trade and Tourism with India

India is Nepal's main trading partner and a major source of foreign investment, in addition to serving as a transit country for nearly all of Nepal's commerce with other countries. India is responsible for almost two-thirds of Nepal's merchandise trade, one-third of its service trade, and one-third of its foreign direct investments. Nearly all of the petroleum supplies imported, and a sizable portion of inward remittances from seniors, professionals, and employees who work in India is accounted for by the Indian government. Bilateral commerce increased by 41% over the prior fiscal year between India and Nepal during the most recent Indian financial year, which concluded in March 2022. The Joint Committee on Kosi and Gandak Projects (JCKGP) between India and Nepal met in Patna, India, on April 12 and 13, 2022. The agreement intends to help both India and Nepal by controlling floods, providing irrigation, and generating electricity. A detailed plan for bilateral collaboration in the sector is outlined in the Joint Vision Statement on Power Sector Cooperation, which was released on April 2, 2022, during the visit of PM Sher Bahadur Deuba to India. The development of cross-border transmission infrastructure, bidirectional power trade, coordinated operation of the national grids, joint development of power generation projects in Nepal, and institutional cooperation in sharing cutting-edge operational information, technology, and know-how are some of its main pillars.

In a reciprocal visit by PM Narendra Modi to Nepal in May, six Memorandum of Understanding (MoU) were signed: (MoU) between the Indian Council on Cultural Relations (ICCR) and the Lumbini Buddhist University on the establishment of the Dr Ambedkar Chair for Buddhist Studies; (MoU) between the ICCR and CNAS, Tribhuvan University on the establishment of the ICCR Chair of Indian Studies; (MoU) between the ICCR and Kathmandu University (KU). The PM further inaugurated the 'Shilanyas' ceremony for the construction of the India International Centre for Buddhist Culture and Heritage at a plot in Lumbini belonging to the International Buddhist Confederation (IBC) based in New Delhi.

Growing Trade Deficit with China

According to the Ministry of Finance (2021) Nepal's northern neighbour, China committed an investment totalling 23.37 billion Nepali rupees (\$195.74 million) in Nepal during the FY2020-21. Hon. Dr Khadka, Nepal's foreign minister, reaffirmed the country's adherence to the One China policy and its refusal to tolerate any anti-Chinese action on its land. In a virtual meeting, the foreign minister of Nepal reiterated their support for each other's sovereignty, territorial integrity, and national independence. However, the trade balance between China and Nepal remains negative. Nepal purchased commodities of NPR 233.92 billion from China in 2020-2021 while only NPR 1 billion worth of goods were exported during that time. The nation's trade deficit with China was NPR 232.90 billion, or 14% of the overall trade deficit, and it was the largest trade deficit of any country.

The Chinese State Councillor Wang Yi visited Nepal on March 25, 2022, and inked nine agreements with the Nepalese government as a possible response to the growing influence of the United States. The agreements covered everything from non-tariff agreements to the growth of the energy sector to railroad connections. Concerns surrounding the slow initiation of the Belt and Road Initiative (BRI) along with the high Chinese interest rate, which averages 4% compared to a marginal 1.3% charged by other foreign donors have been raised by experts in Nepal. PM Deuba has consistently stated that Nepal will only accept grant projects over commercial loans through China.

Growing Influence of the United States and Controversy Amidst State Partnership Program

In recent times, Nepal's membership in the State Partnership Program generated a national discourse, with both opposition and coalition parties calling for the government to end its affiliation with the SPP. Nepal had expressed interest in the collaboration in 2015, as per the statement from the Nepal Army Chief. The government was rightly convinced that some of these non-combat technical abilities, technologies, and resources would be advantageous for a nation that frequently experiences calamities.

Amidst nationwide criticism and the State Partnership Program's alignment with the Indo-Pacific Strategy which contradicts the national foreign policy of 'non-alignment', the cabinet decided on June 20 to abandon the United States State Partnership Program in the face of intense criticism, with the official communication yet to be channelised through the Foreign Ministry. The formal letter stating Nepal's withdrawal from the SPP is yet to be announced with PM Deuba's state visit to the United States likely to occur during mid-July.

Strategic Engagements

A member of the BoD at the Institute of Foreign Affairs stated that numerous weaknesses in national strategy and communication were exposed by the way the SPP issue was handled in Nepal. The Nepal Army, which is primarily in charge of maintaining Nepal's security, has drawn criticism for its inconsistent public relations efforts, which highlight a flaw in the system and a weak civil-military relationship.

Evidently, Nepal relies entirely on loans or aid from foreign nations to cover its capital expenditures, which make up all but 30% of its general expenditure and 100% of the capital expenditure. In the first nine months of the fiscal year 2021-2022, Nepal received foreign aid totalling Rs 126 billion. The Ministry of Finance reports that 92.49 per cent of the amount received was a loan and the remaining 7.51% was for grant purposes.

Looking Ahead: Guiding Nepal's Foreign Policy through Eastern Ideologies

The Ministry of Foreign Affairs organized a lecture series in the honor of late Prof. Yadhu Nath Khanal to discuss foreign policy, diplomacy, and national interests of the country. In the first series, Dr Surya P. Subedi delivered a keynote speech on the topic "Foreign Policy of Nepal: Past, Present and Future". He emphasized that Nepal's foreign policy must have a global perspective which needs to go past its focus on maintaining good relations with its two closest neighbours, despite its geo-strategic location between the two giants of Asia. Instead of capitalizing on materialistic gain, he has urged the country to look beyond the economic realms and focus on increasingly global interest in values of eastern ideals such as non-violence, yoga, vegetarianism, nirvana, karma, meditation, and mindfulness; the teaching of Buddha.

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