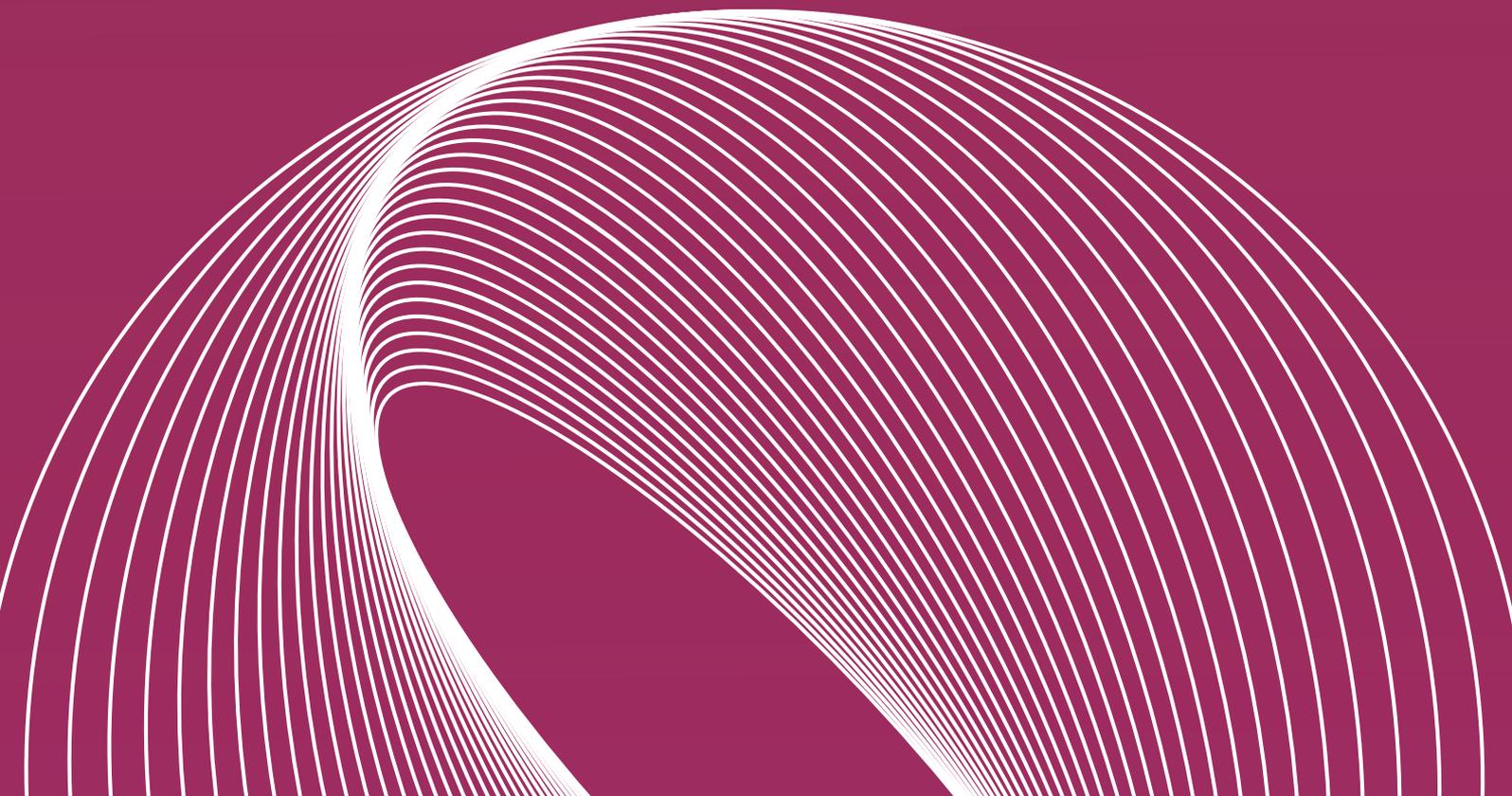


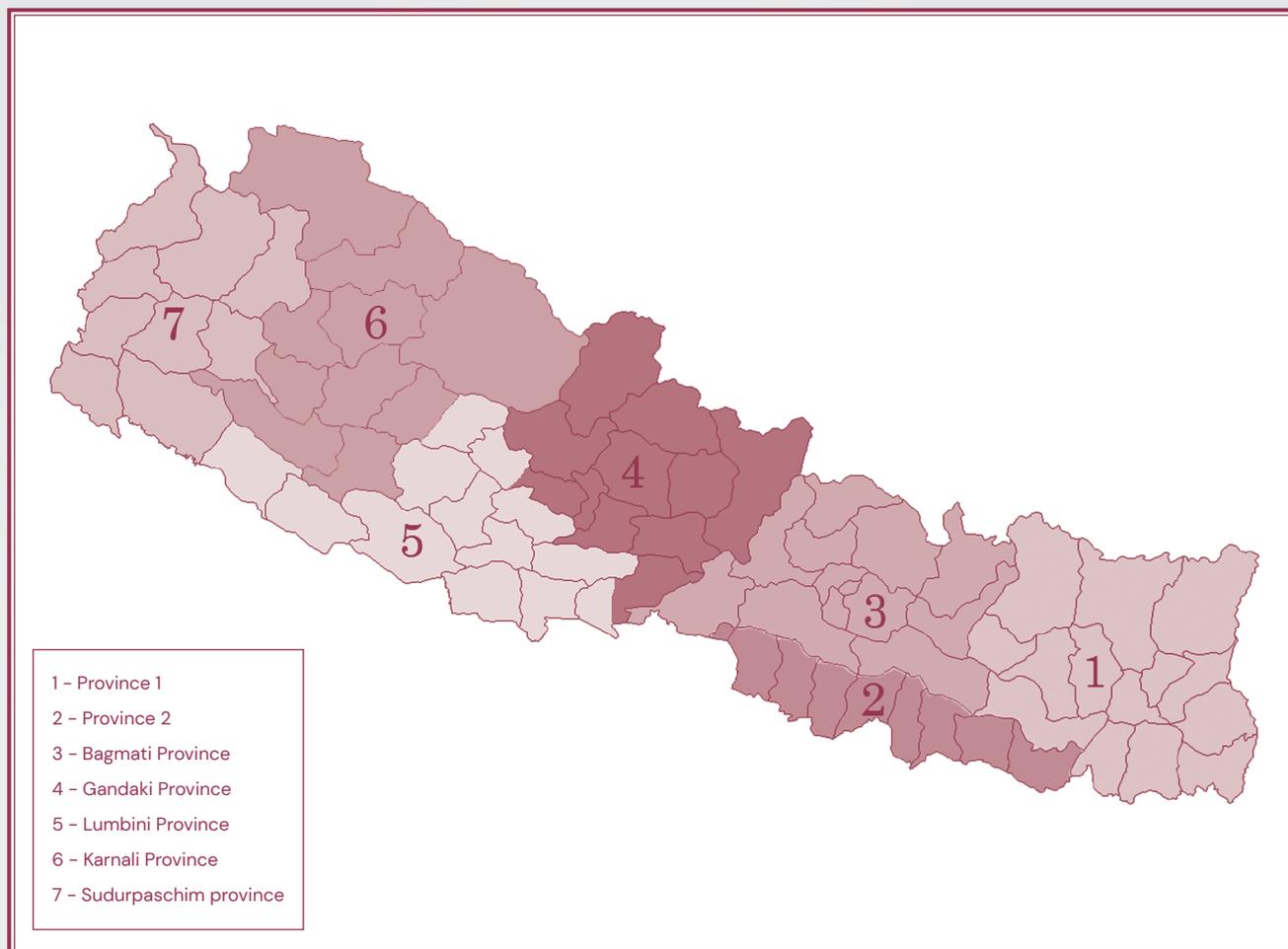


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Evidence-based Policy Special



Nepal Factsheet



KEY ECONOMIC INDICATORS

GDP (Preliminary estimate for 2020/21)**	USD 35.81 billion	GDP growth rate(forecast)***	2.30%
GNI (PPP) ****	USD 4,060	Inflation **	4.24%
Gross Capital Formation (% of GDP) (2020/21)**	36.50%	Agriculture Sector *****	20.20%
HDI *	0.602	Industry Sector *****	19.60%
Rank *	142	Service Sector (2020) *****	60.2%

* HDI figure from Human Development Report of the UNDP -2020

** Based on NRB's current Macroeconomic and Financial Situation of Nepal based on three months data of 2021-22

*** Asian Development Bank.Asian Development Outlook Update(ADOU) 2021

**** Based on World Bank data

***** Based on Ministry of Finance Economic Survey 2020/21

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Editorial

The functioning of the Nepali executive was stalled with the delay in expansion of the cabinet. The inactivity of the House of Representatives brought the legislative to halt. The parliament failed to endorse any bills during the quarter except for the revised federal budget owing to continuous obstructions from the main opposition Communist Party of Nepal- United Marxists Leninists. In the judiciary, appointment of Gajendra Hamal a close relative of the Chief Justice of the Supreme Court as a Minister (resigned within 48 hours) prompted Justices and lawyers to stall the proceedings of the Supreme Court.

The pace of economic recovery has been welcoming. However, remittances – largest source of foreign currency income for Nepal, did not register strong growth resulting in a decrease in foreign exchange reserves. The trade volume has also witnessed more imports than exports. In addition, with continuing liquidity crisis witnessed in the banks and financial institutions of Nepal since the past quarter, the financial and economic sector of Nepal seems to be undergoing a challenging time.

Global events such as the G20 summit and COP26 took place this quarter both of which focused on climate change-related issues and financing for climate-friendly initiatives. Nepal participated in COP26 and has committed to increase the share of clean energy in the country's energy demand to 15% and forest cover to 45% by 2030. Further, commitment has been made to achieve a net-zero emission by 2045. Such an ambitious goal will require robust mechanisms to shift to carbon-neutral practices across the country in multiple sectors in addition to the huge investment in infrastructure for executing these projects. For this, adequate policies that are backed by concrete evidence-backed research need to be put in place and executed. The effectiveness of policymaking is dependent on reliable data, analytical skills, and political support for the use of scientific information. In other words, an evidence-based approach to policymaking increases the effectiveness of economic and social interventions and efficient use of resources thereby increasing the chances of bipartisan agreement to the policy. Hence, this issue of nefport focuses on 'Evidence-based policy'. We would like to thank the contributors to our special section, Chandan Sapkota, Mohd Ayub, and Samridhi Pant for their valuable contributions to this edition of nefport.

As we welcome the new year, we are pleased to let you know that our work on developing an economic dashboard on the Nepali economy is coming into shape. With this product, we aim to supplement our readers with extensive information and data on the Nepali economy to help them analyze the economy better. We also look forward to publishing the 50th issue of nefport on September 2022. If you have any suggestions or collaboration proposals for that, please feel free to reach out to us at info@nepaleconomicforum.org.



Sujeev Shakya
Chair, Nepal Economic Forum

1

GENERAL OVERVIEW

Political Overview

Nepali politics in the last quarter faced some stalemate with delay in expansion of the cabinet and inactivity of the House of Representatives. Prime Minister Sher Bahadur Deuba, was finally able to expand his council of ministers three months after taking office, but was pulled into controversy after he appointed Gajendra Hamal as the Minister of Industry, Commerce and Supplies. Nepal faced judicial crisis after Supreme Court Justices and lawyers boycotted supreme court hearings to protest against Chief Justice Cholendra Sumsher Jung Bahadur Rana's involvement in the appointment of Gajendra Hamal as a Minister, demanding his resignation. Likewise, the parliament failed to endorse any bills during the quarter except for the revised federal budget owing to continuous obstructions from the main opposition Communist Party of Nepal- United Marxist Leninist (CPN-UML) Furthermore, differing views of the ruling parties on the Millennium Challenge Corporation (MCC) Nepal Compact has stalled the ratification of the agreement.

Cabinet Given Full Shape: Nearly three months after forming his government, Nepal's Prime Minister Sher Bahadur Deuba finally expanded his cabinet on October 8, 2021, inducting 18 ministers from four ruling parties including two state ministers. On October 8, President Bidya Devi Bhandari administered oath of office and secrecy to the five ministers from Nepali Congress, three ministers and a state minister from CPN-Maoist Centre, four ministers and a state minister from CPN-Unified Socialist and four ministers from Janata Samajbadi Party.¹ The expansion of Deuba's cabinet courted controversy with the induction of Gajendra Hamal as the Minister for Industry, Commerce and Supplies. Hamal, a local leader of the Nepali Congress from Banke district who is not a Member of

the Parliament, is a close relative of Chief Justice Cholendra Shumsher Jung Bahadur Rana. As per media reports, Rana had been seeking a quota in the government, for which the Deuba Government readily agreed without any objections from the ruling parties. Following widespread criticism, Hamal resigned from his post two days after getting appointed.² As per political analysts and observes, Hamal's appointment and resignation sheds light on how people in power in Nepal have always trampled the rule of law and ignored constitutional and moral boundaries to fulfil their own interests.

Deuba Urged to Ratify MCC Compact at the Earliest: Donald Lu, Assistant Secretary of State for South and Central Asian Affairs

of the United States Department of State, during his two-day visit to Nepal met with Prime Minister Sher Bahadur Deuba on November 18, 2021, urging him to ratify the USD 500 million MCC Nepal compact as soon as possible to maximize the benefits from the MCC projects. Lu stated that the US might be forced to withdraw the grant if there were any further delays in its endorsement from the parliament. The five ruling parties of Nepal are sharply divided over the ratification of the MCC compact. The Deuba Government is under immense pressure to endorse the USD 500 million grant assistance. Lu also met with CPN-Maoist Centre Chairperson Pushpa Kamal Dahal and UML Chairperson KP Sharma Oli and urged both the leaders to reach a conclusion regarding the MCC.³

Nepal Promises Net Zero by 2045 at COP26:

Addressing the world leaders during the 26th Conference of Parties (COP26) of the UN Framework Convention on Climate Change (UNFCCC) in Glasgow, Prime Minister Sher Bahadur Deuba announced Nepal's commitment to achieving a net-zero emission by 2045, increasing the share of clean energy in the country's energy demand to 15% and forest cover to 45% by 2030. Deuba assured the world of Nepal's firm commitment regarding the implementation of the Paris Agreement and its plans to decarbonize its economy in all sectors. Likewise, the Prime Minister also highlighted the increasing threats that Nepal faces due to climate change.⁴ As per environmental and clean energy experts, While Nepal's commitments are ambitious, they are achievable. However, the experts are quite sceptical about how the government would be implementing them. Nepal has always set ambitious climate goals but has failed to implement them due to the lack of well thought roadmaps and strategies to achieve the goals. Nepal's lack of reliable physical and institutional infrastructures to adapt to and counter climate change induced disasters is a challenge in achieving its climate ambitions. Furthermore, the lack of the needed leadership for the implementation of policies poses as barriers. If the government plans to achieve net zero carbon emissions by 2045, numerous new regulations will have to be introduced and implemented as soon as possible.

LEGISLATIVE UPDATES

Ordinances Fail to get Approval from the Parliament:

Failure to get approval from the Parliament has rendered several ordinances ineffective from September 16, 2021. While failure to approve ordinances to amend existing laws prompts application of previous laws, invalidity of unapproved ordinances designed for specific situations have created a legal vacuum. The COVID-19 crisis management ordinance which created the COVID-19 Crisis Management Center (CCMC) has failed to get approval from the parliament, yet the CCMC is still conducting dead body management of COVID-19 patients citing humanitarian grounds. Similarly, the unapproved status of the replacement bill for the budget ordinance had restricted the government from spending from state coffers. Ordinances aimed at reducing acid attacks and increasing penalty in cases of rape has also remained unapproved.⁵ As per legal experts and observers, the failure of the government to get ordinances and pending bills endorsed from the parliament has shown a lack of seriousness in part of the government and political parties. This has also illustrated the tendency of Nepali political parties to disregard the country's law and legal systems.

House of Representatives passes Budget Appropriation Bill:

The Sher Bahadur Deuba Government had tabled the budget ordinance issued by the KP Oli Government in the parliament on July 18, which had to be endorsed through a replacement

bill within 60 days as per the constitution, i.e., September 15. The parliamentary meeting held on September 14, however, was adjourned until September 20 without the endorsement of the bill. This resulted in a "budget holiday", rendering the government unable to spend from the government coffers for any government expenses until the bill was passed. The House of Representatives, on September 20 endorsed the appropriation bill on the federal budget which was presented as a replacement bill by the government despite obstructions from the CPN-UML lawmakers. After being endorsed by the House of Representatives, the National Assembly endorsed the appropriation bill on September 23, after which, President Bidya Devi Bhandari authenticated the bill, ending the government shutdown and enabling the government to spend from the state coffers.⁶

Revised Budget Tabled through Replacement Bill:

Finance Minister, Janardan Sharma on September 10, 2021, presented a NPR 1,632.83 billion (USD 13.71 billion) revised budget for FY 2021/22, reducing the budget introduced by the previous Oli Government by NPR 14.74 billion (USD 123.73 million).⁷ The budget-related Replacement Bill estimated an economic growth rate of 7% for FY 2021/22, reflecting Finance Minister Sharma's optimism regarding the expansion of economic activities in the coming months with increased vaccinations. The erstwhile Oli Government had set an economic growth target of 6.5%. NPR 677.19 billion (USD 5.68 billion) has been allocated

for current expenditures, down from NPR 678.61 billion (USD 5.69 billion). Likewise, capital expenditure has been increased from NPR 374.26 billion (USD 3.14 billion) to NPR 378.10 billion (USD 3.17 billion). The government has also increased the resource for intergovernmental fiscal transfer for provincial and local governments from NPR 386.71 billion (USD 3.25 billion) to NPR 387.30 billion (USD 3.25 billion). Finance Minister, Janardan Sharma has set a revenue target of NPR 1,050.83 billion (USD 8.82 billion), which is almost NPR 26 billion (USD 218.25 billion) higher than the erstwhile KP Oli Government's budget target of NPR 1024.90 billion (USD 8.60 billion). However, the target for foreign grants and loans have been lowered. The government has set target of receiving NPR 59.92 billion (USD 502.98 million) as foreign grants compared to NPR 63.37 billion (USD 531 million) by the Oli Government. Similarly, foreign loans target has been lowered to NPR 283.09 billion (USD 2.37 billion) from NPR 309.29 billion (USD 2.59 billion). The domestic loan too has been revised to NPR 239 billion (USD 2 billion) from NPR 250 billion (USD 2.1 billion). The government decided to distribute cash grants of NPR 10,000 (USD 83.94) per family to 500,000 households that have lost their livelihoods due to the COVID-19 pandemic. The government has made provision to provide reservoir and semi-reservoir hydropower projects above 200MW capacity with full income tax exemption for the first 15 years and 50% for the following 6 years if they complete their financial closure by April 2025.. Likewise, provision

has been made to reduce import duty on construction equipment, plant, machinery and spare parts, penstock and steel seat required for such projects by 1%. The revised budget stated that arrangements would be made for the construction of large infrastructure projects such as tunnels, transmission lines, airports, other transport infrastructures based on new technology, hydropower projects, large hospitals by private sector through engineering, procurement, construction and investment (EPCF) model. The replacement bill also stated that new financial instruments such as infrastructure bonds and blended finance would be introduced for infrastructure development. The Deuba Government scrapped 1,400 road projects connecting the centers of each municipality that were introduced by the erstwhile KP Sharma Oli-led Government.

Ordinance to Amend Political Parties Act Revoked: President Bidya Devi Bhandari on September 28, 2021, revoked the ordinance to amend the Political Parties Act that allowed the CPN-UML and Janata Samajbadi Party (JSP) to split, in accordance to the cabinet's decision and recommendation of Prime Minister Sher Bahadur Deuba as per Article 114(2b) of the Constitution. The ordinance was issued to assist the Madhav Kumar Nepal faction to split from the CPN-UML and form the new CPN (United Socialist), allowing the faction to join Deuba's Government.⁸ Likewise, The Mahantha Thakur faction also split from the JSP to form a new party, thanks to the ordinance.

However, the expansion of the cabinet was stuck in a limbo as the Upendra Yadav led JSP refused to join the government unless the ordinance was repealed fearing further splits in the party. The Political Party Ordinance had been criticized since the very first day, citing mala fide intention of the Deuba Government. Observers and legal experts believe that the Deuba Government has misused its power and undermined the rule of law by introducing and repealing the ordinance as pleased bypassing the parliament. Repealing the ordinance paved way for Deuba to expand the Cabinet, but it has also raised questions on the ruling coalition's morals, making them no different than the KP Oli Government.

Ninth Session of Parliament Prorogued:

On the recommendation of the government, President Bidya Devi Bhandari on October 29, prorogued the ninth session of the House of Representatives that began on September 8. The government ended the session without being able to pass a single bill besides the revised budget. As per the government, the parliament had to be prorogued due to the continuous obstructions from the main opposition CPN-UML. As many as 54 bills are currently under consideration in the parliament, awaiting endorsement. The House of Representatives has failed to operate efficiently for several months. While obstructions from the main opposition is a reason for the inefficiency, the ruling parties have also not been seen as interested enough to give businesses to the house.⁹

JUDICIARY UPDATES

Nepal Faces Judicial Deadlock:

Amidst the controversy surrounding Chief Justice Chhendra SJB Rana on his involvement in the appointment of Gajendra Hamal as the Minister of Industry, Commerce and Supplies, Supreme Court justices and lawyers have been demanding resignation of the Chief Justice. Lawyers have been boycotting the Supreme Court, affecting hearings for thousands of pending cases. Rana, however, stated that he would not step down but is ready to follow constitutional procedures and face the parliament. As per the constitution, the post of the Chief Justice can only be vacant if he/she resigns, dies or is impeached.¹⁰ The Chief Justice's impeachment would only require one fourth of the lawmakers to file an impeachment motion. Impeachment seems to be highly unlikely since the political parties have so far remained silent on the matter. The CPN-UML, which controls the most seats in the parliament have decided not to get involved. Likewise, the Nepali Congress and Maoist Centre have also refrained from moving against Rana.

Supreme Court Gives Nod to Raffle System:

The full court at the Supreme Court endorsed a draft to revise the existing regulation of the Supreme Court and a directive to adopt a raffle system in cause list finalization, ending a prerogative of the Chief Justice. Once it is adopted, Nepal would be the first country, at least in South Asia, to adopt a raffle in finalising the cause list ending the prerogative of the Chief Justice. Chief Justice Chhendra

Shumsher Rana called a meeting of the full court based on the recommendations from the dissenting justices. Though he called the meeting he abstained from it as other justices were not willing to share the bench with him. The draft regulation has been sent to the Ministry of Law and Justice for approval to clear the legal hurdles. With the court's approval for the raffle system, the justices, who had been boycotting the benches since October 25, will return to their job. However, they would only hear habeas corpus, withdrawal of the cases and cases related to reconciliation.

POLITICAL PARTIES UPDATES

UML Completes Local Level Conventions:

The main opposition party CPN-UML held its local level conventions on October 26, 2021. The UML Chairman KP Sharma Oli, virtually inaugurated the local level convention at all 753 local levels. As per the party's new statute, 75 members would be elected in rural municipality and municipal committee, 85 in sub-metropolitan committee, whereas 101-member committees in the metropolitan levels.¹¹ The party held conventions in all 6,743 wards across the country on October 23. The 10th National Convention of the CPN-UML is scheduled towards the end of November this year.

Ruling Alliance Forms a Coordination Committee to Support the Government:

Amid widespread criticism regarding the government's failure to perform effectively, the ruling alliance formed an 11-member coordination

committee to support the government. As per the coalition leaders, the coordination committee was formed to support the government for the implementation of the common minimum program, protection of national interests, and protection of the constitution and democracy. Similarly, it would also work on strengthening various institutions and would provide inputs to the government on good governance and development efforts. A meeting of the five-party alliance on November 8, decided to constitute the committee with two members from each of the five ruling parties in addition to the Minister for Communication and Information Technology, Gyanendra Bahadur Karki, who would represent the government.¹² The coordination committee was formed at the behest of CPN-Maoist Center Chairman Pushpa Kamal Dahal, which makes observers feel that the formation of the committee might be his bid to exert control over the government's day-to-day administrative affairs. Since the committee comprises of party leaders, many speculate that it may have been formed to fulfil their vested interests. Observers feel that this might create unnecessary problems, ultimately hampering governance. With only 13 months left until the next general elections, many believe that the government should be focusing on addressing critical issues and holding the elections on time instead of forming a political mechanism to support the government.

Nepali Congress Picks Coordinators for Provincial Convention in all Provinces:

The Nepali Congress has selected coordinators in all the seven provinces for the party's provincial convention. The party appointed Krishna Prasad Sitaula in Province 1, Ramesh Rijal in Province 2, Prakash Man Singh in Bagmati Province, Gopal Man Shrestha in Gandaki Province, Bal Krishna Khand in Lumbini Province, Jeevan Bahadur Shahi in Karnali Province and Dilendra Prasad Badu in Sudurpaschim Province as its coordinators. The provincial conventions are slated for December 2 and 3. The Central Committee also constituted a housing and food committee under the coordination of Central Kember, Surendra Pandey for the convention.¹³

Milan Pandey Faction in Bibeksheel Sajha to Form a Separate Party: Dissatisfied with the party's decision to endorse the proposal of Party Chairperson, Rabindra Mishra to scrap

federalism and hold referendum in secularism, the Milan Pandey faction of the Bibeksheel Sajha party decided to part ways and form a new party. While the minority Pandey faction opposed the agenda to revisit federalism and secularism, defection in the party had already begun even before the dissenting faction decided to part ways. Over a dozen Bibeksheel Sajha leaders from Gandaki Province quit the party on November 14, 2021. Meanwhile, two fringe forces, namely the Public Consultation Group and the Janata Durbar Party merged with Mishra-led Bibeksheel Sajha Party.

ELECTION UPDATES

Dates for the National Assembly Elections Finalized: The Government, through a cabinet meeting on November 18, 2021, decided to hold the National Assembly elections in all seven

provinces on January 26, 2022. The tenure for 19 members of the 59-strong National Assembly is expiring on March 4, 2022. The Election Commission had earlier suggested the government to carry out the elections of the upper house before January 29, 2022. With the dates for the National Assembly elections out, the EC has directed all the political parties to register themselves for the election. For this, all parties are supposed to conclude their general conventions two months prior to the National Assembly elections. Chiefs and Deputy Chiefs of all local governments as well as members of the provincial assemblies are required to vote to elect National Assembly members.¹⁴

“ OUTLOOK

Four months after the reinstatement of the House of Representatives for a second time and formation of the coalition government under Sher Bahadur Deuba, the government has still been struggling to function efficiently. Amidst the main opposition, CPN- UML's obstruction of the parliament, not a single bill except the budget appropriation bill has been endorsed or hardly even been discussed. Leaders from the ruling coalition parties also seem to be indifferent towards the inactivity of the house. While disputes within coalition parties regarding the selection of ministerial candidates delayed the expansion of the cabinet for three months, the expansion of the cabinet did not necessarily contribute to the smooth running of the government. The revised budget presented by Finance Minister, Janardhan Sharma, set an ambitious target of achieving a 7% growth rate and an increased capital expenditure budget, which has not been spent as per the target. The incumbent government has a year left before the next parliamentary elections are to be held, so it should just focus on expediting vaccinations to inoculate all the citizens and making sure the elections are held as per schedule.

The ratification of the MCC Nepal Compact would be a major issue that the Deuba Government would have to handle in the upcoming quarter. Further delay in a concrete decision regarding the USD 500 million grant would result in the withdrawal of the grant. With the differences among the coalition partners, particularly with CPN-Maoist Center's Chair Pushpa Kamal Dahal against the endorsement of the MMC compact in its current form, whether the grant would be endorsed by the parliament might be a big deal in the upcoming quarter.

International Economy

With 55.1% of the world's population vaccinated with at least one dose of vaccine, many countries are removing the travel restriction for fully vaccinated visitors. The opening of the borders worldwide has helped countries feel some relief. Opening the border in a safe and controlled way can lead to global economic recovery, as many advanced economies' supply chains depend upon air transport for integration in the global economy and many other countries' economies depend upon inbound tourism.

Opening Borders: The United States has opened its 20-months long border closure to fully vaccinated foreign visitors from November 2021. Vaccines approved by the US Food and Drug Administration and the World Health Organization would be accepted for entry by air.¹⁵ Even with the United States being wide open, local, and state-level restrictions still apply.¹⁶ Similarly, Australia after 600 days of closing its international border has taken steps to gradually reopen. The border is open to fully vaccinated New Zealander and Singaporean travellers with a negative COVID-19 test taken 72 hours before departure.¹⁷ Australian and permanent residents are permitted to leave the country with no exemption¹⁸. In addition, the Australian government has announced to allow foreign students and skilled workers to enter the country from December 2021.¹⁹

The opening of borders is an indication of economic recovery for sectors that heavily depend on tourism. According to the estimation of the World Travel

and Tourism Council, closure of borders has cost the tourism sector a loss of USD 2,600 billion.²⁰

G20 Outcomes: The G20 summit was held from October 30 -31, 2021 in Italy. It has led countries to contribute to limit global warming with significant and effective action but only a few concrete commitments were made. The G20 leaders have fallen short on the pledged target of zero emission and have further pledged to reach the target of net-zero carbon emissions by or around mid-centuries instead of specifying a year. The G20 countries have agreed not to fund new dirty coal plants abroad by 2021 end of 2021. The leaders have acknowledged setting a minimum carbon price for polluting countries by using carbon pricing mechanisms and incentives.

In the summit, the countries approved new global regulation for tax billing for a stable and fair international tax system around the world that will tax a minimum of 15% to multinational companies.

Leaders also pledged to help the World Health Organization's target of vaccinating 40% of the world population against COVID-19 by 2021, and 70% by next year by removing financial and supply constraints and supplying vaccines to developing countries.²¹

COP26 Outcomes: The COP 26 summit held at Glasgow from 9-19 November, had a record number of delegates gathered to act against climate change. Despite the various commitments made by the countries to reduce the use of fossil fuel and the amount of carbon emission has left many disappointed as COP failed to provide vulnerable countries with the required funds to rebuild and respond to climate change.²²

The summit has planned to come together next year with a stronger 2030 emission target and limit global warming to 1.5°C. The action to be taken against the use of fossil fuel is a good start since it was not mentioned in the previous COP agreement. Countries came to a consensual agreement on matters like

reduction of emission with a set of rules to ensure reduction in actual emission across the world. 151 countries had submitted the climate plans to reduce emissions by 2030.

COP 26 summit was able to highlight the critical issues pertaining to loss and damage caused by climate changes. Climate vulnerable countries have already faced the loss of lives, land, and permanent damages. Countries agreed on creating dialogue dedicated to discussing the possibility for loss and damage funding.²³

India Commitment Made in G20 and COP26: In the G20 and COP 26 summit, India has set a target for net-zero emissions by 2070 to meet targets laid in the Paris Agreement. India was placed as a key partner for countries to attain climate change and economic success in both the summits. In the G20 summit, the Indian Prime Minister was able to highlight the country's role as a G20 member for stability and economic upliftment and urged for a collaborative approach with the other members.

In the COP26 summit, the Indian Prime Minister along with the Government of the UK suggested an initiative, "One Sun One World One Grid" to connect the world with a global solar grid. The initiative will act as an alternative to fossil fuel-generated energy for developing countries. India for its 2030 targets has committed to reduce the carbon intensity economy by 45% and increase non-fossil energy capacity to fulfil the 50% energy requirement of India and

carbon emission reduction by 1 billion tons.²⁴

Chinese President Consolidates Power at the Communist Party's Sixth Plenum: China's Communist Party (CCP) held its sixth plenary closed-door session where CCPs accomplishments over the past 100 years were discussed along with new party initiatives. The party has maintained its firm faith in Xi Jinping as their "core" leader, General Secretary, Chairman, and President of China and sets to establish governing guidelines. This would allow Xi Jinping to extend his term at the office after amendments were previously made in 2018 to end the two-term limit for Chinese leaders. The plenum is also expected to establish bilateral relations with the USA which will help solve problems relating to economic sanctions, human rights, and foreign policies over Taiwan and the South China Sea. The party also stood firm on its goals to facilitate strong economic development reforms by harnessing science and technological innovation and by portraying China as a "socialist market economy". It was also announced that China would be willing to revive US-China relations and increase their collaboration in the fight against climate change.²⁵

Global Inflation: The Bureau of Labour Statistics has reported a 6.2% rise in consumer prices in the USA over the past year and an inflation rate of 4.1% in Europe.²⁶ Germany has been seen as an inflation-averse country with them not engaging in large-scale spending to help

in COVID-19 recovery. Despite these efforts, Germany has seen a 4.6% rise in inflation which is the highest inflation rate amongst European economies. The main reason for Europe's high inflation is the uneven economic recovery caused by supply chain problems. The conservative nature of European policymakers who haven't been able to cut interest rates during the recession due to European inflation starting one percentage point lower than the United States.

COVID-19 disruption has led to a surge in the price of food and energy set in the global market. COVID-19 led to the shutdown of supply as manufacturers were forced to discontinue production which further caused disruption in the supply chains. As the global economy was moving towards recovery, a new wave of COVID-19 hit different places at different times around the world and the supplies were not able to operate in a uniform manner causing a bottleneck in the supply chain which led to rising prices that were passed down to consumers.²⁷

Soaring Energy prices: After the historic fall in global energy consumption at the earlier stages of the pandemic, the prices of gas, coal, and electricity have drastically risen to the highest recorded level. The rising cost of energy is due to a combination of factors in both the demand and supply sides. The harsh weather all over the world is one of the factors contributing to surged energy prices. Cold weather in Europe last year led to a fall in stored gas levels than normal.

Similarly, the hot weather in Asia attributed to more consumption of gas with increased usage of air-conditioning, and the lower export of gas from Russia to North-west Europe caused the rise in gas prices in Europe, UK, and Asia.²⁸ The increment in the natural gas price has led to countries switching from gas to coal for electricity production. A combination of high prices of both gas and coal has led to a rise in the price of electricity. The increase in the global demand for oil after the plunge in 2020 has caused oil prices to rise and with the global economy starting to open, demand for oil is normalizing and supply is not able to fulfil it.

On the supply side, investment in natural gas and oil has drastically declined in recent years leading to supply being vulnerable. The government's inability to pursue policies to scale up clean energy sources and technologies to fill the gap has weakened the supply side. The postponement of repair from 2020 to 2021 due to COVID-19 lockdown led to

the supply-side being unable to meet the demand in time while demand was recovering. The high price of energy means pressure on households that are directly exposed to changing prices. Especially in Europe, businesses are facing the double impact of rising prices as they must cover the increased energy cost and fall in consumer spending due to the surge in energy expenses. Energy-intensive businesses will be hit hard with the rise in energy prices.²⁹

Global Recovery: The world economy is recovering even as the pandemic resurges and is estimated to expand by 5.6% in 2021. However, the recovery is highly uneven as the growth reveals sharp rebounds in only some of the major economies, whereas most emerging markets and developing economies (EMDEs) are falling behind.³⁰ The aggregate output of the advanced economies is forecasted to recover to the pre-pandemic level by 2022 and exceed by 0.9% by 2024. 90% of these economies anticipate

regaining the pre-pandemic level of per capita while the aggregate output for EMDEs (excluding China) is forecasted to remain 5.5% below the pre-pandemic level by 2024; only one-third of the EMDEs are expected to regain the pre-pandemic level per capita.³¹ Huge disparity observed among such economies is due to the disproportion in access to vaccines and relevant policy support. In the EMDEs, macroeconomic support is being partially removed which has worsened the financial condition. Additionally, the low pace of vaccine roll-out aggravates outbreaks within countries which has led to difficulties in the recovery. Policymakers are facing multidimensional challenges ranging from rising inflation, food insecurity, climate change to low employment. Thus, there is a dire need for balance in policies aiming for economic recovery through safeguarding price stability and fiscal sustainability.

“ OUTLOOK

The spike in energy prices and supply chain bottlenecks will further cause a rise in global inflation in the upcoming quarter. Inflation's impact can be seen in the world's economic growth that was already suffering from the pandemic. Even though many countries are opening their borders to international visitors with European countries being hit by waves of COVID-19, the possibility of countries closing their borders and entering lockdown seems possible if they are not able to contain the spread of the virus within countries. The climate commitments of COP 26 will reshape ways of doing global business in the coming future. The net-zero targets that 90% of the world has signed will bring new regulations to reduce carbon emission all over the world. In the coming quarter, support for green innovation to reduce carbon emission can be seen all over the world.



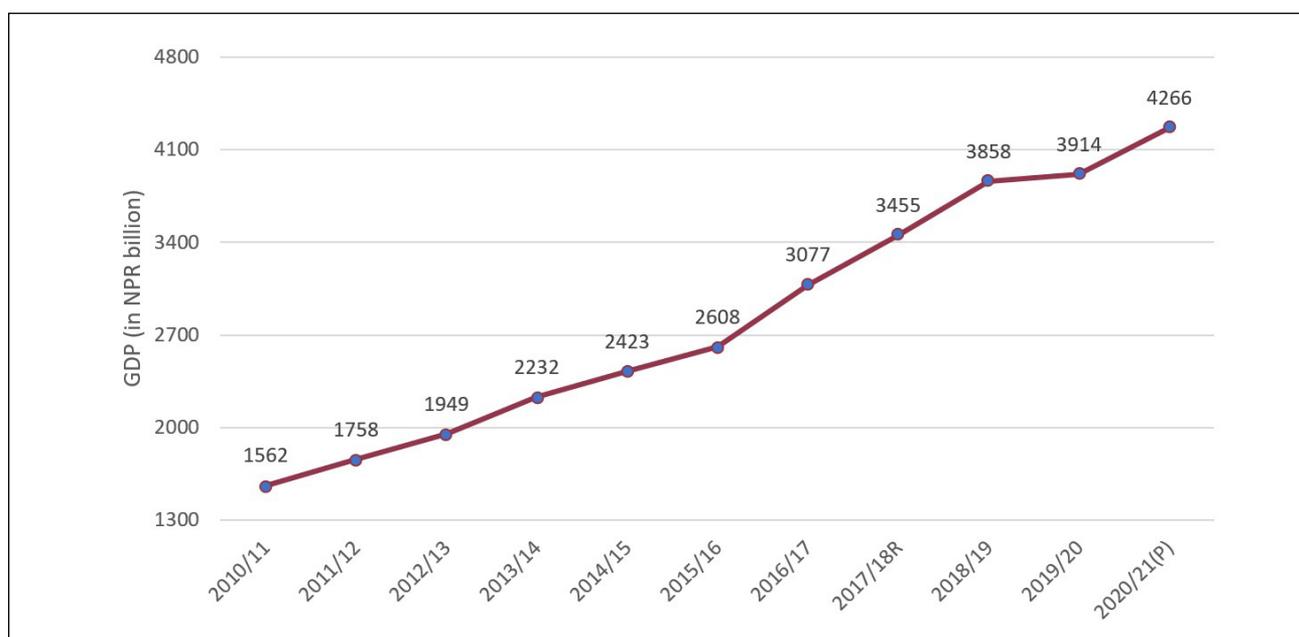
**MACROECONOMIC
OVERVIEW**

Macroeconomic Overview

The pace of economic recovery in Nepal post-pandemic in this review period has been surprising as well as welcoming. However, the most notable sources of foreign currency income for Nepal have not performed well in the review period. The remittance inflows did not register a strong growth, with 7.6% decrease than in the corresponding period of the previous FY and the foreign exchange reserves have been decreasing as well. Besides, the trade volume has also witnessed more imports than exports. With such challenges, and the added liquidity crisis currently seen in the banks and financial institutions of Nepal, the financial and economic sector of Nepal seems to be undergoing a challenging time.

Gross Domestic Product (GDP): According to the three months' data, ending mid-October of FY 2021/22, released by the Nepal Rastra Bank (NRB) in its Current Macroeconomic and Financial Situation published on November 16, 2021, the GDP at current prices stands at NPR 4266.3 billion (USD 35.82 billion) for the FY 2020/21.³² The figure below represents the change in GDP over the last ten years:

Figure 1. GDP at current prices over the years (in NPR billion)



Source: Current Macroeconomic and Financial Situation Annual Table, 2021/22

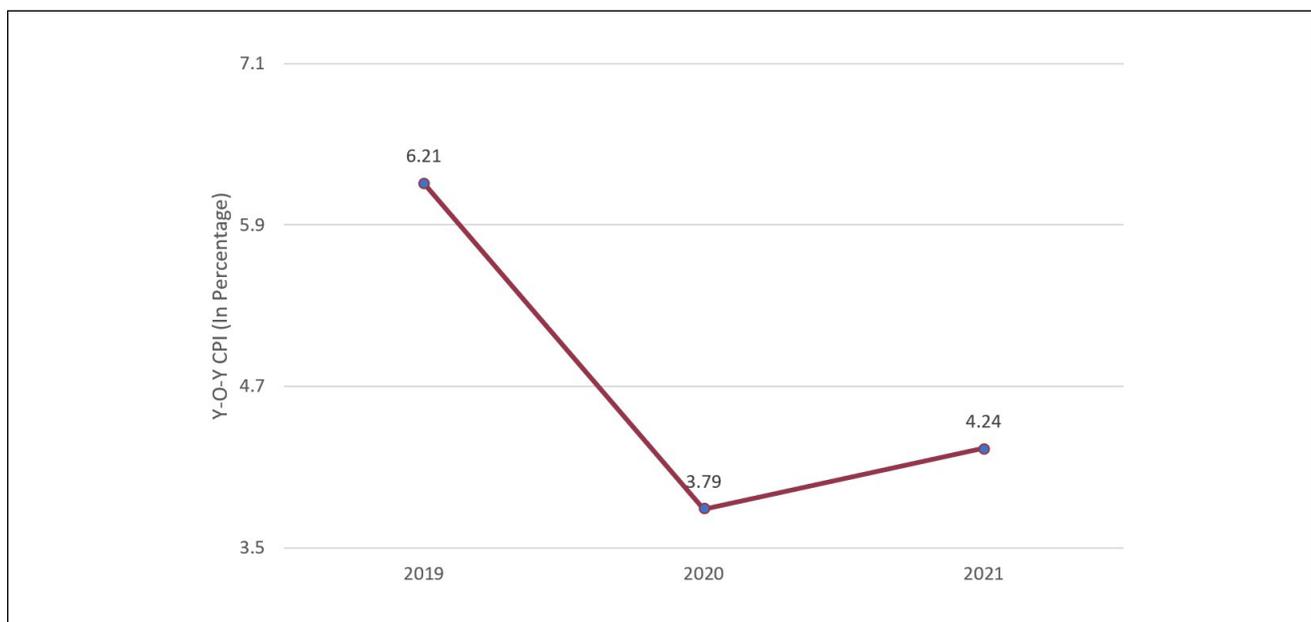
[Note: 2020/21 (P) represents preliminary data of 2020/21 released by Nepal Rastra Bank (NRB)]

In FY 2020, the growth rate was a negative 1.9%, which created almost all the economic sectors to weaken. After the economy loosened, the Nepali economy is gradually bouncing back as to the pre-COVID level. In line with this, the World Bank has forecasted the economy to grow by 3.9% in 2021 and 5.1% in 2022, as per their South Asia Economic Focus (Spring 2021 edition).³³

Inflation: The average inflation rate is measured by the Consumer Price Inflation (CPI). As per the data released by NRB, the year-on-year CPI stood at 4.24% in the first three months of FY 2021/22 compared to 3.79% in the corresponding period of the previous FY 2020/21.³⁴ This indicates that inflation is increasing at an alarming rate. Moreover, since Nepal's inflation has dropped

below India's inflation, it has increased the general public's worry as there is a threat that opportunist traders might take undue advantage of such instability. A series of changes that have occurred in the CPI index over three consecutive corresponding periods has been shown in the graph below.

Figure 2. Year-on-year Consumer Price Inflation (CPI) index of first three months of over three consecutive FY (in percentage) years (in %)



Source: Central Bureau of Statistics.

Consumption of Goods and Services: The Consumer Price Index is a measure which is used to calculate the weighted average of prices of a basket of consumer

goods and services.³⁵ The basket of goods refers to a fixed set of consumer products and services whose price are evaluated on a regular basis.³⁶ The table below

shows the pattern of consumption over a series of three consecutive periods.

Table 1. Food and Non-food Consumer Price Index over three consecutive periods (in percentage) the years (in %)

Headings	Sept/Oct 2020	Aug/Sep 2021	Sep/Oct 2021
Food and beverage	5.50	2.57	3.63
Non-food and service	2.46	4.22	4.72

Source: Current Macroeconomic and Financial Situation of Nepal (ending mid-October), 2021/22

The changes in consumer price index during the review period has been attributed to the rise in food and beverage inflation from 2.57% in August/September of FY 2021/22 to 3.63% in September/October of FY 2021/22. Within food and beverage, the price of ghee and oil, pulses and legumes, tobacco, meat and fish, and non-alcoholic drinks sub-groups rose 31.68%, 10.71%, 10.12%, 11.93% and 9.63% respectively on year-on-year basis. Likewise, the review period also witnessed an increase in the non-food and

service inflation, represented by a rise from 4.22% to 4.72% in September/October of FY 2021/22.

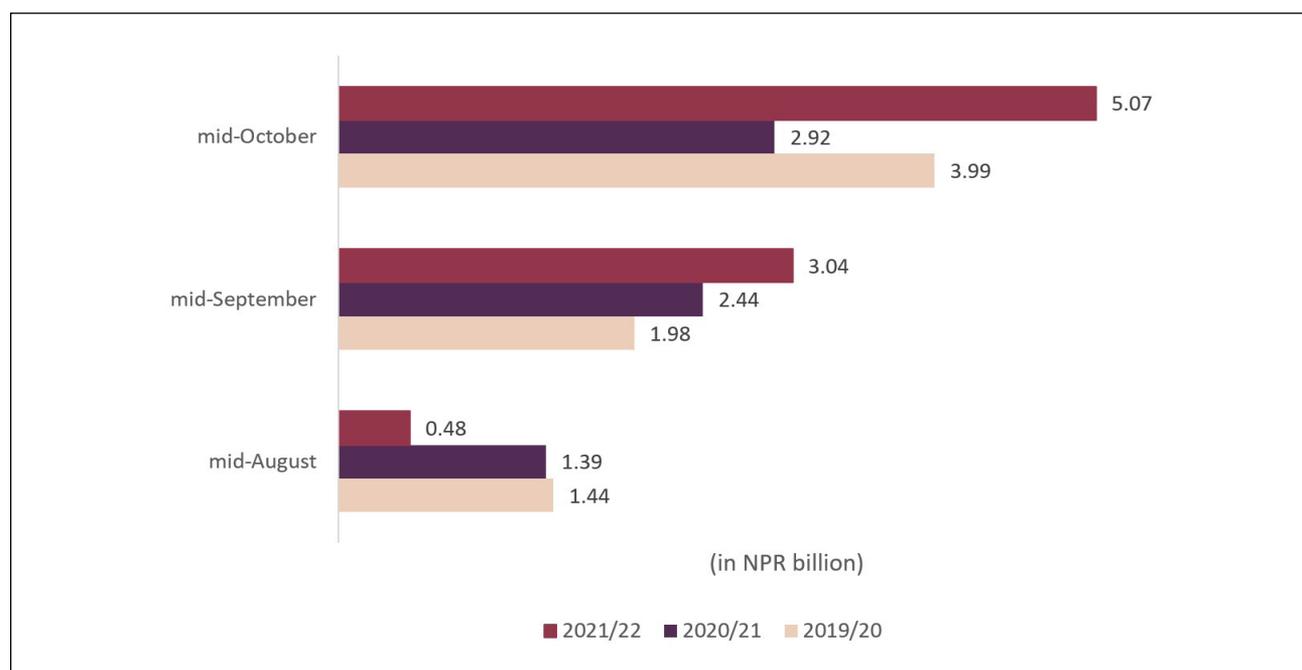
FINANCE STATUS

Investments: In the review period, the net foreign direct investment (FDI) increased by 73.5% to reach at NPR 5.07 billion (USD 0.0425 billion) in the mid-moth ending October in FY 2021/22 in comparison to NPR 2.92 billion (USD 0.0245 billion) in the corresponding period of the previous FY

2020/21.³⁷ The notable increase in the current review period comes as an applaudable depiction of the efforts made throughout the review period in the form of projects, plans, and collaborations to strengthen Nepal's competency and attract FDI, especially when the corresponding period of the previous FY had seen a decrease by 26.8%.

The graph below depicts the change in net foreign direct investments in Nepal in three consecutive FY.

Figure 3. Net foreign direct investments in Nepal of three consecutive FY (in NPR billion) 2020/21 (in %)



Source: Current Macroeconomic and Financial Situation of Nepal (ending mid-October), 2021/22

FOREIGN AID

Bilateral and Multilateral Aid

German Ambassador Provides Medical Aid to Nepal: The newly appointed German Ambassador to Nepal, Dr. Thomas Prinz, handed over health materials under the Emergency Assistance Project to the Minister of Health and

Population, Birodh Khatiwada, on November 23, 2021. The medical aid constituted of 17 units of ventilator, one million units of K95 surgical masks and 22.6 million units of masks among others.³⁸

The World Bank to Provide Assistance for Education and Health Sector: The World Bank

(WB) has decided to provide NPR 5.87 billion (USD 0.0492 billion) for the education sector as well as strengthen the health sector of Nepal. There is a dire need to restructure the education and health sectors of Nepal that have been seriously affected by COVID-19, and with this need, the agreement is expected to accelerate the human capital by

making these sectors inclusive and productive.³⁹

Project/Program-specific Aid

The World Bank and Government of Nepal Launches Rural Enterprise Project:

The World Bank Country Director for Nepal, Maldives, and Sri Lanka, Faris Hadad-Zevos, and the Minister of Agriculture and Livestock Development, Mahindra Ray Yadav, jointly launched the Rural Enterprise and Economic Development (REED) project.⁴⁰ The World Bank has provided USD 80 million (NPR 9.53 billion) loan for the initiative, which will be supplemented by further loans from manufacturers, financial institutions, and local governments over the next four years. The project will help smallholder producers and farmers in rural Nepal to boost their income, encourage agro-entrepreneurship and create jobs.

US Embassy Provides Assistance in Monastery Reconstruction Project:

The US Embassy in Nepal has pledged its assistance in rebuilding the Lo Gekar monastery, located at Lo-ghekar Damodarkunda Rural Municipality in Mustang, for USD 285000 (NPR 33.95 million).⁴¹ The rebuilding will take place as a support from the US Ambassadors' Fund for Cultural Preservation and is aimed to conclude by 2023. The reconstruction will be an asset to Nepal as it a way of preserving and building back Nepal's art and culture that have historical value.

Asian Development Bank to Provide Loan for Electricity

Project: The Asian Development Bank (ADB) has approved a support of USD60 million (NPR7.14 billion) for the ongoing Electricity Grid Monetization Project. The project stands as a way of upgrading power transmission and distribution systems in Nepal through the automation of 34 existing grid substations across Nepal, installing smart meters in Kathmandu Valley, upgrading 144 km, and constructing 113 km of transmission lines, and establishing an electricity distribution system command and control centre.⁴²

Grants and Concessional Loans

Decrease in Foreign Grants, Loans, and Foreign Employment Bond:

As per the Current Macroeconomic and Financial Situation Tables of the first three months of FY 2021/22, the foreign grants accumulated in the first three months (ending mid-October) has decreased from NPR 5.46 billion (USD 0.045 billion) to NPR 1.45 billion (USD 0.0121 billion). This indicates a decrease in foreign grants by 73.41%. Likewise, there has also been a substantial percentage of decrease in foreign loans, indicated by 17.9% from NPR 1315.1 billion (USD 11.03 billion) to NPR 1079.9 billion (USD 9.06 billion). Similarly, the foreign employment bond through NRB and other sources has also decreased from NPR 404.9 million (USD 3.39 million) to NPR 185.7 million (USD 1.55 million) during the same review period.⁴³

Japan and Nepal Sign a Grant Contract:

The Charge d'Affaires a.i. of Japan to Nepal, Yoshioka Yuzo, and the President of

Volunteer Corps Nepal, Deepak Chapagain, have jointly signed a grant contract. The contract aims at building new classrooms at Shree Malika Secondary School in Dailekh district. The project is financed by the Japanese Government's Grant Assistance for Grassroots Human Security Projects (GGP) and includes a grant of NPR 10.45 million (USD 0.087 million) as per a statement by the Embassy of Japan.⁴⁴ The funding will be used to improve the educational environment by establishing eight classrooms with furniture, which would benefit the kids who previously had to study in dilapidated school structures.

REMITTANCE

Remittance Inflows and Migrant Workers

Issuance of Visas to Restore Tourism Business in Nepal:

The foreign nationals entering Nepal are required to submit a list of documents when applying for a visa for Nepal. The list of documents include an evidence of completion of 14 days of vaccination against COVID-19, evidence of COVID-19 negative report taken within 72 hours of being checked in for the flight, proof of hotel booking in Nepal, and a bar code after applying through the portal www.ccmc.gov.np to be presented at the immigration entry point in Nepal.⁴⁵ The establishment of this procedure by the Government of Nepal is done to restore tourism business in Nepal as the past two to three years of the pandemic have battered the Nepali economy.

Preparation of Skill-wise List of Migrant Workers:

The Department of Foreign Employment (DoFE) prepared a final approved list of workers

based on their skills and published it on their official website. The list lays out the details of all new and re-visiting labor migrant workers for the

month of Bhadra 2078 (August 17 to September 16, 2021). As per the list, the following are the skill-wise details of the migrant workers:

Table 2. Skill-wise list of migrant workers (August 17 to September 16, 2021)

S.N.	Skill Type	Approved number of male workers	Approved number of female workers	Total approved number of workers
1	High-skilled Workers	7	1	8
2	Professional Workers	25	2	27
3	Semi-skilled Workers	2490	181	2671
4	Skilled Workers	12935	690	13625
5	Unskilled Workers	18761	948	19709
	Total	34218	1822	36040

Source: Department of Foreign Employment, 2021

Increase in number of migrant workers applying for foreign employment:

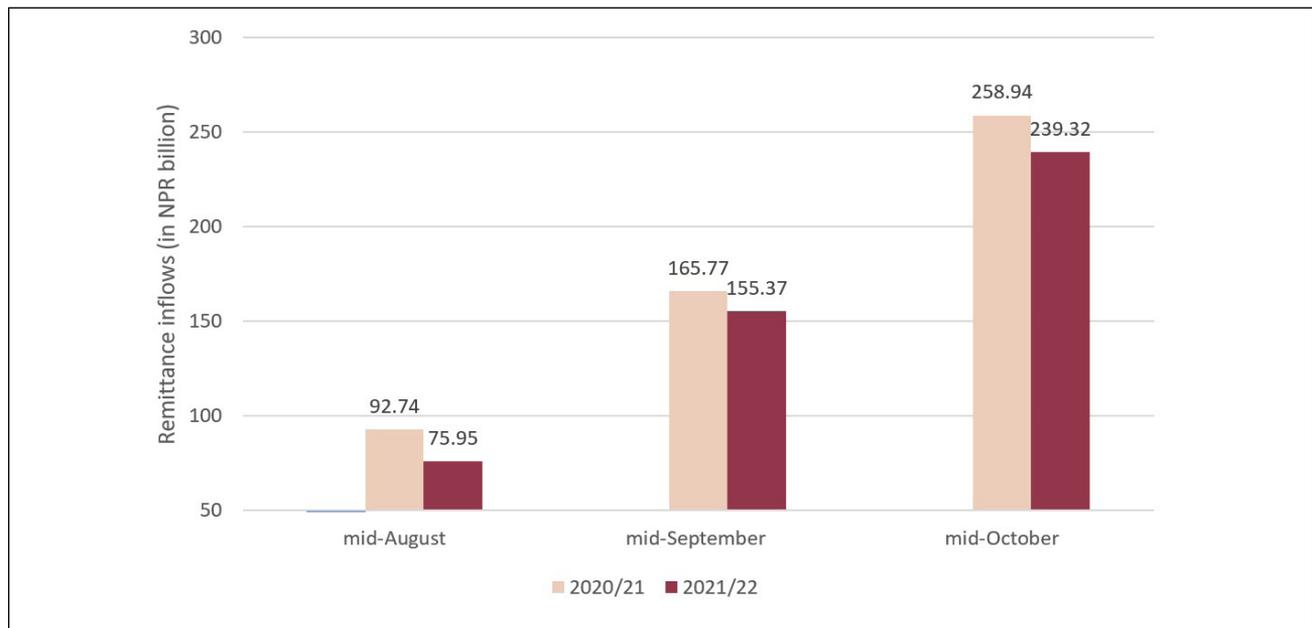
According to the three months' data ending mid-October of FY 2021/22, from the Current Macroeconomic and Financial Situation report of NRB, the number of Nepali migrant workers taking approval for foreign employment has increased notably to reach at 66,316 against a decrease by 96.8% in the same period of the previous FY. Likewise, the number of Nepali workers taking approval for renewed entry into their foreign employment has also risen significantly to reach at 34,823 against a decrease of 78.6% in the same period of the previous FY.⁴⁶

Decrease in remittance inflows:

In the review period depicting three months' data ending mid-October of FY 2021/22, the remittance inflows have decreased by 7.6% to stand at NPR 239.32 billion (USD 2.008 billion) against an increase of 12.7% in the corresponding period of the previous FY 2020/21.⁴⁷ However, in comparison to the previous month of the current FY, there has been a notable increase in remittance, suggesting the need to focus on improving laws, plans and policies for encouraging and streamlining remittance inflows. Moreover, although the number of migrant workers going abroad has been gradually increasing, they have not been able to send

the remittance income right away. Besides, NRB has strongly stated that there has been a surge in *hundi* activities again, which is the use of informal remittance transfer channels especially prevalent among South Asian migrant workers. Hence, the rising cases of *hundi* might have caused remittance incomes to tumble.⁴⁸

The change in remittance inflows over the last three months of the FY 2021/22 has been presented in the figure below:

Figure 4. Remittance inflows over the last three consecutive years (in NPR billion)

Source: Current Macroeconomic and Financial Situation of Nepal (ending mid-October), 2021/22

Destination Countries

Complaints on the Labor Practices of Malaysia: Ohio-based Goodyear Tire & Rubber Company's Malaysian factory have been receiving complaints regarding their working conditions and potential labor abuses. The US government investigators, Homeland Security Investigations (HIS), have been following the allegations filed by 185 migrant workers from Nepal, India, and Myanmar against the company in 2019 and 2020.⁴⁹ The complaints have been based on unpaid wages, non-compliance with collective agreements and wrongful deductions and threats to migrant workers.

Plans and Programs Targeted Towards Migrant Workers

Change in the Foreign Exchange Reserves for Nepali Travellers: During COVID-19,

and immediately after the lockdowns loosened due to falling number of positive COVID-19 cases, there has been a surge in the number of students going abroad for further studies and potential employment. Because of this, they have turned to *Hundi* and other informal money transfers, which has in turn caused havoc in the remittance inflows. Considering the rise in the *hundi* traders, the Department of Immigration has halved the minimum amount of foreign exchange that Nepali travellers are allowed to carry abroad to USD 500 (NPR 59,565).⁵⁰ With this, the minimum amount that travellers (including migrant workers and tourists), going to Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, the United Arab Emirates (UAE), Malaysia, Thailand and South Asian nations has been reduced further to USD 250 (NPR 29,782).

COVID-19 Vaccination to be Resumed at Local Levels Targeting Migrants: The health authorities in Kathmandu have decided to provide the vaccination against COVID-19 regularly at the city's four bus stops from November 21, 2021. This plan has been devised considering how the demand for vaccination has saturated, especially because of the festivities in the last months.⁵¹ Now, the Health Office has targeted to resume vaccination drive at all local levels targeting the migrant population who might have returned from villages after celebrating the festivals.

Increase in the Number of Borrowers for Project Loan: As stated in the previous review period, the Government of Nepal has come up with project loan for youth-returnee migrant workers as part of its interest subsidized concessional loan in a bid to

equip them with skills and retain them in the country. Under this, the number of borrowers for the said loan has increased from 839 in mid-July 2021 to 928 in mid-October 2021. With this, the outstanding loan amount has also significantly increased from NPR 598 million (USD 5.019 million) to NPR 644.7 million (USD 5.411 million). This suggests that more youth are undertaking the loan, and hopefully it will create the intended results that can be reflected in the economic condition of the country.

GOVERNMENT RESERVES

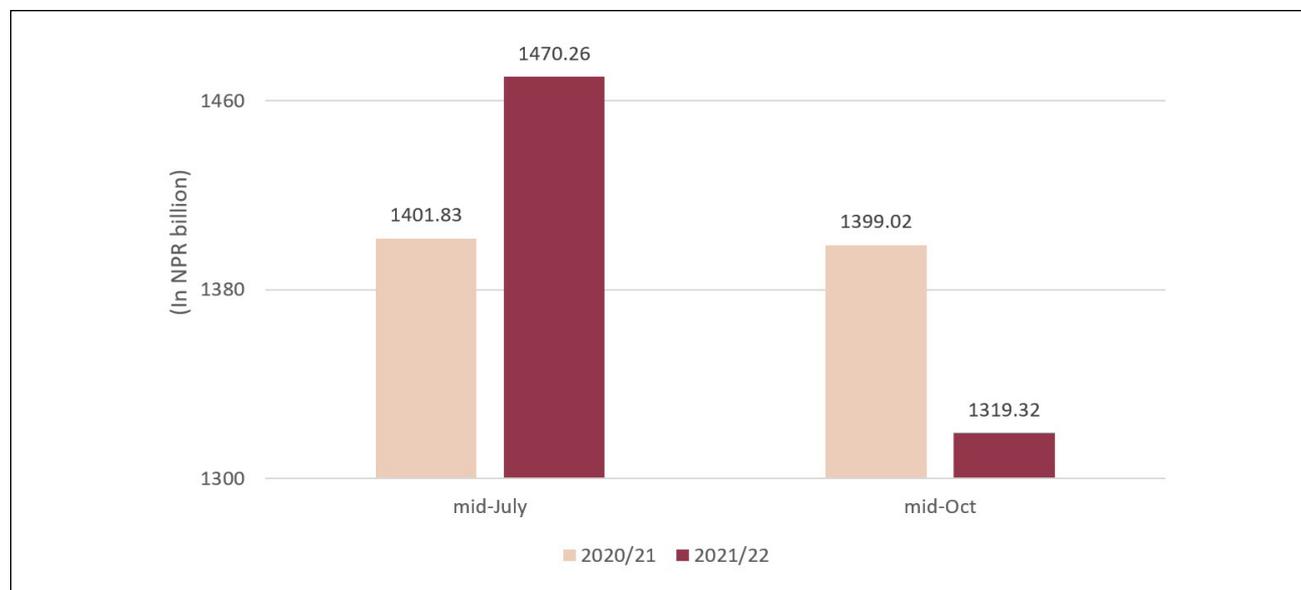
According to the Current Macroeconomic and Financial Situation of three months ending mid-October of FY 2021/22, the gross foreign exchange reserves stood at NPR 1319.31 billion (USD 11.07 billion). This depicts a 5.7% decrease from NPR 1399 billion (NPR 11.74 billion) of the previous period in FY 2020/21.⁵² The decrease in reserves indicates that Nepal is experiencing worsening balance of payments. Moreover, as the economy has loosened further, the imports have surged

further which has added the threat of depleting reserves. The reserves are sufficient for importing goods and services for 10.2 months.⁵³

Hence, as a way of overcoming this, various policies are being explored. One such is to allow Non-resident Nepalese (NRN) to open their USD bank accounts inside Nepal by easing the process of depositing their money and repatriating interest earnings.⁵⁴

The trend of the reserves over the last two years has been depicted in the figure below.

Figure 5. Gross Foreign Exchange Reserves over the last two consecutive years (in NPR billion)



Source: Current Macroeconomic and Financial Situation of Nepal (ending mid-October), 2021/22

GOVERNMENT DEBT

The total outstanding domestic debt accumulated by the Government of Nepal can be divided into treasury bills, development bonds, citizen saving bonds, foreign employment bond and others through Nepal Rastra Bank (NRB), commercial banks, development banks, finance companies and others. In total, the government

debt stands at NPR 7713.20 billion (USD 64.74 billion) in mid-October of FY 2021/22 compared to NPR 6462.12 billion (USD 54.24 billion) in the corresponding period of FY 2020/21.⁵⁵ This indicates a surge by 19.4% in the government debt in a year and is suggestive of the vulnerable financial condition that the country is in as the debt amounts have been rising gradually over the years along with their shares to the country's

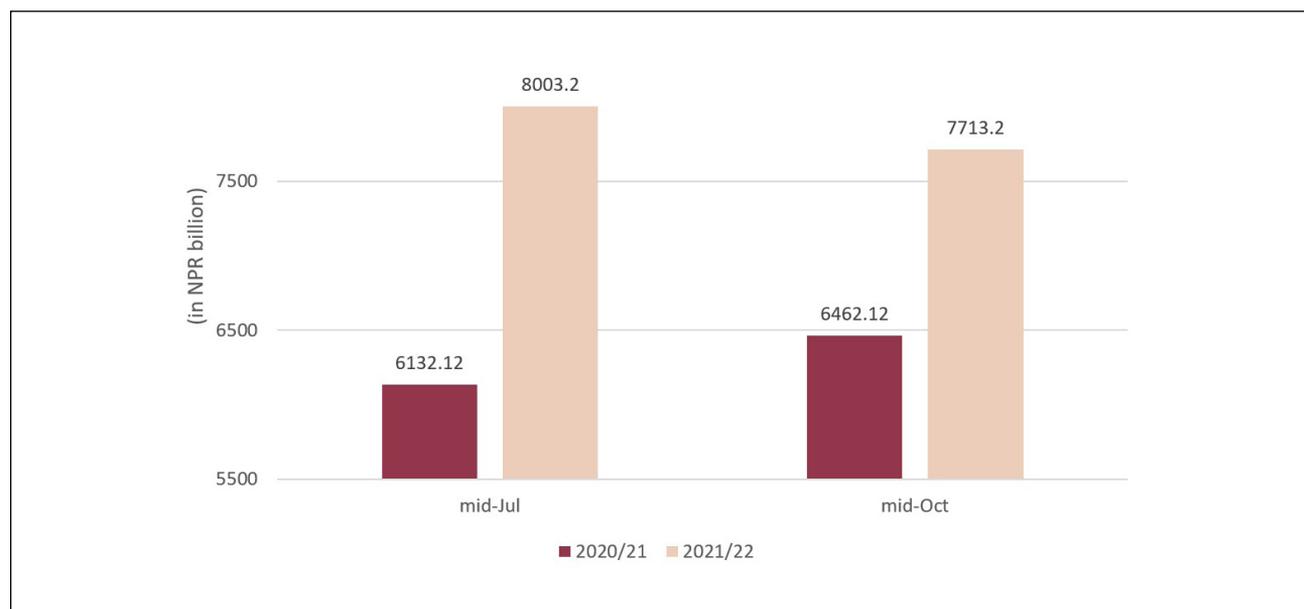
GDP. The rising government debt can be a huge threat to the government of Nepal and for the Nepali economy, especially at current times when there is liquidity crunch facing most banks and financial institutions of Nepal.

The table below represents the government debt status over the last three years.

Table 3. Government debt over the mid-month of last two years (in NPR billion)

Particulars	2020/21		2021/22	
	Mid-Jul	Mid-Oct	Mid-Jul	Mid-Oct
Total Domestic Debt	6132.12	6462.12	8003.20	7713.20
Nepal Rastra Banks	6683.27	7130.01	5678.65	5997.06
Commercial Banks	4913.82	5062.89	6516.41	6200.93
Development Banks	3138.77	4071.27	5675.83	5803.15
Finance Companies	1262.36	1603.13	2244.12	2063.62
Others	1098.58	1187.84	1269.26	1258.85

Source: Current Macroeconomic and Financial Situation of Nepal (ending mid-October), 2021/22

Figure 6. Total domestic debt over the last two years (in NPR billion)

Source: Current Macroeconomic and Financial Situation Annual Table, 2020/21

Government Spending (Expenditure and Revenue):

Based on Nepal Rastra Bank's Current Macroeconomic and Financial Situation Report, the Government of Nepal's fiscal position remained at a deficit of NPR 58.1 billion (USD 0.48 billion) in the third month of the FY 2021/22 in comparison to a deficit of NPR

65.5 billion (USD 0.54 billion) in the corresponding period of the previous FY 2020/21.⁵⁶

Herein, the fiscal position is determined by the breakdown into government spending i.e., government expenditures and revenues. According to the Financial Comptroller

General Office (FCGO), the total government expenditure and revenue amounted to NPR 234.52 billion (USD 1.96 billion) and NPR 255.1 billion (USD 2.14 billion) in the first three months of the FY 2021/22. Last year, the amount was NPR 201.1 billion (USD 1.68 billion) and NPR 172.2 billion (USD 1.44 billion) respectively in the

corresponding periods. In other words, the expenditure growth in mid-October of FY 2021/22 was 16.6% in comparison to 13% in the previous year. Likewise, the revenue growth has also increased to 48% in mid-October of FY 2021/22 in comparison to a decrease by 9.1% in the

previous year. This shows that the government expenditure has been soaring at a decreasing rate, and the revenue collection has also comparatively strengthened. The reasons behind such change in government expenditure and revenue are the loosening lockdown restrictions and the

return to normalcy in general trading of goods and services in the market, operation of tax offices as pre-COVID, and others.

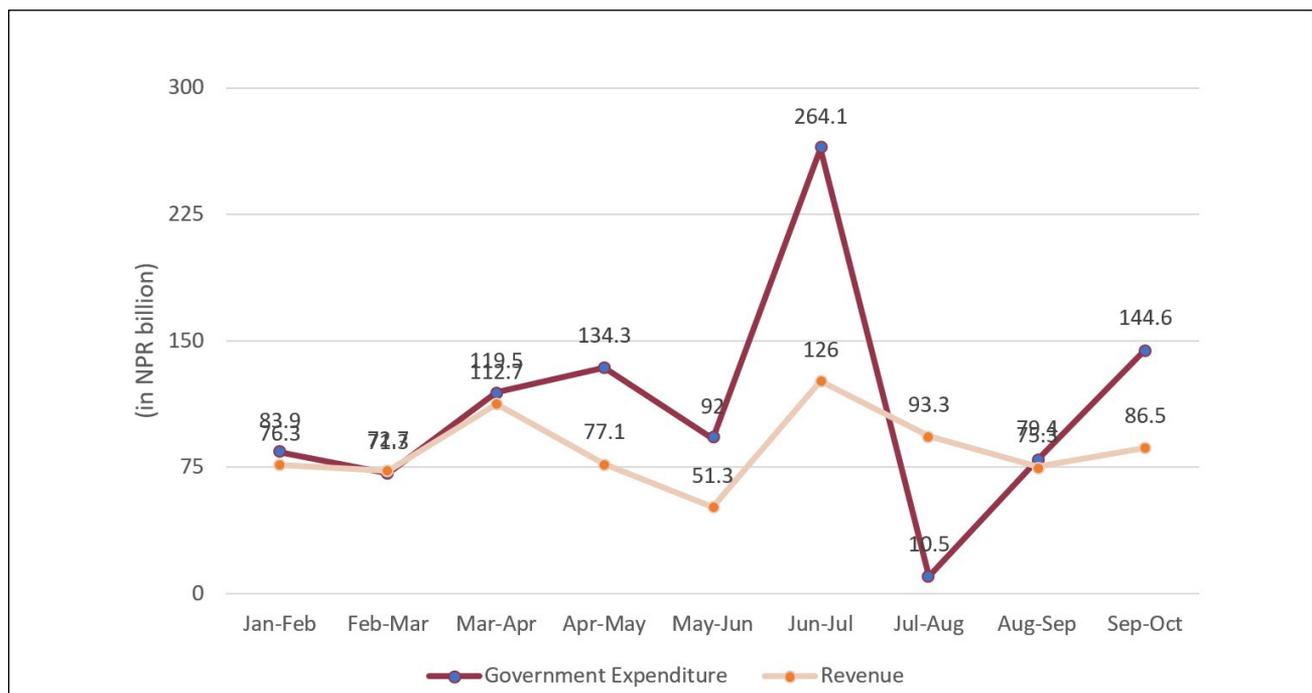
The table given below is a breakdown of the whole fiscal year's expenditure and revenue during mid-months.

Table 4. Government Spending (expenditures and revenue) during mid-months of FY 2021/22 (in NPR billion)

Particulars	Jan-Feb	Feb-Mar	Mar-Apr	Apr-May	May-Jun	Jun-Jul	Jul-Aug	Aug-Sep	Sep-Oct
Government Expenditure	83.9	71.3	119.5	134.3	92.0	264.1	10.5	79.4	144.6
Current Expenditure	64.4	49.1	71.2	103.2	70.4	151.1	9.6	49.0	127.9
Capital Expenditure	12.0	16.9	26.1	20.0	17.2	85.2	0.9	1.7	12.3
Revenue	76.3	72.7	112.7	77.1	51.3	126.0	93.3	75.3	86.5

Source: Current Macroeconomic and Financial Situation Annual Table, 2020/21

Figure 7. Government Spending (expenditures and revenue) during mid-months of FY 2021/22 (in NPR billion)



Source: Current Macroeconomic and Financial Situation of Nepal (ending mid-October), 2021/22

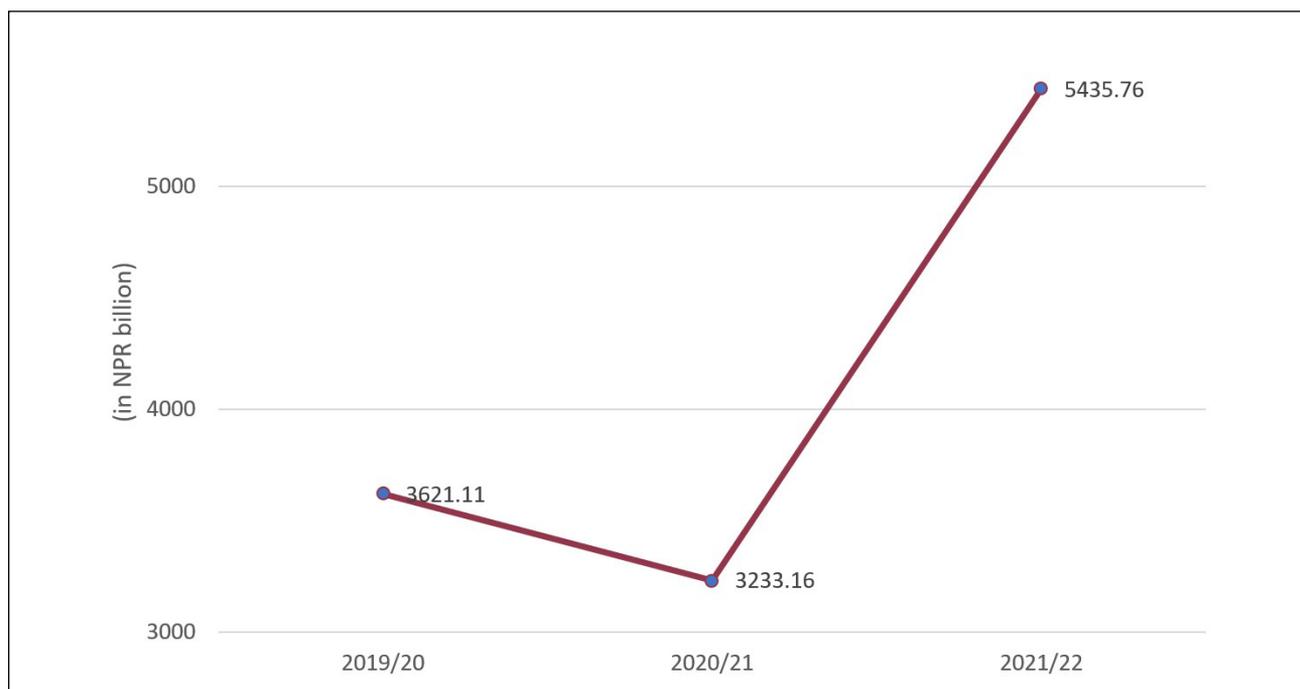
TRADE STATUS

Foreign Trade Scenario: In terms of foreign trade scenario, the total foreign trade reached to NPR 5435.76 billion (USD 45.62 billion) in the first three months of the FY 2021/22 in comparison to NPR 3233.16 billion (USD 27.13 billion) in the

same period of the previous year, indicating an increase by 68.1%. The most significant trade of Nepal is with its neighbouring countries, India, and China i.e., 62.54% and 19.85% respectively. Likewise, the share of export and import in the total foreign trade scenario is 11.97% and 88%

respectively, indicating how Nepal is more dependent on imports than exports. The exports volume from Nepal has increased by 2.37% which is a gradual but applaudable increase. Nevertheless, there is a greater need for appropriate measures to bring reform in this sector.

Figure 8. Total foreign trade over the last three years (in NPR billion)



Source: Current Macroeconomic and Financial Situation of Nepal (ending mid-October), 2021/22

Top Imports and Exports: According to the Current Macroeconomic and Financial Situation of FY 2021/22, the merchandise exports increased by 109.5% to reach at NPR 65.05 billion (USD 0.54 billion) in comparison to an increase of 14.3% in the corresponding period of the previous FY 2020/21.

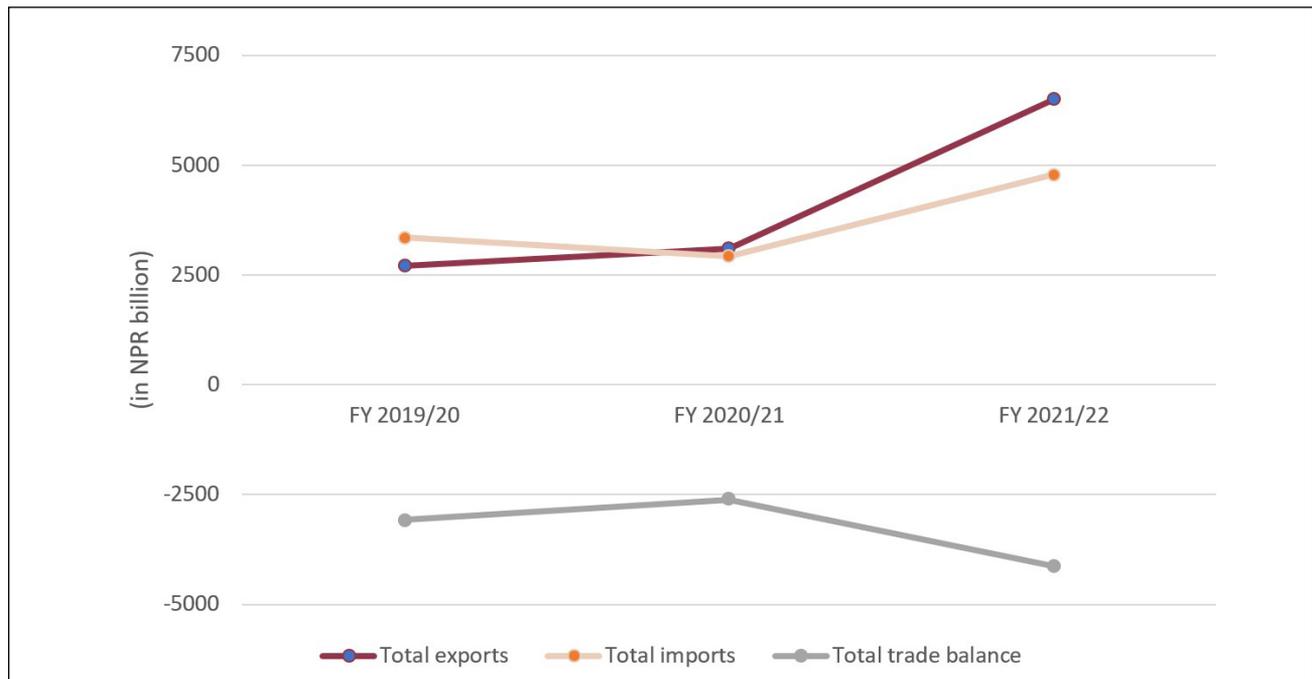
Elaborating this, the exports to India, China and other countries rose by 147.1%, 19.4% and 27.2% respectively. Contrastingly, the exports to China had decreased by 14.7% in the previous period. With

this, India's share in total exports reached 81% of the total exports in the review period, which is the highest, in comparison to 68.7% in the previous period. Overall, the top five export commodities were soyabean oil (33.9%), palm oil (20.8%), polyester yarn and threads (4%), woollen carpet (3.8%), and jute goods (3.4%).

Likewise, according to the same report, the merchandise imports increased by 63.7% to reach at NPR 478.52 billion (USD 4.01 billion) against a decrease of 12.7% in the corresponding period

of the previous FY 2020/21. In the case of imports, the imports from India, China and other countries increased significantly by 48.4%, 55.2% and 124.2% respectively. With this, India's share in total imports reached 60% of the total imports in the review period, which is the highest, against 66.2% in the previous period. Overall, the top five imports were petroleum products (11.3%), transport equipment and parts (8.5%), machinery parts (4.4%), crude soyabean oil (4.3%) and telecommunication equipment and parts (4.2%).

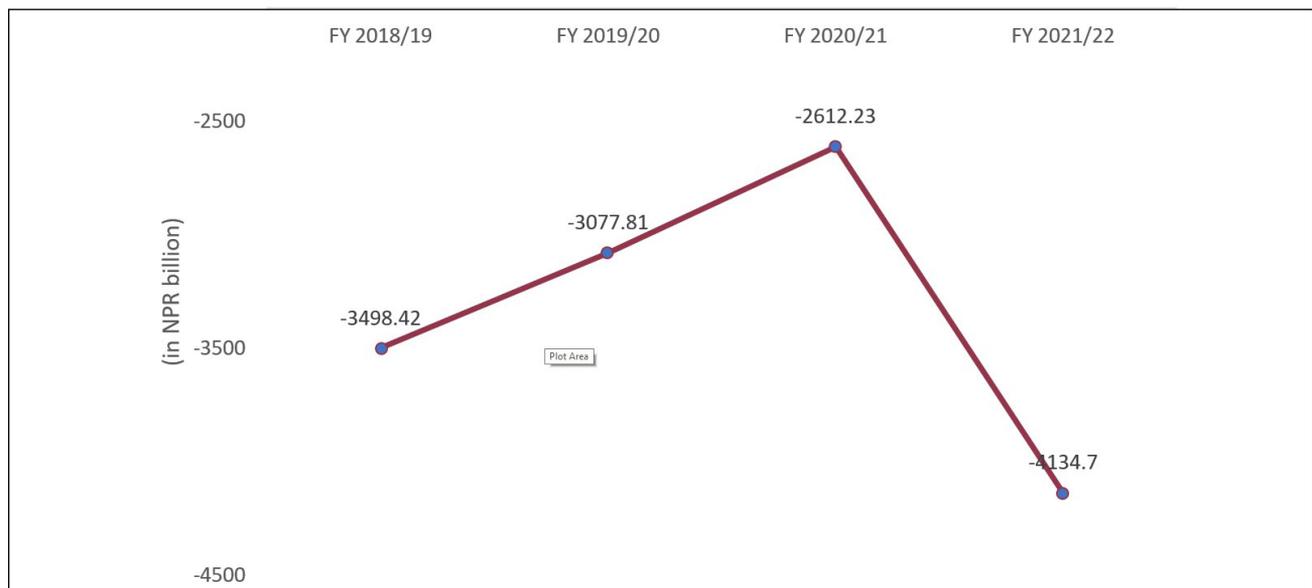
Figure 9. Total Imports and Exports of the first three months ending mid-Oct over the last three FY (in NPR billion)



Source: Current Macroeconomic and Financial Situation of Nepal (ending mid-October), 2021/22

Balance of Trade: Based on the Current Macroeconomic and Financial Situation of FY 2021/22, the total trade balance witnessed 58.3% increase in the first three months of FY 2021/22 in comparison to a decrease by 15.13% in the corresponding period of the previous fiscal year. However, despite the increase, the total trade balance figure stands at a negative NPR 4134.70 billion (USD 34.70 billion) because of higher imports than exports. The trade balance of the last three years is presented in the graph below.

Figure 10. Total trade balance ending mid-Oct over the last three years (in NPR billion)



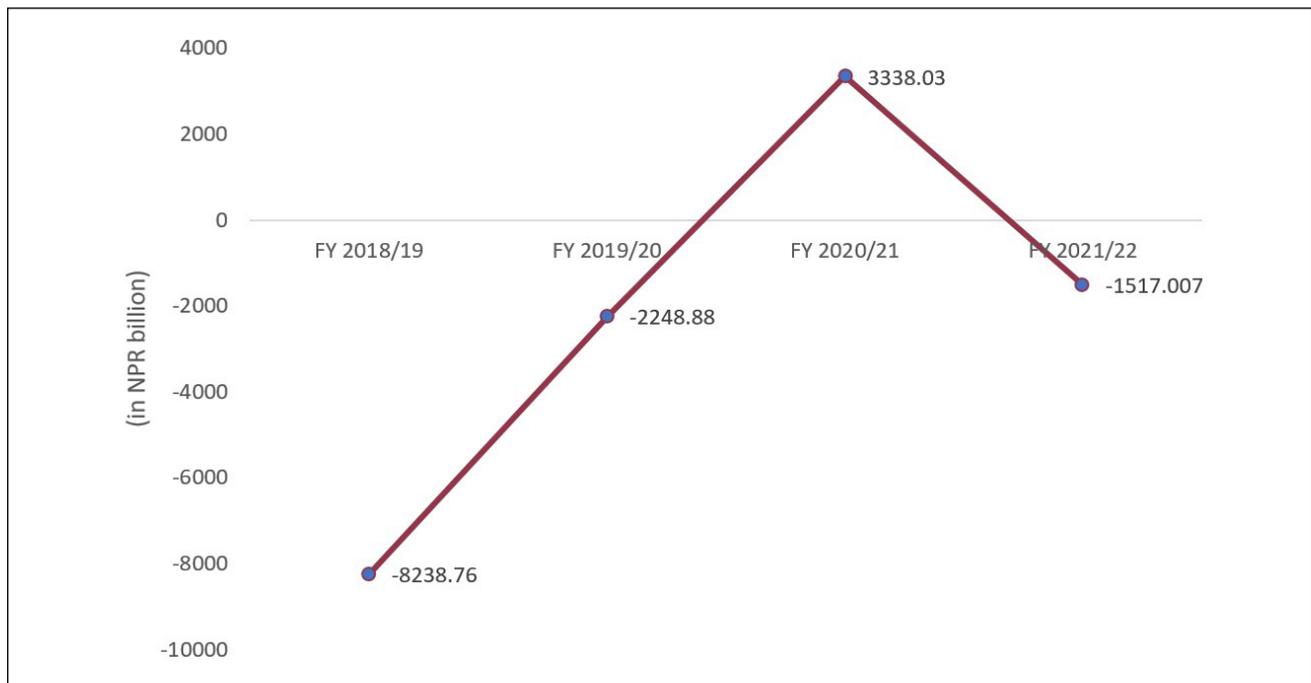
Source: Current Macroeconomic and Financial Situation of Nepal (ending mid-October), 2021/22

Balance of Payment: As of the first three months of FY 2021/22 (ending mid-October 2021), the current account remained at a deficit of NPR 151.70 billion (USD 1.27 billion) compared to a surplus of NPR 33.28 billion (USD 0.27 billion) in the corresponding period of the previous FY 2020/21.⁵⁷ Likewise,

the balance of payments (BOP) registered a deficit of NPR 76.14 billion (USD 0.63 billion) in the review period, whereas there was a surplus of NPR 101.09 billion (USD 0.84 billion) in the same period of last year.⁵⁸ This indicates that the BOP is in a weakening condition in comparison to the previous

year, as clearly depicted by a deficit against surplus. The country is sustaining an increasing pressure to manage the foreign currency, which is already declining, and the liquidity crunch has added an extra pressure. This also hints towards a possible decline in the next review period.

Figure 11. Balance of payment trend (of first three months) over the last three FY (in NPR billion)



Source: Current Macroeconomic and Financial Situation of Nepal (ending mid-October), 2021/22

Exchange Rate Fluctuations: Nepali currency visa-a-vis the USD depreciated by 0.9% in mid-October 2021/22 against an appreciation of 2.8% in the corresponding period of the previous FY 2020/21.⁵⁹ The depreciation of the USD comes as an effect of the weakening Indian economy and Nepali currency being pegged with the Indian rupee. Hence, the depreciation is an indication that Nepali rupee is becoming weaker against the US dollar. In such a condition and considering

how Nepal is an import-based economy, there is a risk posed at the state of inflation in the country as the cost of imports would now be higher.

Gold/Silver Updates: According to the Department of Customs, gold and silver have become two of the country's top imports during the first quarter of the current FY 2021/22. As a result, the demand for gold and silver and particularly, gold jewellery, has increased significantly in Nepal.

After the onset of COVID-19 pandemic and the subsequent lockdowns, many wedding occasions had either been cancelled or postponed throughout the country. Ever since these lockdowns have loosened, all the markets across the country have been trammelled with shoppers buying a slew of materials for weddings and other ceremonies. Along the same lines, as per the President of the Federation of Nepal Gold and Silver Dealers Association, the demand for gold

has notably increased, by more than double, in comparison to the corresponding period of the previous FY.

The import of gold increased from NPR 737 million (USD 6.18 million) in the first three months of the FY 2020/21

to reach at NPR 11.27 billion (USD 0.094 billion) during the corresponding period of the current FY 2021/22, as per the Trade and Export Promotion Center (TEPC).⁶⁰ Likewise, the price of gold in Nepal hovered around NPR 75,000 per tola (USD 629.56 per tola) before

the COVID-19 pandemic, and crossed the six-digit mark for the first time in August 2020, amidst a pandemic-battered economy. The prices have only soared since then, leading to NPR 92,300 per tola (USD 774.78 per tola) as of November 23, 2021.⁶¹

OUTLOOK

The current fiscal year started off on a welcoming note after witnessing record high remittance earnings in the last fiscal year. As the year paced, the remittance earnings, which is a crucial factor in contributing to consumption and expenditure in Nepal, dropped. Since Nepal is heavily dependent on remittances, this is a concerning issue capable of muting the economic activities in Nepal. However, based on the number of migrant workers going abroad, experts are of the view that remittance income will start swelling within a few months as this is just a transition. Moreover, there is a need for the government to scrutinize the development arena and ease the foreign direct investment processes in Nepal. This is because even though FDI has grown in the review period, the growth is still insignificant amid a massive rise in foreign exchange spending for imports.

With this background, policy responses and positive changes are a must in the current Nepal. Policies that can simplify the infrastructure projects, ease the FDI process, stimulate productive demand, increase capital expenditure, and increasing tax revenue are most needed to create a sustainable impact. Gradual resumption of international tourism, encouraging domestic tourism with enhanced quality services, acceleration in consumption, exports, are all necessary for the economy to recover. Formalization of remittance, increasing trade of competitive goods, competitiveness, and economic growth should be the key priorities of Nepal. For this, the personnel at all the tiers of the government must be well-versed, accountable, and responsible.



**SECTORAL
REVIEW**

Agriculture

The agriculture sector has been hit hard by the torrential unseasonal rain—washing hectares of land consisting of various cultivation causing a hike in the price of various kitchen staples. Paddy crops of 424, 113 tonnes on 111,609 hectares which were ready to be harvested have been destroyed. Moreover, the shortage of chemical fertilizer due to the reluctance of importers to purchase fertilizers due to the rise in price in the international market will impact the farmers during the plantation season. There has been a surge in the price of commodities like oil, ghee, meat, pulses that can be attributed to the festival season.

TRADE OF AGRO COMMODITIES

Ban on Import of Peppercorns, Peas, Dates, and Betel Nuts:

The government has banned the import of peppercorns, peas, dates, and betel nuts at the request of the Nepal Rastra Bank (NRB). NRB requested government intervention due to the strain faced by the foreign reserve. Nepal has imported betel nut worth NPR 1473 million (USD 12.364 million), and pea worth NPR 3365.1 million (USD 28.247 million) in the first three months of the current fiscal, whereas betel nut worth NPR 171 million (USD 1.435 million) was imported in previous fiscal year's first three months and pea worth NPR 723.5 million (USD 6.073 million) was imported with an increment of 365.1% can be seen in import of pea.

Nepali traders have been found taking advantage of the South Asian Free Trade Area (SAFTA) agreement's provision of zero tariffs on goods exported from an underdeveloped country like Nepal. Nepali traders import these goods from third

countries by paying minimum tariffs and exporting finished products to India with zero tariffs. Similar interventions by the government were carried out in March 2019/20 that restricted the import of expensive edible goods along with luxury vehicles. A flexible restriction was placed due to the pressure from traders' that allowed traders to import 15,000 tons each of betel nuts and pepper and 5,000 tons of date annually for industrial purposes only.

Thus, NRB has stated that it will only allow the shipment of these goods to those traders who have obtained permits and opened letters of credit accounts as of mid-July this year. In relation to the import of these goods, the central bank has asked banks and financial institutions to not consider new documents for transactions and payments.⁶²

PRODUCTION UPDATES

Paddy Production Hit Hard by Unseasonal Rain: According to the Ministry of Agriculture and Livestock, the initial estimated

damage to the paddy crops from the unseasonal rain is at NPR 8.26 billion (USD 69.336 million). It is the highest recorded loss by the Ministry and the estimation excludes losses of livestock and food stored by farmers. The initial estimation states 325,258 tonnes of ready-to-harvest paddy crop on 85,580 hectares were submerged or swept nationwide. Lumbini province has suffered the highest losses with damages at NPR 4.51 billion (USD 37.857 million). The sudden rainfall had a major impact on the country's economy as paddy contributes 7% to the national gross domestic product and is a major source of income for half the population. It is calculated that economic growth will drop by 0.5% to 0.6%.⁶³

A task force was formed to evaluate the damage caused by the incessant rain in which the revised estimation of the loss was determined at NPR 11.87 billion (USD 99.639 million). With the recent statistics, paddy crops of 424,113 tonnes on 111,609 hectares have been destroyed. The government has decided

to provide NPR 5.52 billion (USD 46.335 million) pay-outs to farmers in three categories.

Small farmers with up to 10 katthas of land whose paddy crops have been completely destroyed will be compensated with 65% of the production cost at NPR.1,921 (USD 16.12) per kattha⁶⁴. Similarly, for medium farmers with holdings of 11 to 40 katthas, the government would subsidize 30% of their production costs at NPR.887 (USD 7.44) for each kattha.

The government would reimburse big farmers whose farms are larger than 41 katthas for 20% of their output costs. They will receive NPR.591 (USD 4.9) per kattha in compensation. The government has decided to compensate partially impacted farmers with a payment of 20% of their production costs by paying NPR 591 (USD 4.9) per kattha.⁶⁵

Flood Damage in Jumla Region:

The flood at Jumla prompted by the continuous rainfall from October 18 to October 20 has caused damage to 800 farmer crops that include apple, orchard, walnut nursery, apple nursery, maize, bean, and millet. In the Tila village, 13 hectares of land with 141 metric tons have been damaged, at Tatopani, 209 metric tons of paddy out of 708 metric tons of paddy planted have been washed by the flood. The District Administration Office stated that a total of 769 metric tonnes of “Marsi Dhan” from wards 1 to 6 of Sinja Rural Municipality has been damaged as well as 582 metric tons of maize crop and 290 metric tons

of beans have been destroyed.

The damage of the flood is not limited to crops, but there has been property damage and livestock. 23 irrigation canals, 10 power plants, and 33 small industries and traditional water mills have been destroyed. Livestock has been washed away by flood at Tila village and Tatopani. These damages can possibly lead to the starvation of farmers as it has destroyed agriculture on a larger scale and the survival of farmers depends upon the government’s relief package.⁶⁶

INPUT UPDATE

Chemical Fertilizer Shortage in Far-West:

In the last four months, both fertilizers, urea, and DAP have been unavailable ahead of the wheat sowing season. Farmers require 25,000 metric tonnes of DAP and 1,000 metric tonnes of potash and only 50% of needed fertilizer are provided by the federal government.⁶⁷

According to the farmers, warehouses of state-owned chemical fertilizer sellers, Agriculture Inputs Company and Salt Trading Corporation are almost empty. The shortage has forced farmers to smuggle chemical fertilizers from India at a higher price. Farmers have already suffered from the unseasonal torrential rain; the province has a loss of NPR 1.91 billion (USD 16.032 million) by it. Without a proper supply of chemical fertilizer, it will impact the wheat crop, mustard, vegetable, and banana cultivation this year. The main cause of the shortage is the surge in global

prices of chemical fertilizer. The government company responsible for importing fertilizer is having difficulty finding sources. According to officials of the government chemical fertilizer supplying company the shipment of fertilizer is likely to arrive by the end of November.⁶⁸

Shortage of Fertilizer for Upcoming Plantation Season:

Fertilizer shortage has been a recurring problem in Nepal during the plantation season. This year, again, farmers are possibly facing a shortage because importers are reluctant to purchase the required amount of fertilizer due to the surge in the price of fertilizer in the international market. Agriculture Inputs Company Limited (AICL) granted a contract to the importer at the existing price but since then the purchase price of chemical fertilizer. In the past few months, the chemical fertilizer price has increased from USD 670 (NPR 79.81 thousand) per ton to USD 948 (NPR 112.9 thousand) per ton. Therefore, the contractors are unwilling to purchase at a higher price and supply at a cheaper price.

Nepal requires 750,000 tons to 800,000 tons but the government has only allocated NPR 15 billion (USD 125.912 million) which is only sufficient for purchasing 200,000 as stated by the Managing Director of AICL. In the previous year, to address the shortage problem of fertilizer, it was announced to purchase fertilizer from a government-to-government agreement basis, but no progress has been made on chemical fertilizers.⁶⁹

GOVERNMENT POLICIES AND PROGRAM:

REED Project: The Rural Enterprise and Economic Development (REED) was jointly launched on 18 November 2021 by the Minister of Agriculture and Livestock Development and the World Bank, Nepal. The project will be implemented in the municipalities of Province 1, 2, Bagmati, Gandaki, Lumbini, and Sudurpaschim with the aim to recover from COVID-19 by strengthening rural market linkages and promoting entrepreneurship while creating jobs. The project has been aligned with the government's Agriculture Development Strategy 2015–2035. The World Bank has provided a credit of USD 80 million (NPR 9.53 billion) and is forecasted to leverage additional funding by local government, financial institutions, producers in the next four years. The project will help develop the agriculture sector and the entrepreneurship ecosystem through cooperation between provinces, local government, small and medium enterprises, particularly led by women.

The project will also help enhance productivity by investing in local agriculture centers and value chain infrastructures to ensure the availability of inputs for farming. The project will employ a labour-intensive Cash-for-Work mechanism in infrastructure construction, and is intended to employ over 5,700 people, including women, in the short term to help the economy recover from COVID-19.⁷⁰

Support Price of Paddy Fixed: The Cabinet meeting on September 14 has fixed the support price of paddy. As per the Ministry of Agriculture and Livestock, the price of coarse paddy has been fixed at NPR 2,752 (USD 23.1) per quintal and medium variety at NPR 2,902 (USD 24.36) per quintal for the current fiscal year. This year the new support price has increased by NPR 17 (USD 0.142). The government has fixed the minimum support price of the coarse and medium variety every year as they want the farmer to receive a fair price and limit the ability of the entrepreneur to purchase paddy at an arbitrary price.⁷¹

Need to Revise Bank Policies: Finance Minister, Janardan Sharma made the plea that banks should accept lands in rural areas as collateral for loans during a meeting with the Governor of the Nepal Rastra Bank, CEOs of commercial banks, and leaders of the business community to find a way out of the bank liquidity problem.

Sharma claimed that banks have been selective in lending to persons who put their land up as collateral and due to that, poor farmers in rural areas have been unable to obtain loans. Bank's policy to own 10 feet of motorable roadways to pass a loan is outdated and does not give loans to land with agricultural products like walnuts. The bank should be able to accept agricultural collateral for agriculture loans to improve its capacity to provide loans to poor farmers. Thus, requiring amendment in their policies.⁷²

Food and Beverage Price: Nepal Rastra Bank's monthly macroeconomic report showed that the food and beverage inflation was at 3.63%. The price of ghee and oil rose by 31.68%, similarly, meat and fish rose by 11.93 % along with pulses and legumes rose by 10.71% y-o-y basis.⁷³ The cause of inflation in such commodities is due to the festival season this quarter.

The monsoon rainfall has caused the rising prices of vegetables. The rainfall has impacted the price of major kitchen staples like onion and tomatoes. The price hikes are to cover the loss caused by the unseasonal rain.⁷⁴

LIVESTOCK UPDATE:

Goat Market Bounces Back During Dashain: According to the Department of Customs, Nepal imported more goats in the first two months of the current fiscal year than the whole fiscal year. Nepal imported 12,043 live goats worth NPR 108.28 million (USD 908.92 thousand) till mid-September, whereas, in last year a total of 13,827 goats were worth NPR 107.88 million (USD 905.56 thousand). The consumption of goats annually in Kathmandu is 500,000 goats, Pokhara 120,000, Biratnagar 100,000, Bharatpur 50,000, Birtamod 75,000, based on the Department of Livestock Services.

During Dashain, the demand for goats rises, and the domestic supply shortfall due to which they are imported from India. According to the senior officials of the Department of Livestock Services, the country's own

production can fulfil 99% of demand and a negligible amount is imported. Imports of goats have been declining in recent years after the government-imposed 10% customs duty and health certificate for live goats. This has helped domestic producers to increase production. Nepal produces 10.40 million goats annually, a rise in production is seen annually with the decline in imports.⁷⁵

NEW DEVELOPMENTS

Farmers are Cultivating Marijuana: Marijuana cultivation has gained popularity among Dhankuta farmers. The cultivation is mainly done in Sahidbhumi, Sangurigadhi, and Chaubise rural municipalities and Pakhribas Municipality. Due to a lack of incentives, farmers are not interested in animal husbandry, agriculture, and

horticulture which the region has a lot of potentials. Farmers earn more from cultivating marijuana than from alternative farming. Thus, farmers take risk of cultivating marijuana even though it is illegal and punishable by law.⁷⁶

“ OUTLOOK

The partial relief provided to farmers whose main source of livelihood is agriculture is not sufficient to sustain them and, in some cases, it is far from the reach of farmers due to bureaucratic hurdles. It will adversely affect the production output leading to a further decline in production in the upcoming quarter.

In the coming quarter, the import of agricultural products especially paddy as the unseasonal rain has destroyed will rise. Due to the crunch of fertilizers, it will impact the output level of wheat, mustard, banana, etc. Prices of vegetables are expected to rise as the country is reopening its sector and the demand will increase for vegetables.

Education

The education sector has been largely operating online because of health and safety reasons. While schools and colleges have now started in-person classes, there is still doubt amongst parents on the safety measures undertaken. In the last three months, Nepali universities have collaborated with foreign universities to design programs which aims to provide a more holistic academic experience. In the last three months, Nepali universities have collaborated with foreign universities to design programs which aims to provide a more holistic academic experience. The Ministry of Education, Science and Technology has introduced programs in collaboration with various organizations to facilitate the fast-growing digital economy in the country. With more people vaccinated, and COVID-19 cases being contained considerably, the number of Nepali students travelling abroad for higher education has gradually increased.

PROGRAMS

MoU between Mid-Western University and Chandigarh University:

Mid-Western University signed a Memorandum of Understanding (MoU) with Chandigarh University in a bid to foster a more rigorous academic curriculum and provide a more holistic academic environment for the students. Research collaboration, student exchange programs, and culturally relevant models for overall development were seen as key components of this MoU. This MoU was inked in the presence of Vice-Chancellor Prof. Dr. Nanda Bahadur Singh and Prof. Dr. R. S. Bawa.⁷⁷ This program will help students to harness new skillsets, build competitiveness and help learn new skillsets and critical analysis techniques.

MoU Between Kathmandu University and Ullens: A Memorandum of Understanding (MoU) between Kathmandu

University School of Education (KUSOED) and Ullens Education Foundation (UEF) has been signed to announce the launch of the Ullens Center of Educator Development (UCED). This agreement, which was signed in the presence of the Dean of KU Dr. Balachandra Luitel, and the CEO of Ullens Dr. Arnico Panday, aims to bring in efficient, qualified, and skilled teachers in the educational field. The main aim of the program is improving and strengthening teaching-learning practices, fact-based decision making, critical thinking, creative thinking, and discovery-based learning remain. This program also aims to help meet Nepal's innovative teaching-learning needs to achieve national educational goals.⁷⁸

MoU Between IIT Kanpur and Tribhuvan University: A Memorandum of Understanding (MoU) has been signed between the Indian Institute of Technology

(IIT), Kanpur and the Institute of Engineering (IOE) at Tribhuvan University (TU) which will allow students to do an MTech and Ph.D. degree as a part of the academic cooperation and research partnership agreement. As per the MoU, there will be an exchange of faculty, student exchange programs, and joint research activities where both the universities will get benefits from their respective technologies and resources.⁷⁹ Additionally, Programs like this will push students to confront challenges outside a familiar support network, while also allowing for Nepal's educational institutions to learn from well-established international institutions.

Nurturing Excellence in Higher Education Program (NEHEP) Launched: The Nurturing Excellence in Higher Education Program (NEHEP) was launched by the Government of Nepal in

collaboration with the World Bank (WB). USD 60 million (NPR 7.14 billion) has been allocated to the five-year program which aims to establish a better quality of higher education by scaling collaborative research, increasing online learning platforms, and building access to academic institutions for the vulnerable students in backward areas. Bhim Prasad Subedi, the Chairperson of the University Grants Commission under the Ministry of Education, Science and Technology (MoEST), envisions better participation, quality, and relevance of higher education programs in Nepal. This aims to help solve the academic problems caused due to COVID-19 by facilitating quality higher education and skills that will be helpful for the labor market⁸⁰.

“Earning While Learning”

Program: Devendra Poudel, the Minister for Education, Science and Technology, has reiterated his intentions of drafting the federal education act by laying down a 31-point action-plan to implement the “Earning while Learning” program. The immediate steps undertaken as part of this plan is to administer COVID-19 vaccines to all students, teach technical skills to community schools, and further increase the number of students from poor communities pursuing higher education. The Minister has also emphasized on the facilitation of adjustment of teachers’ quota, scholarships for the underprivileged students and compliance with COVID-19’s safety health measures. Alternative learning opportunities for differently

abled students and conflict-survivors was also planned at the event⁸¹.

FabLab Introduces STEAM

Education: Nepal Communitere and FabLab Nepal have announced the “FabLab Nepal Builds STEAM for Nepal’s Youth” project in collaboration with Karkhana, US Embassy Nepal and Little Big Fund. The project primarily aims to provide additional facilities for Science, Technology, Engineering, Arts and Mathematic (STEAM) education for the youth and more educators in Kathmandu and Lalitpur. The project aspires to use a project-based learning (PBL) approach in their teacher and student training programs where they will focus on uplifting gender equality and social inclusion in the education sector. Mini-maker spaces will be opened within school compounds to facilitate short-term training programs, and hence contribute to the larger goals of the STEAM project⁸².

KEY DEVELOPMENTS

Tribhuvan University Nepal’s Highest Ranked Institution:

The Times Higher Education World University Rankings Has Listed Tribhuvan University (TU) as the highest-ranked university in Nepal.

More than 108 million citations across 14.4 million research publications from 22000 scholars, and 430000 data points from 2100 institutions were analysed to measure 13 performance indicators across the areas of teaching, research, knowledge transfer,

and international outlook. The rankings also provided specific supplementary data such as staff-to-student ratio, gender breakdowns and proportion of international students. TU ranked 801-1000 in the rankings with an improvement in its citation ranking which stands at 486. It has been part of the rankings for the last four years and is the only Nepali University that made the ranking⁸³.

Australian Government to provide USD 2 Million for Educational Development:

In a meeting held between the Minister of Education, Science and Technology (MoEST), Devendra Poudel, and the Australian Ambassador, Felicity Jane Volk, it has been decided that more assistance will be provided to Nepali students in the form of educational scholarships, financial assistance, and radio programs in Nepal. The Ambassador announced that USD 2 million (NPR 238.26 million) will be provided to Nepal in addition to the scholarships to support the education sector and provide more opportunities to Nepali students⁸⁴.

“Seeds for the Future” in Nepal Initiative:

An agreement between Huawei Nepal and Tribhuvan University (TU) has been made to develop Seeds for the Future ICT Academy as a part of Huawei’s global flagship corporate social responsibility (CSR) initiative. This initiative offers a group of selected undergraduate students in Nepal the opportunity to participate in workshops on technology and innovation while

experiencing cross-cultural exchange with international students and teachers. It aims to develop 10,000 ICT talents in the country in the next five years. The program also involves numerous workshops by field experts and professionals, and provides the students with courses in cybersecurity, aerospace industry, cloud computing, artificial intelligence, etc. The students will also get a chance to participate in the Tech4Good project, which will encourage them to come up with innovative technological solutions to real-world problems. Huawei also plans on introducing a 5-week foundational course on app development called the "Huawei Student Development Program" at zero cost.⁸⁵

ENROLMENT AND DROPOUTS

School Enrolment Declines: Government reports have

indicated that the net enrolment in schools annually has decreased because of the decline in population growth⁸⁶. The reports suggest that 3% students remain out of school with the number of students in schools falling by 200,000 compared to the school enrolments last year. While the main decline has been seen in grades 1-5, the net enrolment at the secondary level has increased from 37.9% to 60.3%. The decline in population growth rate can be largely attributed to the 4.5 million Nepalis working in GCC countries, India, and Malaysia. This decline, has therefore, seen the government merge more than 1000 public schools in the country over the past 5 years⁸⁷. Basudev Kafle, a Professor at Tribhuvan University has pointed out that the increase at secondary level of education despite a fall in primary levels is an indicator of a declining population.

Foreign University Enrolments Increase:

The subdued effects of COVID-19 pandemic and the gradual opening of countries around the world has seen a significant rise in the enrolment of Nepali students in international universities. This has been reflected by a rise of 36% in the enrolment percentage in comparison to last year. More specifically, almost 55% of Nepali students have applied to universities in North America followed by 45% in UK universities and 10% in Australian Universities. The most popular programs opted are nursing, public health, business administration, engineering, management, accounting, urban planning, and data science⁸⁸.

“ OUTLOOK

While online learning has not been able to provide an ideal learning experience for students during COVID-19, the impact of the pandemic has put a lot of pressure on rural households and daily-wage earners to sustain livelihood. This has led to many youths working abroad to earn for their family. However, the rise in student enrolments abroad has suggested otherwise. The prime need of the hour for students studying in Nepal is to be provided with better facilities for online classes around the country. Moreover, as the schools and colleges reopen, proper sanitation and health protocols should be implemented. The government's efforts in advancement of science and technology in the education sector has resulted in several programs being established in the review period to assist young scientists interested in artificial intelligence and other digital technologies. The Federal Education Act has taken far too long to be drafted, and its completion would help each province define clearer responsibilities and goals for which they may be held accountable. The action plan for effective implementation of the "Earning while Learning" program will help in structuring the Federal Education Act for free and compulsory education. It will also ensure that everyone can access their right to education and local governments have the obligation of providing elementary education to all children. Increasing scholarships for students who require financial support and further joining hands with different international universities would be a great step towards developing a strong education system in the country. Finally, the Ministry of Finance has encouraged the idea of all students being taught industrial skills like farming and agriculture to create more community capital in the country. This can help building a competitive advantage for students who wish to join Nepal's industrial sector.⁸⁹

Energy and Environment

The review period witnessed some key developments in the Energy and Environment sectors of Nepal. The Nepal Electricity Authority (NEA) has set some ambitious investment targets for the next four years with plans to invest as much as NPR 364.71 billion (USD 3.06 billion) for power generation, transmission lines, distribution systems, and subsidiary companies. Similarly, Nepal has received approval to export its surplus power to India through competitive bidding. The Upper Tamakoshi Hydropower Project also started production in full capacity. Similarly, several large hydropower projects are in the pipeline. To increase domestic consumption, the Nepal Electricity Regulatory Commission reduced the tariff rates for electricity in the country as well. In terms of key developments in the environment sector, Nepal and its development partners signed the 'Kathmandu Declaration' to promote Nepal's Green, Resilient and Inclusive Development action plan.

POLLUTION AND EMISSIONS

Environment Protection Programs to be Launched in Schools: Aiming to make the government's 'Nepal Clean Environment' campaign a success, the Department of Environment (DoE) has made plans to conduct environmental protection programs in 25 schools across Nepal.⁹⁰ The program involves expansion of greenery and pollution control activities in the community and schools in all seven provinces to develop sanitation as a culture in the country. The department has invited applications from community, government, and private schools along with proposals, implementation plans, activities, and estimated costs. A seven-member committee chaired by the Deputy Director-General of the DoE would evaluate the applications and select schools that would be

receiving grants for the program.

PROJECTS AND PROGRAMS

Asian Development Bank Approved a USD 60 million (NPR 7.15 billion) Loan to Support the Electricity Grid Modernization Project: The Asian Development Bank (ADB) approved additional support of USD 60 million (NPR 7.15 billion) loan for the ongoing Electricity Grid Modernization Project. The project is working on upgrading power transmission and distribution systems in Nepal. This includes automating 34 existing grid substations across Nepal, completing the installation of smart meters in the Kathmandu Valley, upgrading 144 km, and constructing 113 km of transmission lines, and establishing an electricity distribution system command and control center.⁹¹ The additional funding would help expand the original project's

scope through the construction of 16 km of 132-kilovolt transmission lines from Nepalgunj to Kohalpur, and from Chovar to Lagankhel. It would also introduce an additional 477 mega volt-amperes of substation capacity through the construction of substations in Dumkibas, Lagankhel, Mulpani, and Nepalgunj.

The First Section of Koshi Corridor Transmission Line Completed: The first section of the 220 KV double circuit Koshi Corridor transmission line linking Inaruwa-Basantapur-Baneshwar-Tumlingtar was completed and handed over to the Nepal Electricity Authority (NEA) on October 6, 2021. The completion of the power line allowed 550 megawatts of electricity to flow from hydropower plants in the eastern region into the national grid.⁹² The 106 km long Koshi Corridor transmission line costing NPR

10.40 billion (USD 87.29 million), is being built under an Indian Government Line of Credit worth USD 550 million (NPR 65.52 billion), extended by the EXIM Bank of India. The first package of the project, which is worth NPR 4.5 billion (USD 37.77 million) was executed by India's Kalpataru Power Transmission. Once the remaining two packages are completed, the project will ensure smooth power evacuation from the Arun and Tamor river basin projects, with power output totalling about 2,000 megawatts.

HYDROPOWER

NEA to Prioritize Large Reservoir and Semi-Reservoir Hydropower Projects: The Nepal Electricity Authority (NEA) has given priority to the construction of the large reservoir and semi-reservoir hydropower projects to manage the country's electricity demand and supply. The NEA is moving ahead with the 835 MW Dudhkoshi Reservoir Project, the 1061 MW Upper Arun Project, and the 210 MW Chainpur Seti Semi-Reservoir Project. As per NEA Executive Director, Kulman Ghising, the finalization of the detailed engineering study of the three hydropower projects, preparation of tender documents, acquisition of land, and discussion with local financial institutions and donors are being carried out simultaneously. According to Ghising, discussions are underway with the European Investment Bank (EIB), Asian Infrastructure Investment Bank (AIIB), and the Korean Exim Bank for investment in the Dudhkoshi project. The Asian Development Bank (ADB) is leading the process through the Ministry

of Finance.⁹³ The completion of such large reservoir and semi-reservoir hydropower projects would allow Nepal to generate billions of units of power annually. It would also assist in balancing the daily/ seasonal demand and supply, while providing Nepal the opportunity to export surplus electricity to neighbouring countries.

Upper Tamakoshi Hydropower Project Comes into Operation with Full Capacity: Two months after its formal inauguration, the 456 MW Upper Tamakoshi Hydropower Project started commercial power generation with full capacity from September 5, 2021, will all six of its units coming into operation. The project was inaugurated on July 5, 2021, by then Prime Minister, KP Sharma Oli. The electricity generated by the project is connected to the newly constructed 220-132 KV lower Khimti substation at Sankhe in Manthali Municipality-13 of Ramechhap through a 47 km-long 220 KV double circuit transmission line.⁹⁴

Nepal Electricity Authority gets Survey License for 490.2 MW Arun-4 Hydropower Project: The Ministry of Energy, Water Resources, and Irrigation decided to provide Nepal Electricity Authority (NEA) with the survey license for the 490.2 MW Arun-4 semi-reservoir hydropower project. The project is situated in Bhotkhola and Makalu rural municipalities of the Sankhuwasabha district. The Department of Electricity Development (DoED) already conducted a detailed design study of the project. According

to a study by the department, the project would generate 2.09 billion units of electricity annually and is estimated to cost NPR 65 million (USD 545.62 million).⁹⁵

Nepal, Bangladesh Agreed to Jointly Develop Sunkoshi-3 Reservoir Project: Nepal and Bangladesh have agreed to jointly build the 683 MW reservoir-based Sunkoshi-3 hydropower project. Both countries agreed to build the Sunkoshi-3 project in a joint venture (JV) model during the third meeting of the Joint Steering Committee (JSC) of Energy Secretaries of Nepal and Bangladesh that ended on September 14, 2021.

According to the Energy Secretary, Devendra Karki, five projects were identified, of which two were discussed during the meeting and both sides agreed to move forward on Sunkoshi-3. Earlier, the government had prepared a list of five reservoir projects to be awarded to Bangladesh. They include the Phukot Karnali (426 MW semi-reservoir), the Arun-4 (490.2 MW), the Kimathanka Arun (450 MW), the Khimti Shivalaya (reservoir), and the Sunkoshi-3 project. While the detailed study of Sunkoshi-3 is ongoing, the study of Khimti Shivalaya (1547 MW) project would take another year and a half to be completed. According to Secretary Karki, Sunkoshi-3 will be jointly developed by the Nepal Electricity Authority and Bangladesh Power Development Board of Bangladesh under a JV modality. Similarly, both sides agreed to use the existing Indian system for electricity trade with Bangladesh.⁹⁶

TRADITIONAL ENERGY

Seismic Survey Finds Gas and Petrol in Dailekh:

A seismic survey conducted for the exploration of petroleum products in Dailekh district discovered gas and petrol underground. The survey was conducted by a team of Chinese technological experts as per an agreement between Nepal and China. The Department of Mines and Geology had hired various international firms for the exploration of petroleum products in Dailekh 10 years ago, and had spent over USD 7.2 million, but the government scrapped their agreements since they were unable to provide results. As per Dr. Sudhir Rajaure, a Geologist at the Department, a final survey to ascertain the exact location and the amount of petroleum products would be carried out. However, the Natural Resource Ministry of China has not yet permitted a team of related experts and technologists to come to Nepal citing COVID-19 risks. According to the Department of Mines and Geology, the survey and exploration would continue as per the G2G agreement between Nepal and China. The exploration began in October 2020, with the drilling work completed at Shreesthan, Paduka, Kotila, Dailekh bazaar, and areas around the Karnali Highway.⁹⁷

Government Hikes Prices of Petroleum Products:

Citing the increase in the price of petroleum products in international markets, the Government of Nepal hiked the prices of petroleum products including cooking gas. The state-owned Nepal Oil Corporation

(NOC) on November 10, 2021, decided to hike the prices of petrol, diesel, and kerosene by NPR 3 (USD 0.025) per litre each. Similarly, the price of a cooking gas cylinder has been hiked by NPR 75 (USD 0.63). With the fresh hike, the price of petrol per litre has reached NPR 136 (USD 1.14). Similarly, diesel and kerosene would now cost NPR 119 (USD 0.99) per litre. The price of cooking gas per cylinder has reached NPR 1,575 (USD 13.22). According to Deputy Spokesperson at the NOC Pushkar Karki, the price of aviation fuel (domestic) has also been hiked by NPR 5 to NPR 101 (USD 0.42) per litre. This is the second time within a month that the NOC hiked the prices of petrol, diesel, and cooking gas. Earlier, prices of petrol and diesel were increased by NPR 3 (USD 0.025) per litre and the price of cooking gas by NPR 50 (USD 0.42) per cylinder.⁹⁸

RENEWABLE ENERGY

Construction License for 9 Solar Power Projects Issued:

Investment in the development of solar power projects has been gradually increasing in Nepal. According to the Department of Electricity Development (DoED), 70 solar power projects having a combined installed capacity of 876.36 MW are in various stages of project development. In FY 2020/21, the DoED issued construction licenses to 9 projects with an installed capacity of 52.17 MW. As per the DoED, it issued survey licenses to 11 projects for the development of 267.7 MW of electricity. In FY 2020/21, 4 projects have applied for construction licenses to generate 35 MW of electricity

while 17 projects (160.9 MW) have applied for the survey licenses. As of now, four solar projects are operating in the country with an installed capacity of 20.18 MW. Of the total construction licenses issued by the DoED, three belong to the Nepal Electricity Authority (NEA) and the rest to private sector power developers.⁹⁹

NEW DEVELOPMENTS

Government and Development Partners Join Hands on Nepal's Green, Resilient, and Inclusive Development:

The government and development partners endorsed the landmark 'Kathmandu Declaration' on September 23, 2021, to develop a strategic action plan for Nepal to move towards Green, Resilient, and Inclusive Development (GRID). Under the Kathmandu Declaration, Nepal's development partners identified up to USD 4.2 billion in potential future support, in addition to the USD 3.2 billion in previously committed resources to support GRID. The GRID Strategic Action Plan aims to coordinate international and domestic financing for priority investments in Nepal's recovery from the crisis caused by the COVID-19 pandemic.¹⁰⁰ Finance Minister, Janardhan Sharma, assured the development partners that the government of Nepal would be committed to the Green, Resilient, and Inclusive Development vision that would support Nepal's recovery from the COVID-19 pandemic while addressing challenges of climate change and rising inequality.

NEA Plans NPR 364.71 Billion Investments: Nepal Electricity Authority (NEA) has planned to

invest NPR 364.71 billion (USD 3.06 billion) in the next four years to build infrastructure for power generation. The state-owned power utility is going to invest the amount in power generation, transmission lines, subsidiary companies, the distribution system, and corporate plans. Making public its investment plan on Thursday, the NEA has emphasized developing large hydropower projects from its subsidiaries as well as constructing large transmission lines. The NEA will be investing the largest amount in the construction of transmission lines in the next four years. The NEA has said that it will invest NPR 18.63 billion (USD 156.38 million) in electricity generation, NPR 109.86 billion (USD 992.18 million) in subsidiary companies, NPR 118.15 billion (USD 991.77 million) in transmission line construction, NPR 116.07 billion (USD 974.31 million) in the distribution system and NPR 2 billion (USD 16.79 million) in institutional investment. According to NEA Managing Director, Kulman Ghising, NEA will develop the 635 MW Dudhkoshi Reservoir Project, the 1061 MW Upper Arun Project, Chainpur Seti Project, the Upper

Modi Project, the Tamakoshi 5, the Kulekhani Pump Storage Project, the Rupa Vengas Pump Storage Project and 220 and 400 KV transmission lines.¹⁰¹

NERC Sets New Electricity

Tariff: The Nepal Electricity Regulatory Commission (NERC) fixed a new tariff rate for the consumption of electricity in the country on the recommendation of the Nepal Electricity Authority. As per the new electricity tariff, consumers consuming up to 20 units per month from 5 amperes will not be charged any energy fee. Likewise, the minimum monthly fee has been fixed at NPR 30 (USD 0.25) only. The tariff for consumers consuming 151 to 250 units of electricity from single phase meters has been reduced to NPR 9.50 (USD 0.08) per unit from NPR 10 (USD 0.084). Similarly, the per-unit tariff for consumers using more than 400 units a month has been reduced to NPR 11 (USD 0.092) from NPR 12 (USD 0.10). For three-phase meter users, the NERC has set different tariffs during the rainy season and the winter season. Consumers using up to 400 units of electricity per month through three-phase meters

will be charged NPR 10.50 (USD 0.088) during the rainy season and NPR 11.50 (USD 0.965) during the winter season.¹⁰²

Nepal Gets Permission to Export Electricity to India:

In a breakthrough for power exports to India, Nepal has been allowed to sell electricity at competitive rates in the Indian power market. The Indian Ministry of Power on November 1, 2021, approved the power trade, allowing Nepal Electricity Authority (NEA) to sell electricity in the Indian Energy Exchange (IEX). In the first phase, NEA has been allowed to sell 39 MW of electricity generated from the 24 MW Trishuli Project and 15 MW Devighat Project. The electricity would be exported through the Dhalkebar-Muzaffarpur 400 KV cross-border transmission line. Nepal will sell electricity in the Day-Ahead Market under India's central electricity system. The NEA will compete in the bidding every day from 10 AM to 12 PM with the selling rate per unit of power to be decided based on market-clearing price. After the competitive rate is fixed, power will be exported for 24 hours from noon.¹⁰³

“ OUTLOOK

The outlook for the energy sector looks extremely promising for Nepal in the coming days. With several hydropower projects and transmission lines up and running, and many more in the pipeline, Nepal's energy production is at a surplus. As per the Nepal Electricity Authority, while Nepal's current electricity supply stands at over 2,000 MW, the country's entire consumption at peak hours amounts to around 1,500 MW. New hydropower and solar power projects would further add to the supply, which is why increasing domestic consumption would be key in the upcoming quarters. The electricity regulatory commission has already lowered the tariff rates to boost consumption, but the government would need to ensure that the energy is accessible across the country and that the citizens are switching to electrical appliances for daily use. With India and Bangladesh allowing Nepal access to its energy markets, the future for Nepal's energy sector seems to be bright. However, to increase domestic consumption and phase out traditional sources of fuel and energy, Nepal would need to improve its infrastructure and transmission lines as early as possible.

Health

During the review period, new deals have been signed by the Government of Nepal to continue its vaccine drive and inoculate the remaining targeted population. The incidence of communicable and non-communicable diseases has increased as the COVID-19 pandemic obstructed treatment. The shortage of medical personnel and medical equipment remains one of the major challenges of Nepal's health sector.

VACCINATION AND IMMUNIZATION

Demand for COVID-19 vaccines saturate in Kathmandu Metropolitan City:

Kathmandu Metropolitan City has stopped its COVID-19 vaccination campaign, aside from the Pfizer doses aimed at chronically ill patients, as only few people have shown up for their immunization.¹⁰⁴ With only 7,000 doses of Pfizer-BioNTech being administered out of the over 100,000 doses of vaccines in stock, the government has opened Pfizer-BioNTech COVID-19 vaccine to be administered to all children above 12 years of age. Around 1,500 children were vaccinated on 21st November 2021, the first day of the announcement. At the current average pace of 49,551 doses administered per day, additional 460 days will be required to administer the jab to the rest of the population.¹⁰⁵

Approvals for Vaccine Trial in Nepal:

Nepal Health Research Council is in the process of approving third phase trials of WestVac Biopharma Co.'s COVID-19 vaccine. The company has submitted most of the requested documents and

approval will be granted after a review of documents by the ethical board. COVID-19 vaccine developed by the French multinational Sanofi Pasteur and British pharmaceutical GlaxoSmithKline has begun trial with 2,000 volunteers at Dhulikhel Hospital and 1,000 volunteers at Nepalgunj Medical College, after it received approval. The trials for Chinese mRNA COVID vaccines have not begun yet and is expected to be conducted on 3,000 volunteers at BP Koirala Institute of Health Sciences.¹⁰⁶

India Resumes COVID-19 Vaccine Export:

India has resumed exports of COVID-19 vaccines, albeit in small amounts and will increase the exports significantly as their domestic stock increases. With one-third of India's adult population receiving both shots of COVID-19 vaccine, India has exported 4 million shots so far after it recommenced vaccine diplomacy. By next year, India is expected to produce 300–320 million shots of vaccines per month as locally developed vaccines get regulatory approvals and move closer to production.¹⁰⁷

COVID-19 Vaccination Update: Nepal has received 1.02 million

doses of Vero Cell vaccine out of the 5.9 million doses of vaccines the country has purchased through the COVAX scheme, with a loan from the Asian Development Bank. The COVAX facility is providing 6.04 million doses of AstraZeneca vaccine set to arrive in December.¹⁰⁸ The Maldives is sending its 201,600 surplus doses of AstraZeneca COVID-19 vaccine to Nepal.¹⁰⁹ The Government of Canada has supplied Nepal with 368,000 surplus doses of AstraZeneca vaccine.¹¹⁰ Nepal has received 492,000 doses of AstraZeneca vaccines from Switzerland and the COVAX facility. The People's Liberation Army of China has provided 300,000 doses of Vero Cell vaccine to the Nepal Army.¹¹¹ Nepal has also received 1.6 million doses of Vero Cell vaccine as a grant from China.¹¹² The Ministry of Health and Population has been planning to purchase 5 million doses of Covishield vaccine from the Serum Institute of India.¹¹³

PROCUREMENT OF HEALTH SUPPLIES

Fast-track Procurement of Medical Goods Stopped: An ordinance issued on COVID-19 management which allowed

for the fast-track procurement of medical goods, medicines, vaccines, and oxygen by governmental agencies has turned void as the parliament failed to endorse it. A new ordinance was introduced on September 21, 2021, which removes the provision of fast-track procurement process. Since the cases of COVID-19 has declined and the number of vaccinated people has increased, the regular procurement laws will need to be followed.¹¹⁴

Facilities Required to Store Upcoming Pfizer Vaccine:

Officials are working on setting up facilities that can store at least 1.5 million doses of Pfizer-BioNTech COVID-19 vaccine at a time. Nepal is set to receive six million doses of Pfizer-BioNTech vaccine which requires cold freezers that reach up to minus 80 degree Celsius. UNICEF has agreed to provide 4 ultra-cold freezers, and USAID and FHI are expected to provide additional 4 ultra-cold freezers, but the Department of Health Services is also looking to purchase some on their own.¹¹⁵

INCIDENCE OF DISEASE

Malnutrition Increases Amid COVID-19 Pandemic:

In Darchula district, 800 cases of malnutrition were reported within 2 months of July and August of 2021. There were only 15 cases of malnutrition reported in 2019 and 2020 combined in the district. Among the 800 cases, 138 children have been diagnosed with severe acute malnutrition and urgently require hospital care. 400 cases of malnutrition were reported in the period of mid-June to mid-

July of 2021 in a municipality of Dhading district, of which 130 had severely acute cases of malnutrition.¹¹⁶

Study on Maternal Mortality Rate Commences:

Maternal mortality rate is being studied by the Ministry of Health and Population for the first time with the aim of determining the rate and cause to strengthen Nepal's maternal care services. 847 surveyors will be involved in the study with 4 health workers deployed in each metropolis, 3 in sub-metropolises and one in municipalities.¹¹⁷ The Department of Health reported 258 deaths from pregnancy or during childbirth between March 2020 and June 2021. Pregnant women had stopped visiting health institutions for regular checkups and deliveries during the lockdown due to the fear of contracting the virus and because of lack of transportation. Only 51 maternal deaths were reported in the year before the lockdown.¹¹⁸ The study on maternal mortality is timely as this study supports Nepal's target to reduce the maternal mortality rate to 70 by 2030 as part of its Sustainable Development Goals.¹¹⁹

Outbreak of Cholera:

The Ministry of Health and Population has launched vaccination campaign against cholera on 18th November 2021, after the cholera outbreak in Krishnanagar Municipality of Kapilvastu district claimed at least 6 lives with over 1,400 infected, and over dozens of cases reported every day. Since the Ministry of Health does not procure cholera vaccine, World Health Organization has provided 252,363 doses of oral

cholera vaccine to Nepal which arrived on 14th November 2021. The government took over a week to identify the cause of the outbreak in the region even though health workers collected and sent stool and water sample to Kathmandu 12 days before. E-coli bacteria which causes cholera was found in the water samples of disease hit areas.¹²⁰

HEALTHCARE PERSONNEL AND PROVIDERS UPDATE

Shortage of Healthcare Providers in Government Hospitals:

The annual report from the Auditor General showed that a significant number of positions for doctors have remained vacant in government hospitals across the country. The Ministry of Health has been reluctant to appoint doctors at government hospitals citing incomplete adoption of federalism in the country. The public service commission has not announced a vacancy to fill the existing positions since 2017. The situation is worst at Province 2, where around 60% of health workers post have remained vacant.¹²¹ The district hospital of Salyan halted their operation services and critical maternal care services such as infertility treatment after a surgeon and a MDGP doctor were transferred to another hospital, affecting the residents of Salyan along with the neighboring districts Rukum and Rolpa.¹²² To fill the vacant positions, some hospitals have started recruiting doctors at their own expense or with the help of donor organization.¹²³

At a program organized post inspection of Shivanagar Primary Health Center, the

Minister of State, Umesh Shrestha announced that the government is planning to increase the perks and benefits received by doctors working at government hospitals to reduce their appeal towards private hospitals. He further stressed the importance of hospitals being easily accessible to the people and with facilities for doctors to stay on-site. He also stated that construction of hospitals is underway in 753 municipalities across the country.¹²⁴

PHARMACEUTICAL INDUSTRY UPDATES AND IMPORT AND EXPORT OF HEALTH COMMODITIES

Import of Medicine Increased:

As per Nepal Rastra Bank, import of medicine has increased by 67.5% in the first three months of the fiscal year 2021/22 compared to the same period of fiscal year 2020/21. Nepal imported medicine worth NPR 12.6 billion (USD 105.76 million) in the first three months of the current fiscal year, which represents 2.6%

of total imports. Nepal imported NPR 9.6 billion (USD 80.58 million) worth of medicine from India which represented 76% of the total import of medicine. Imports of medicines from India had increased by 50.8% in the first three months of the current fiscal year.¹²⁵ The Department of Industry estimated that demand for medicine would grow by an annual growth rate of 7% in the next five years.¹²⁶

“ OUTLOOK

Conducting trials of COVID-19 vaccines in Nepal will help Nepal obtain preferential access to the trialed vaccine. The Chinese mRNA vaccine manufacturers have committed to donate 500,000 doses of vaccine to Nepal. Nepal will get a cheaper rate of the Sonafi vaccine through GAVI, the UN-backed vaccine alliance.¹²⁷ With Nepal receiving over 34 million doses of vaccine in the upcoming months¹²⁸, through procurement as well as aid, the country will require proper equipment and adequate health workers to inoculate the targeted population along with an awareness campaign to encourage unvaccinated people to get inoculated. Malnutrition in children was worsening long before the pandemic, as shown by the Multiple Indicator Survey. The pandemic has accelerated the cases of malnutrition as people stopped seeking care and all of government's efforts were occupied in containing the pandemic. Malnourished children are vulnerable to serious complications from COVID-19. The government has spent millions every year to improve drinking water and sanitation to prevent cholera outbreak, but desired results have not been achieved. The removal of fast-track procurement of medical goods will increase the time taken to procure necessary goods and services to fight a potential third wave of COVID-19 as well as treat other diseases which have increased since the pandemic. With COVID-19 pandemic and increased incidences of other non-communicable diseases, the Ministry of Health needs to prioritize hiring doctors and health workers to fill the vacant positions in government hospitals to ensure health services reach to those who need it the most. Increasing benefits for doctors in government hospitals is a step in the right direction, but without the Public Service Commission actively recruiting doctors and other health workers, the rural and impoverished population are vulnerable to worsening medical conditions and possibly death.

Infrastructure and Real Estate

The review period witnessed reforms and new developments in the aviation, and the real estate sector. The unseasonal heavy rains have caused further damage to the already fragile road infrastructure all around the country. With Nepal currently in political transition, infrastructure projects which have been completed are unable to commence their operation.

Damage to Physical Infrastructure Totaled NPR 1.3 Billion: Nepal's physical infrastructures have sustained a damage of NPR 1.3 billion (USD 10.92 million) from the recent floods and landslides caused by heavy rain.¹²⁹ Parts of Arnico Highway, Tribhuvan Highway, Rapti Highway, B.P. Highway, Mahendra Highway, and Pushpalal Highway has sustained damages.¹³⁰ The Department of Roads estimate NPR 250 million (USD 2.09 million) worth damage to roads, and NPR 1.05 billion (USD 8.81 million) worth damage to bridges. A total of 15 bridges are fully or partially damaged.¹³¹

Yeti Airlines Gains Permit for International Flights: After the successful test flight from Kathmandu to Varanasi in March 2021, Yeti Airlines has received permission from Civil Aviation Authority Nepal (CAAN) to carry out international flights. The airline has been approved to conduct chartered and non-chartered flights with cargos or passengers to several countries in South Asia, and Southeast Asia.¹³² Yeti Airlines will fly to Thailand, Myanmar, Cambodia, Singapore in Southeast Asia, and to India, Sri Lanka, and Pakistan in South Asia.¹³³ Yeti Airlines joins

Nepal Airlines, Himalayan Airlines, Buddha Air, and Shree Airlines who have already received their Air Operator's Certificate (AOC) for international flights.¹³⁴

Reforms in the Aviation Sector Promised: The new minister for Ministry of Culture, Tourism and Aviation Prem Ale has announced his plans to utilize the unused aircrafts of Nepal Airlines Corporation (NAC) for international flights. He also intends to remove Nepal from the blacklist of International Civil Aviation Organization (ICAO). The minister has expressed his commitment to not delegate NAC's ground handling tasks to private companies as was the case before.¹³⁵ The minister has also directed NAC to implement e-ticketing system and stressed the importance of making the national carrier, nationally and internationally, competitive.¹³⁶

Roadblocks for Nepal-India Railway Service: Despite the signing of standard operating procedures of Nepal-India cross border railway service, which is operating from Jaynagar in India to Bardibas in Nepal, Nepal is still behind on bringing the service to operation. The former Oli-led government had introduced

an ordinance for railway management, but it has become invalid after the government failed to get parliament approval. Nepal Railway Company also fired over 150 staffs hired by the previous government stating that they were "political appointees". Due to the lack of relevant laws and human resource, the Diesel Electric Multiple Unit train procured in September of last year has remained idle in Janakpur.¹³⁷

Banks and Financial Institutions Requested to Accept Rural Land as Collateral: In a meeting with the Governor of the Central Bank of Nepal and the CEO of Rastriya Banijya Bank, the finance minister has requested Banks and Financial Institutions (BFIs) to accept rural land which have not been connected to motorways as a collateral for loan. Currently, banks only accept land which are connected to motorways as collateral for loan which has led to farmers not receiving loans.¹³⁸

Workplan for Kathmandu's First Smart City has Started: Among the 4 smart cities, "Ishan City" will be the first to get an Infrastructure Development Plan from the Kathmandu Valley Development Authority and the

Ministry of Urban Development. The proposed workplan has not been approved by the Infrastructure Development Committee which is chaired by the Minister of Urban Development. Kathmandu Valley Development Authority believes that the land pooling work on the Ishan City can be started.¹³⁹

National Housing Price Index Introduced: Nepal Rastra Bank has released the National Housing Price Index which

reports on real estate prices and will be released every 3 months from now on. Based on banking data, the index showed that the average annual inflation for real estate in Nepal was 26.45% in the fiscal year 2019/2020, and 16.31% in the first 9 months of fiscal year 2020/21. Based on data from Land Revenue Office, the index showed only 19.73% inflation in the fiscal year 2019/2020, and 12.56% in the first 9 months of fiscal year 2020/21. Karnali

Province showed the highest change of 23.88% based on Land Revenue Office data, and Gandaki Province showed the highest change of 19.19% based on banking data in the first 9 months of fiscal year 2020/21. The index has been prepared by collecting data from 20 locations in 20 districts, which has been selected considering the geographical location, frequency of real estate transaction, and availability of data.¹⁴⁰

“ OUTLOOK

Nepal is among the most vulnerable countries to climate change and is prone to natural disasters such as earthquake. Roads and bridges are one of the most common modes of transportation in the country. Nepal needs to ensure that its roads and bridges are resilient by eliminating barriers to high quality road construction such as insufficient budget allocation, corruption, and lack of reliable contractors. For the successful operation of upcoming international airports in Nepal and flying of Nepal's airlines in the international airspace, the aviation sector must be strengthened with reforms and regulations, that are in line with International Civil Aviation Organization (ICAO). The political instability and incomplete federalism exercise have hindered several development projects. However, after the elections in September of 2022, halted infrastructure projects such as the Nepal-India railway service can be expected to come into operation.

The BFIs have shown an interest in funding the 7-year smart city project around Kathmandu Valley which will adequately fund the construction of these cities and ensure their completion. The introduction of National Housing Price Index will increase the availability and reliability of real estate data in Nepal and work towards achieving the monetary policy objectives of price stability and financing stability.

Information and Communication Technology

The COVID-19 pandemic has increased the importance of Information and Communication Technology (ICT) along with the need for telecommunications infrastructure and digital devices for connecting with the world. The review period has witnessed several initiatives by the Government of Nepal to move Nepal towards a digital economy.

Internet Service Providers Seek to Increase Internet Prices:

The Internet Service Provider Association of Nepal (ISPAN) is seeking approval from Nepal Telecommunications Authority (NTA) to increase internet prices by NPR 300 (USD 2.51) in rural areas and by NPR 150 (USD 1.25) in urban areas, citing an increase in rent of electricity poles and price of optical fiber.¹⁴¹ Internet Service Providers are yet to clear their NPR 1.5 billion (USD 12.59 million) worth of dues to Nepal Electricity Authority (NEA) after it increased rent prices of utility poles.¹⁴² NEA has removed several internet and cable TV wires from its poles in Biratnagar, Janakpur, Pokhara, Butwal etc. NTA has urged NEA to resolve the issue with ISPs through dialogue and warned NEA of litigation for removing optical fiber connections which caused disruption of internet services.¹⁴³

Regulation on OTT and IPTV Platforms Probable:

Cable TV operators have threatened to stop their service if the government did not act on regulating OTT and IPTV platforms, as digital platforms have greatly affected their business. Following the

threat, the Ministry of Information Communication Technology has issued a notice stating that every movie that goes on air must be approved by the Film Censor Board basing it on Motion Picture Act of 2077. This also includes movies available through OTT and IPTV platforms who will now need to pass through censorship. The Ministry has warned that if found guilty, fines up to NPR 5000 (USD 41.97) will be levied, licenses will be revoked, and equipment used in film making, exhibiting, and distributing will also be confiscated.¹⁴⁴

Limits on Cash Transfer from Mobile Wallets Doubled:

Nepal Rastra Bank (NRB) enforced a unified directive on payment systems and increased the limit on transactions carried out through mobile wallet platforms. The limit has increased to NPR 1 million (USD 8,394) per month from NPR 500,000 (USD 4197) per month for transactions from mobile wallet to bank accounts. Additionally, the limit has been increased to NPR 50,000 (USD 419.7) from NPR 25,000 (USD 209.85) for transactions from bank accounts to mobile wallets. The amount that can be held

in mobile wallets overnight has increased to NPR 50,000 (USD 419.7) from NPR 25,000 (USD 209.85), and any amount exceeding this limit will be automatically transferred to the individual's bank account. A limit of 10 transactions per day has been set for transferring money to an individual's mobile wallet.¹⁴⁵

Study on Possibility of Digital Currency Commenced by NRB:

With an objective to minimize the use of paper notes, Nepal Rastra Bank (NRB) has formed two panels to study the possibility of using digital currency in Nepal. The panels are studying the digital currency practices carried out by other countries including China, Singapore, and Hong Kong. NRB is seeking to legalize the use of digital currency with the help of growing access to the internet, increasing digitization in the banking system, and increasing digital literacy. However, cryptocurrency, a form of digital currency, has been banned in the country.¹⁴⁶

National Payment Switch Expected to Launch Soon:

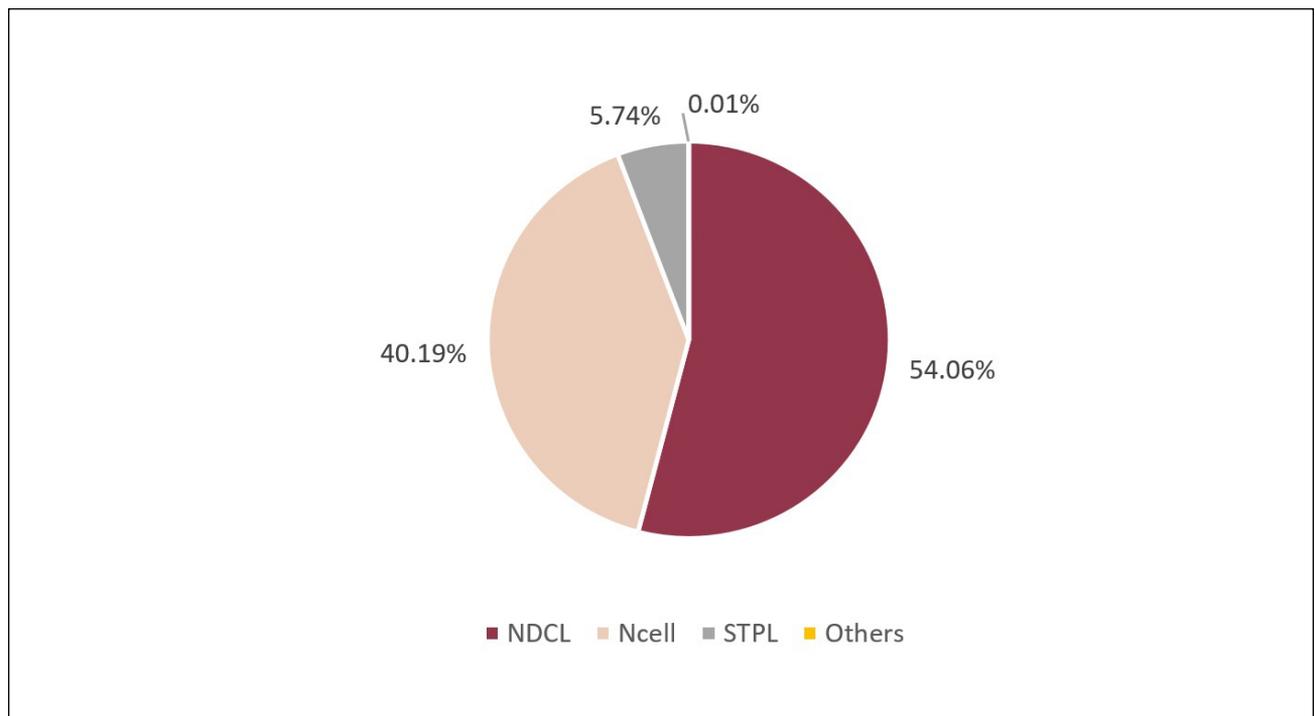
Nepal Rastra Bank has given approval to Nepal Clearing House to

operate the national payment switch, a payment gateway that will integrate banks, and digital payment vendors into one system enabling interoperability. The first phase of the project will involve routing all non-card transactions through the national payment gateway. The second phase of the project will involve national cards system, and in the final phase, all domestic electric transactions will be routed through the national payment switch. The system will also switch transactions from domestic Visa and Mastercard, which will make international payment cheaper and faster.¹⁴⁷

Import of ICT Devices Increases: Nepal has imported NPR 20.3 billion (USD 170.4 million) worth of telecommunication infrastructure in the first 3 months of the current fiscal year, an increase of 51.9% from the same period of last fiscal year. Computer and parts worth NPR 6.06 billion (USD 50.86 million) were imported in the first 3 months of the current fiscal year, an increase of 51.7% from the same period of last fiscal year. Telecommunication infrastructures represent 4.2%, and computer and parts represent 1.3% of all the imports of Nepal.¹⁴⁸

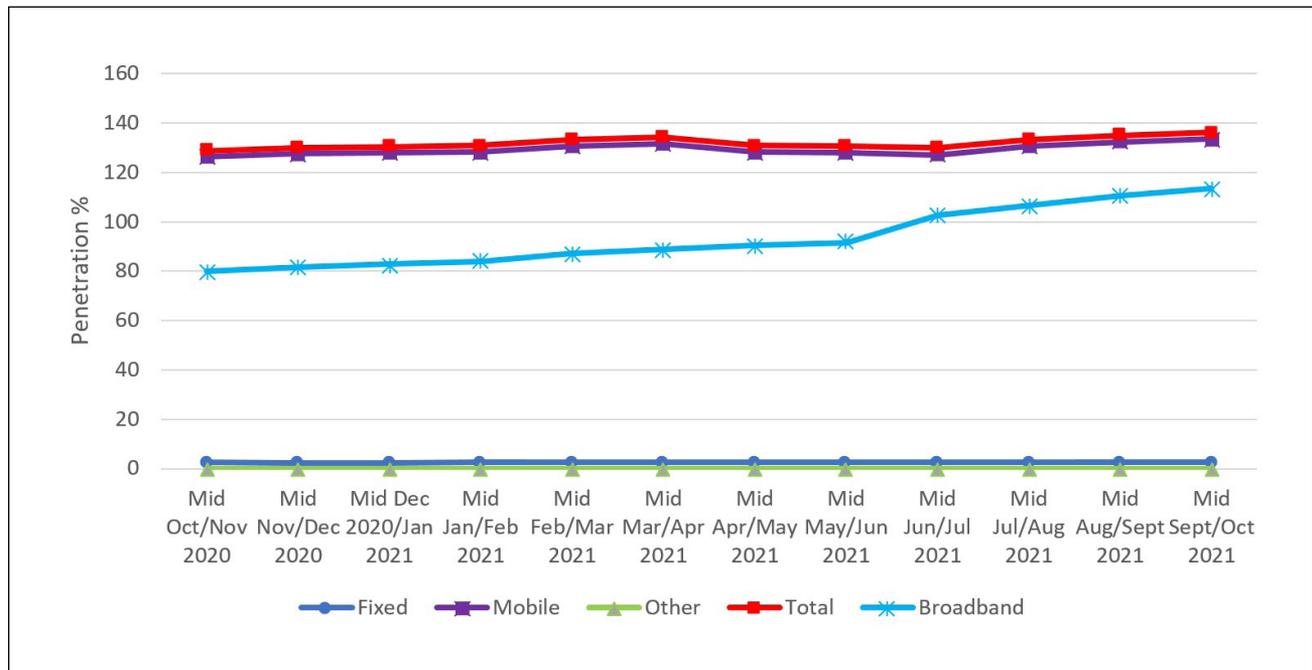
Increasing Access to Telecommunications and Data: Nepal Telecommunications Authority recorded the tele density of the country at 136.26% with 814,470 fixed line subscriber (2.69%) and 40,374,744 mobile subscribers (133.56%). The number of internet data subscribers stood at 34.34 million subscribers. The internet penetration rate as of mid-July is 113.57%. The internet penetration is largely driven by mobile broadband services which accounted for 84.63% and fixed broadband (wired and wireless) which contributes to 28.94% of the internet penetration.¹⁴⁹

Figure 12. Market Share of Telephone Operators



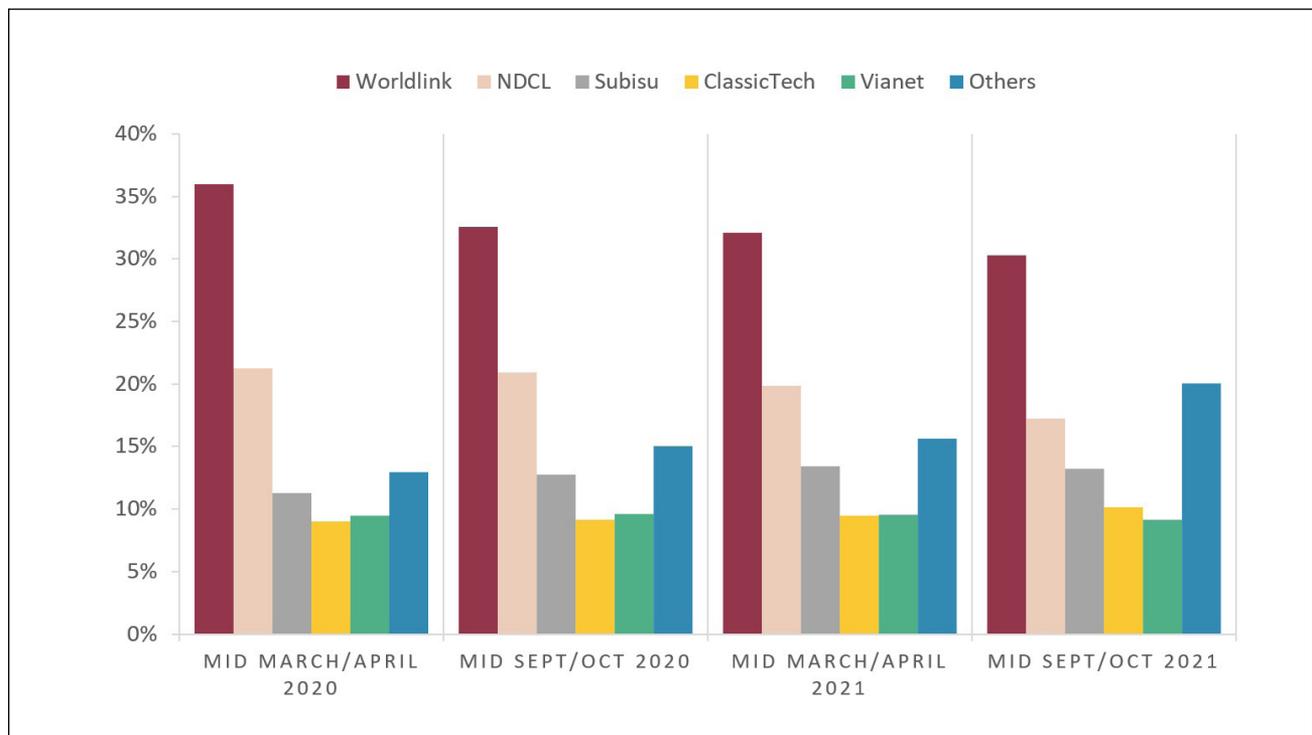
(Source: MIS Report Ashoj 2078, Nepal Telecommunications Authority)

Figure 13. Growth Trend of Voice Telephone and Data Service Penetration



(Source: MIS Report Ashoj 2078, Nepal Telecommunications Authority)

Figure 14. Market Share of ISPs in Nepal over 2 years



(Source: MIS Report, Nepal Telecommunications Authority)

“ OUTLOOK

The disturbance in internet caused by the ongoing dispute between Internet Service Providers (ISPs) and Nepal Electricity Authority (NEA) is detrimental to an already struggling economy of Nepal. With remote working, schools in the country not fully open, and a high cost of mobile data in Nepal, NEA and ISPs must put their differences aside and come into an agreement that is beneficial to both parties, and the country. Since the OTT and IPTV platform will pass through censorship and will require permission from the government to operate, the cost for Ministry of Communication and Information Technology will increase and may result in limited freedom of thought and expression in Nepal. Nepal needs to further increase the limit of transactions on mobile wallets and quicken the launch of National Payment Gateway, along with making digital devices more affordable and increasing internet penetration to successfully transition to a cashless economy. However, as telecommunication infrastructure along with computer and parts already represent 5.5% of total imports in Nepal, care must be taken to not worsen the balance of payment while attempting to make digital devices and internet services more affordable. The study on use of digital currency in Nepal by Nepal Rastra Bank while simultaneously banning the transaction and mining of cryptocurrency in Nepal is sending a mixed message on Nepal's readiness to adopt paperless currency. Increasing digital literacy and incentives for private sector involvement will greatly help in Nepal's transition to become a digital economy.

Tourism

The removal of seven-day quarantine and resuming the issue of visas on arrival to all the vaccinated foreign travellers has led Nepal to record the highest number of international tourist arrivals in October since the surge of the pandemic in March 2020. The gradual lifting of travel restrictions and safety measures for fully vaccinated international visitors and the opening of the hospitality sector has boosted the inflow of tourists since September. The Asian Development Bank claims that international tourist arrivals which declined by 80.8% in 2020 have the possibility of gradual recovery as trekking routes and expeditions resume. Nepal Tourism Board's effort to promote regional travel among the neighbouring countries through collaboration can help with the recovery of the tourism sector.

Tourist Arrival: In the first ten months of 2021, 100,148 tourists visited Nepal. The number of tourists arriving in Nepal has been on a rise. On October 23, 284 foreign tourists visited, whereas only 9,898 tourists visited in the month of September.¹⁵⁰ The inflow of tourists has gained momentum since September 2021 after the plunge in May 2021 (1,468) due to the lockdown and travel restriction. This jump in international traveller is a sign of tourism industry rebounding which remained flat since the first lockdown in March 2020.

India has been a major source of tourist traffic to Nepal in the month of October. Indians account for 37.5% (8,736) of the total tourists who visited Nepal followed by the United States accounting for 20% (4,711), and the United Kingdom accounting for 5% (1,381).¹⁵¹

TOURISM INVESTMENT

Short Term Jobs for 1,000 Tourism Workers:

Nepal Tourism Board (NTB) with Trekking Agencies Association of Nepal (TAAN) have signed a Memorandum of Understanding (MoU) for the 'Sustainable Tourism for Livelihood Recovery' project, which is backed by the United Nation Development Programme (UNDP). The project is aimed at generating short-term jobs for 1,000 tourism workers who have been hit hardest by COVID-19. The NTB plans to offer jobs ranging from 70,000 to 100,000 man-days as part of the initiative. In the coming days, the NTB is considering developing such initiatives for the relief of the tourism workforce. The project will run for two-and-a-half-year with a total cost of USD 2 million 50 thousand (NPR 244.216 million) (USD 1 million on its own and USD 1.05 million

with UNDP funding).¹⁵² The Hotel Association of Nepal (HAAN), Nepal Association of Tour and Travel Agents (NATTA), and Nepal Association of Rafting Agencies (NARA) have all signed similar agreements with the NTB.

UNWTO Assurance for Support to Nepal's Tourism Sector:

United Nations World Tourism Organization (UNWTO) has emphasized its continuous support for the development of Nepal's tourism industry during an executive program on Asia Pacific Region's Tourism and Strategy held in the Maldives. UNWTO wants to support Nepal's sustainable tourism development, natural and mountaineering tourism development, and institutional capacity enhancement. The officials of UNWTO have committed to organizing a program of the Asia Pacific Region in Nepal in 2023.¹⁵³

Government has Provided 1 Billion Loans for COVID Affected: Under 'Business Continuity Loan Disbursement Procedures, 2020', the government has provided NPR 1 billion (USD 8.394 million) loan to tourism and domestic industry workers affected by COVID-19 till the second month of the current fiscal year. As per the Nepal Rastra Bank's second month's record, a loan of NPR 1 billion (USD 8.394 million) has been sanctioned to pay the wages of workers and employees affected by COVID-19 within the tourism and domestic, small, and medium enterprises sector.¹⁵⁴

POLICIES AND REGULATIONS

Visa on Arrival Resumed for Foreign Tourist: Nepal has become the first South Asian country to resume visa on arrival services that were halted since March last year. Previously travellers recommended by the Nepali authorities, diplomats, and Nepali origin foreigners were qualified for on-arrival visas.¹⁵⁵

Based on the new arrangement issued by the Ministry of Culture, Tourism, and Civil Aviation travellers that are fully vaccinated at least 14 days prior to their arrival in Nepal can receive visas on arrival by submitting a negative PCR test report for coronavirus, 72 hours prior to the departure for Nepal. For foreign nations visiting Nepal for mounting and trekking purposes along with the 72 hours PCR report, they must produce a permit received from the relevant Nepali Government

authorities along with proof of hotel booking in Nepal. Foreign nationals who are unvaccinated can receive visas but must stay in quarantine in hotels for 10 days at their own expense. For minors below five years of age, it is not mandatory to be vaccinated or undergo any kind of COVID-19 test. Nevertheless, children between five to 18 are required to undergo the COVID-19 test. Indian nationals who tested negative for COVID-19 can enter Nepal even if they are not vaccinated. The COVID-19 test should have been conducted within 72 hours before the arrival at Nepal's border. An online form available at Crisis Management Centre (CCMC) must be filled by them and the hard copy of the form is to be produced at the border point.

Foreign Nationals after arrival must go through an antigen test at the entry point. If tested positive, they are required to stay in isolation until they test negative for the virus, and if tested negative they are free to proceed to their destination. In case of unavailability of antigen test at the entry point, foreign nationals must go through the test in their respective hotels and be allowed to proceed outside only after a negative PCR test report.

Issuing Climbing Permits for Autumn : Climbing permits for the autumn season have begun to be issued as of 31st August by the Department of Tourism (DOT). The department has already given permits to two expedition teams to climb Mt. Manalo has collected royalty of

NPR 2.646 million (USD 22,211).¹⁵⁶

PROGRAMS EVENT AND CAMPAIGN

Agreement Between NTB and India's TAAI: An agreement between the Nepal Tourism Board (NTB) and Travel Agents Association of India (TAAI) to boost tourism in both countries has been signed. The agreement would allow cooperation between Nepal and India for tourism promotion events, roadshows, webinars, national and regional events, and travel marts will be organized in both countries. The deal was signed in New Delhi by the Executive Chief of NTB, Dhananjay Regmi, and Chairman of TAAI, Jyoti Mayal.¹⁵⁷

Nepal-Bangladesh Tourism Promotion Program: Nepal-Bangladesh Tourism Promotion and B2B Exchange Program was held with the collaboration between Pacific Asia Travel Association (PATA) Nepal Chapter and PATA Bangladesh Chapter. The program was a post pandemic recovery initiative focused on reviving the tourism sector affected by COVID-19 through the collaboration for the inbound and outbound tourism sector between these two countries. The initiative also emphasized promoting each other's destinations through mutual tie-ups.

The exchange program consists of tourism networking and interaction sessions that include informing Bangladeshi delegates regarding Pokhara as a tourist destination. It was conducted by the joint effort of Pokhara Tourism Council and Nepal Tourism Board Pokhara..

HOSPITALITY INDUSTRY UPDATES

Nepal as One of Top 10 Destinations for 2022: Nepal has been listed as the eighth country of ten countries to visit in 2022 in the travel guidebook, Lonely Planet. Additionally, a CNN article in which the top picks are featured has mentioned that Nepal has much more to offer to visitors than only climbing Mt. Everest. The guidebook while mentioning Nepal has highlighted the attraction of Mustang. It has encouraged visitors to explore the high desert for alpine grassland, mountains in the upper Mustang region. The guidebook has appealed to visitors to stay at the local homestay for cultural treats known to the region like coffee with yak butter, “kothey” styled moms.¹⁵⁸

Rise in Tourists at Kanchenjunga and Dhaulagiri Base Camp Area: With more climbing permits being issued, there is a rise in tourist flow in the base camp region. The region of Kanchanjanga has seen an increase in international and domestic tourists. As stated by the office of Kanchenjunga Conservation Area Management Council 100 domestic tourists have visited the region and around 65 foreign tourists from USA, Germany, Britain, and India have visited. With the rise in tourists,

the settlement around Ghusan district has been crowded with tourists. Due to this, the hotels closed in the Kanchanjanga during the pandemic have finally been reopened and are fully operating.¹⁵⁹

The Dhaulagiri base camp has also seen a jump in the number of tourists arriving especially through air travel. Due to heavy rainfall and 72 hours PCR requirement, climbers are preferring to travel by air to reach base camp. However, the use of airways to reach the base camp has a negative effect on the mule transportation and hotel entrepreneurs, which was already struggling due to the pandemic. The local, provincial, federal government along with trekkers are working to better the accessibility of trekking routes.¹⁶⁰

Rise in the Domestic Visitors in Chitwan and Myadi: Chitwan National Park has re-opened after being closed since the start of the second wave of COVID 19. The number of domestic tourists has been increasing, especially during the weekends. After two years of suffering from the pandemic, hotels in Sauraha are filling up. The flow of domestic tourists is not sufficient to recover from COVID-19 thus, requiring the flow of foreign tourists. The national

park before the pandemic used to receive 185,644, in the previous fiscal year it only received 89,601 domestic visitors. According to the hoteliers, full recovery is not viable with only domestic tourists since the infrastructure is built for foreign tourists. Asian Development Bank report states that a better balance between domestic and international tourism is needed so that they complement each other to lead a sustainable tourism industry.¹⁶¹

The increase in the number of guests in Myadi and Mustang has led to hotels and lodges being filled with domestic tourists. The fifty hotels in Beni have the capacity to accommodate 1,000 guests which were entirely booked. According to tourism entrepreneurs, the hotels were overflowing with guests in October, and that they had to send guests to Baglung and Kushma after they were not able to accommodate them. According to Indra Bahadur Nepal, Chief of the District Traffic Police Office, earlier only 100 to 150 vehicles used to commute daily on Beni-Jomsom Road, and in October more than 500 vehicles have been moving. The inflow of domestic tourists has been a sign of relief for the tourism sector of Myadi.¹⁶²

“ OUTLOOK

The lifting of restrictions to enter the country will have a positive impact on the tourism sector which was crippled by the pandemic. Visa on arrival service and permits for climbing services has resumed leading to an increase in the number of international tourists. In the coming quarter, if the country can contain the COVID-19 outbreak, there will be a higher rise in the number of international tourists visiting Nepal. It will also help the foreign currency reserve as tourism is one of the vital sources of foreign currency.

The tourism sector seems to be on track of recovery with domestic tourists providing sustenance for the time being and along with the Nepal Tourism Board's efforts to relieve the tourism sector with projects and collaboration. The tourism sector has made some small progress. With the holiday season kicking in with Christmas and New Year, popular domestic destinations can see a further rise in domestic tourists.

4

**MARKET
REVIEW**

Financial Market

Fiscal Year (FY) 2021–22 has been showing signs of economic recovery from COVID–19 as the operating profit and net profit of commercial banks have had an upward trend against the previous few quarters. After the second wave of COVID–19, banks have performed well with a provision of lower interest rates during the period. With the increase in loans and advances, the investments in the economy are further increasing. However, the liquidity crunch has been the highlight of the first three months of 2021/2022. With banks now having shortages of loanable funds, policies and amendments have been put in place to bring the balance back in the economy. In addition, the launch of the National Payment Switch (NPS) has shown signs of more development in the digital banking and payments infrastructure.

Key Indicators: Some of the key macroeconomic indicators as per the macroeconomic and financial situation report based on the first quarter data of the FY 2021/22 published by the Nepal Rastra Bank (NRB) are highlighted below:

Consumer Price Inflation: In the review period, the consumer price inflation at the end of first three months of 2021/2022 was 4.24% compared to 3.79% in the corresponding period last year. The food and beverage inflation stood at 3.63% compared to the 5.50% inflation last year. Similarly, the non–food and service inflation stood at 4.72% compared to the 2.46% inflation last year.

Trade: The three months of 2021/22 saw a whopping 109.5% increase in merchandise exports which is significantly higher than the 14.3% increase in the corresponding period of the previous year. India was the most popular country in terms

of merchandise exports with a 147.1% increase, followed by China with a 19.4% increase in the export of products such as soyabean oil, palm oil, polyester yarn, and jute products.

Similarly, merchandise imports increased by 63.7% to NPR 478.52 billion (USD 4.01 billion) compared to a 12.7% decrease in the previous year. Petroleum products, transport equipment, crude soyabean oil, gold and crude palm oil were the main imports for the leading importing countries like India and China from whom the imports increased by 48.4% and 55.2% respectively.

However, the trade deficit also saw an increase of 58.3% to NPR 414.47 billion (USD 3.47 billion) in the first quarter of 2021/2022. Despite the significant increase in exports, the export–import ratio rose to 13.6% compared to 10.6% in the corresponding period of the previous year.

Remittances: Remittance inflows fell by 7.6% to NPR 239.32 billion (USD 2 billion) compared to a 12.7% increase in the same period last year. This is an effect of the decrease of 8.1% in the net transfer compared to the 10.2 increase in the same period last year.

However, the Nepali workers taking approvals for foreign employment increased by 34,823 in the review period compared to a 78.6% decrease in the same period last year. Travel and safety restrictions that were implemented by foreign countries last year due to COVID–19 had resulted in the significant decrease of foreign employment.

Deposit and Credit Mobilization: The deposits at Banks and Financial Institutions (BFIs) increased by 1.2%, as compared to a growth of 4.9% in the corresponding period of previous year. Of the total deposits, the

share of demand, saving and fixed deposits stood at 7.7%, 34.4% and 50.3% respectively. As of mid-October 2021, institutional deposits stood at 42.7%, whereas last year it was 44.3% in the same period.

Similarly, private sector credit from BFIs increased 7.7% compared to a growth of 4% in the previous year. Private sector credit from commercial banks, development banks and finance companies increased 7.4%, 10.2% and 10.4% respectively. Loans of BFIs to agriculture sector, industrial sector, transportation, communication and public sectors, wholesale and retail sector, and service sector have all increased by 9.1%, 7.1%, 4.8%, 7.5% respectively.

In terms of credit exposure, the term loan increased by 7.1%, overdraft loan increased by 13.4% and demand and working capital loan increased by 6.1%. In addition, real estate loan, which include residential personal loans increased by 5.9%, trust receipt (import) increased by 4.7% and margin nature loans decreased by 2.2%.

Liquidity Management: In the review year, the central bank i.e., Nepal Rastra Bank (NRB) mopped up NPR 60 billion (USD 503.65 million) of which NPR 28.35 billion was (237.97 million) through reverse repo auction and NPR 31.65 billion (USD 265.67 million) through deposit collection. In the previous year, NPR 60 billion was mopped up.

Additionally, NRB injected a liquidity of NPR 29.73 billion (USD 249.55 million) through

the net sale of USD 0.25 billion from foreign exchange market. Liquidity of NPR 147.43 billion (USD 1.23 billion) was injected through the net purchase of USD 1.24 billion (USD 10.40 million) in the previous year.

Foreign Exchange Reserves and Adequacy: In the review period, gross foreign exchange reserve stood at NPR 1319.32 billion (USD 10.98 billion), decreasing by 5.7% in mid-October 2021 from NPR 1399.02 (USD 11.75 billion) in mid-July 2021. Of the total foreign exchange reserves, reserves held by NRB fell by 8.0% to NPR 1145.29 billion (USD 9.61 billion) in mid-October 2021 from NPR 1244.63 billion (USD 10.44 billion) in mid-July 2021. Reserves held by BFIs other than NRB increased by 12.7% to NPR 174.03 billion (USD 1.46 billion) in mid-October 2021 from NPR 154.39 billion (USD 1.29 billion) in mid-July 2021. The Indian currency's share in total reserves stood at 24.1% in mid-October 2021.

Based on first quarter imports of FY 2020/21, the foreign exchange holdings of the banking sector are sufficient to cover the imports of prospective merchandise for 8.6 months, and merchandise and service imports for 7.8 months. The ratio of reserves-to-GDP, reserve-to-imports and reserve-to-M2 was estimated to be 30.9%, 64.7% and 25.1% respectively in mid-October 2021.

Federal Government Expenditure and Revenue: In the review period, the total expenditure of the federal government was NPR 234.52 billion (USD 1.96 billion) while the revenue mobilization stood

at NPR 255.04 billion (USD 2.14 billion).

Money Supply: In the review period, broad money (M2) increased by 2.2%, which is a 5.6% growth compared to the same period last year. In addition, M2 grew by 17.9% on a year-on-year basis in the first three months of 2021/22.

Interest Rates: The weighted average 91-day treasury bill rate remained at 4.86% in mid-October 2021, as against 0.63% in the corresponding month a year ago. Furthermore, in mid-October 2021 the weighted average inter-bank transaction rate among commercial banks stood at 4.95% as against 0.11% a year ago. The average inter-bank rate of BFIs which was considered as operating target of the monetary policy, stood 4.95% in the review month.

In addition, the average base rate of commercial banks fell to 7.57% in mid-October 2021 from 7.73% a year ago. Weighted average deposit rate and lending rate of commercial banks stood at 5.43% and 8.69% respectively in mid-October 2021, as compared to 5.45% and 9.83% respectively a year ago in the same review period.

Balance of Payments: The current account registered a deficit of NPR 151.70 billion (USD 1.28 billion) in the review period, compared to the current account surplus of NPR 33.38 billion (USD 279.9 million) last year in the corresponding period. The overall BOP remained at a deficit of NPR 76.14 billion (USD 643.1 million), as compared to a surplus of NPR

101.09 billion (USD 851.0 million) in the previous year.

First Quarter Performance Analysis of Commercial Banks:

As per the unaudited first quarter results of commercial banks of FY 2021/22, as shown in Table 1, the operating profit of commercial banks increased by 21.58%, while the net profit also grew by 21.11%.

At the end of the FY 2020/21, NIC Asia Bank bagged the highest net profit of NPR 1.18 billion, followed by Nabil Bank and Global IME Bank, both booking NPR 1.11 billion (USD 9.31 million) each. Bank of Kathmandu registered the lowest net profit of NPR 253.4 million (USD 2.12 billion). Civil Bank and Siddhartha Bank had a whopping increase of 201.88% and 89.50% in their net profits. When we look at reserves and surplus, Nepal Bank held the highest number of reserves worth NPR 17.22 billion (USD 144.54 million), followed by Rastriya Banijya Bank and Nabil Bank with NPR 15.66 billion (USD 131.45 million) and NPR 15.62 billion (USD 131.11 million) respectively. 9 banks including private sector banks like Nabil Bank, Nepal Investment Bank, Everest Bank, NIC Asia Bank, Siddhartha Bank, Global IME Bank had better reserve and surplus than the industry average which was NPR 6.98 billion (USD 58.59 million). The deposits from customers saw a 1.16% rise compared to the corresponding period last year with the highest deposits being made at NIC Asia Bank, Global IME Bank and Rastriya Banijya Bank with NPR 2.78 trillion (USD 23 billion), NPR 2.67 trillion (USD 22.41 billion) and NPR 2.40 trillion (USD 20.14 billion) respectively. Nepal Bangladesh Bank recorded

the lowest deposits from customers with NPR 77.88 billion. However, Sunrise Bank had the highest increase in deposits of 20%. Loans and advances to customers have increased by 7.3% compared to the corresponding quarter last year. This justifies the liquidity crunch within the banking sector and the adjustments made on interest rates. NIC Asia Bank holds the highest loan and advances portfolio of 26.43 trillion (USD 221.85 billion), followed by Global IME Bank and Nabil Bank at NPR 25.15 trillion (USD 211.11 billion) and NPR 20.74 trillion (USD 174.09 billion) respectively. Standard Chartered Bank had the lowest credit disbursement of NPR 68 billion, while Agricultural Development Bank saw a 17.66% fall in its loans and advances.

Additionally, during the review period, average Non-Performing Loans (NPL) stood at 1.17% as compared to 1.61% in the same period previous year. Furthermore, average cost of funds was 5.36% against 5.69% in the corresponding period previous year. Similarly, the average base rate stood at 7.48% during the review period, the highest being 9.81% of Mega Bank, followed by Bank of Kathmandu at 8.56%.

The commercial banks have had to provide loans to decreased rates in ordinance with the monetary policy introduced to tackle the effects of the pandemic. The huge rise in loans and advances to customers also shows the high liquidity and increasing investments in the economy. Even with this low interest rate environment,

the banks have reported better profitability indicators than in the past.

KEY DEVELOPMENTS

Some of the key developments that transpired in the financial market are as follows:

NRB Issues Notice for Cryptocurrency Transactions:

Nepal Rastra Bank (NRB) has issued a caution notice to investors warning them about the transactions of cryptocurrency in the country. Any sort of cryptocurrency transaction has been deemed unlawful and illegitimate. NRB has also mentioned that the involvement in these transactions will be subject to legal actions under the Foreign Exchange Regulation Act 2019¹⁶³.

New Directive on Interest Rate:

The Nepal Rastra Bank (NRB) issued a new directive to tackle the problem of liquidity crunch in the economy by allowing Banks and Financial Institutions (BFI) to only change a maximum of 10% in the interest rate in average (except for call deposit) by estimating the average and minimum interest rate released in the previous month. This is an amendment of the previous directive which allowed BFIs to change maximum of 10 per cent in the interest rate of the bank deposit as compared to the rate released in the previous month. In a case when the spread rate exceeds the given cap, an adjustment should be made to make the basis to the maximum and minimum interest rate¹⁶⁴. This amendment is directed towards curbing the excessive

lending trends that have been prevalent in the in the first three months of 2021/22. The NRB had also previously injected more than NPR 20 billion (USD 167.88 million) in the domestic financial system to help ease the problems related to liquidity shortfall in the banking system.

National Payment Switch Phase 1 Rolls Out:

An agreement to implement the first phase of the National Payment Switch (NPS) has been made between representatives of the Banks and Financial Institutions (BFIs) and National Clearing House Limited (NHCL) in the presence of Governor, Maha Prasad Adhikari and senior officials from Nepal Rastra Bank and BFI associations. 18 commercial banks, 5 development banks and 6 finance companies have agreed

to take part in the first phase of NPS, which will ensure non-card-based transactions between different digital payment gateways, infrastructures, and instruments. Retail payment switches will be implemented by establishing infrastructure for NepalQR Standards like NEPALPAY QR Scheme, inter-network QR, direct debit Request-To-Pay, wallet to wallet interoperability, biller gateway to help service interoperability, e-mandate instruments and PSO settlement. NRB had earlier introduced the Payment System Inspection and Supervision Bylaw 2021 which aimed to formalize supervision of payment system operators to ensure transparency in the system.¹⁶⁵

First Quarterly Review of Monetary Policy:

The highly

anticipated first quarterly report of the monetary policy has been made public by the Nepal Rastra Bank (NRB). The review does not have a change in NRB's 4/12 share loan structure where banks could only provide a maximum of NPR 4 million in loans and individuals could only take a total of NPR 12 million from financial institutions. However, flexibility has been provided in terms of the loan-to-deposit ratio. NRB has also introduced reforms to maintain a cash margin while issuing letter of credit. The review of the monetary policy has also stated that construction of hospitals at local areas with poor health facilities will be conducted. A loan of NPR 20 billion will be provided with a 2%-point premium to the base rate.¹⁶⁶

OUTLOOK

The primary concern in the first quarter of FY 2021/22 has been the liquidity crunch that the domestic banking system has been facing. The BOP deficit and declining remittance inflow has been on the forefront of this problem. It was earlier expected that the new directive regarding interest rates will curb part of the problem by making imports and borrowings more expensive, and hence, encouraging deposit mobilization. However, the policy for the provision of loans has not seen a change. The NRB providing refinance facilities and implementing interest subsidy concessional lending programs for severely affected sectors can help mitigate many of the problems related to liquidity¹⁶⁷. The Nepal Rastra Bank (NRB) has been urging the government to impose restrictions on the import of luxury goods in the country due to the surging balance of payment deficits which have resulted in fast-decreasing foreign exchange reserves. Quantitative limits and high customs duty will help narrow the gap in balance of payment deficits. Remittance inflows, which are usually higher during the festive periods, have gone down by 7.6%. The cost of funds has risen because of the decrease in remittance. However, with countries like South Korea resuming permits for foreign employment, there is expected to be a rise in foreign employment in the next quarter. The review of the monetary policy has stated that it will look to provide guarantees for Nepali companies that want to take foreign institutional loans. This would encourage loans from abroad which may help in bringing down the high amount of loans provided by the Nepali banks. Finally, a national card-switch and Nepal Payment Card will soon be implemented as a part of the second phase of NPS to ensure interoperability of domestic card transactions and bring in more security in the digital payment ecosystem. The electronic payment system has already seen a rise in users and more developments in the digital infrastructure which shows people's faith in the system¹⁶⁸.

Bank	Paid-up Capital	Reserve & Surplus	Deposit			Loans and Advances			Operating Profit			Net Profit			NPL (%)			Cost of Fund (LCY)			Base Rate (%)
			FY 21/22	FY 20/21	% Change	FY 21/22	FY 20/21	% Change	FY 21/22	FY 20/21	% Change	FY 21/22	FY 20/21	% Change	FY 21/22	FY 20/21	% Change	FY 21/22	FY 20/21	% Change	FY 21/22
			1st QTR	1st QTR		1st QTR	1st QTR		1st QTR	1st QTR		1st QTR	1st QTR		1st QTR	1st QTR		1st QTR	1st QTR		1st QTR
Nabil Bank	1,384.45	1,562.62	22,588.45	22,347.81	1.08	20,743.73	19,810.74	4.71	15.89	14.83	7.13	11.12	10.36	7.39	1.13	0.65	5.15	4.99	0.16	6.11	
Nepal Investment Bank	1,625.73	1,420.87	17,077.84	17,455.77	(2.17)	16,004.18	15,681.67	2.06	13.20	8.91	48.09	9.24	6.24	48.09	2.27	2.80	4.89	5.48	(0.59)	6.09	
Standard Chartered bank	857.22	591.31	8,545.75	8,756.42	(2.41)	6,899.82	6,240.87	10.56	6.88	5.80	18.61	4.82	4.01	20.05	0.67	0.87	3.15	4.67	(1.52)	5.18	
Himalayan Bank	1,068.44	694.97	14,217.19	14,102.11	0.82	13,809.26	12,604.81	9.56	6.48	5.18	25.16	4.53	3.66	23.76	0.58	1.23	5.49	5.09	0.40	7.01	
Nepal SBI Bank	949.36	537.90	10,875.47	10,623.85	2.37	10,508.05	9,683.06	8.52	5.32	2.85	86.35	3.73	2.01	85.99	0.17	0.25	5.11	6.19	(1.08)	8.11	
Nepal Bangladesh Bank	900.48	519.40	7,788.64	8,712.79	(10.61)	7,214.50	6,868.62	5.04	5.64	7.80	(27.66)	4.12	5.71	(27.93)	1.71	2.39	5.64	6.16	(0.52)	7.51	
Everest Bank	893.37	862.95	16,394.17	16,022.03	2.32	13,551.61	12,768.72	6.13	8.27	4.78	72.99	5.79	3.35	72.92	0.13	0.22	4.97	5.37	(0.40)	7.00	
Bank of Kathmandu	965.82	571.21	10,214.61	10,341.34	(1.23)	10,006.76	9,380.82	6.67	3.62	3.45	5.00	2.53	2.41	5.00	0.92	2.18	5.55	5.63	(0.08)	8.56	
NCC Bank	1,031.45	379.13	11,507.43	10,666.72	7.88	10,915.87	9,453.77	15.47	7.20	4.57	57.69	5.18	3.35	54.83	1.48	2.83	6.13	6.16	(0.03)	8.12	
NIC Asia Bank	1,156.40	824.81	27,828.13	28,702.48	(3.05)	26,433.71	24,877.04	6.26	16.87	14.59	15.64	11.81	10.21	15.64	0.49	0.40	5.75	4.99	0.76	7.48	
Machhapuchhre Bank	905.31	288.36	13,064.10	13,161.80	(0.74)	12,714.99	11,357.20	11.96	8.05	5.23	53.86	5.62	3.61	55.59	0.50	0.42	5.66	6.15	(0.49)	7.63	
Kumari Bank	1,387.85	393.86	15,518.26	14,583.82	6.41	15,237.62	13,789.79	10.50	7.69	8.61	(10.58)	5.41	6.03	(10.19)	0.82	1.43	5.46	6.28	(0.82)	7.88	
Laxmi Bank	1,069.57	429.71	11,793.66	11,460.31	2.91	11,474.07	10,601.48	8.23	7.73	4.48	72.59	5.53	3.12	76.99	0.49	0.97	5.39	5.71	(0.32)	7.52	
Siddhartha Bank	1,096.23	802.68	18,352.92	18,092.40	1.44	17,318.31	15,855.09	9.23	13.56	7.24	87.27	9.49	5.01	89.50	0.54	1.32	5.55	6.12	(0.57)	7.57	
Global IME Bank	2,163.25	876.75	26,766.05	26,843.38	(0.29)	25,151.21	22,889.40	9.88	15.56	14.75	5.45	11.12	10.59	5.04	1.62	1.84	5.02	5.39	(0.37)	7.41	
Citizens Bank International	1,257.69	522.92	14,431.28	14,063.84	2.61	12,824.31	11,891.20	7.85	9.28	7.33	26.56	6.87	5.16	33.32	1.91	1.43	6.08	6.79	(0.71)	8.11	
Prime Commercial Bank	1,608.30	576.13	15,922.93	15,415.00	3.30	14,377.77	13,537.66	6.21	14.09	14.48	(2.67)	9.78	10.18	(3.90)	0.62	1.37	6.62	6.26	0.36	8.27	
Sunrise Bank	9,487.94	472.12	12,827.40	10,643.24	20.52	11,373.57	10,049.07	13.18	5.82	5.47	6.40	4.31	3.83	12.47	1.13	1.58	6.30	5.72	0.58	8.40	
NMB Bank	1,632.60	533.30	17,346.66	16,448.93	5.46	16,557.38	15,101.41	9.64	14.70	10.54	39.47	10.44	7.33	42.49	1.85	2.26	5.32	5.88	(0.56)	7.96	
Prabhu Bank	1,031.55	471.53	16,545.37	16,483.22	0.38	13,847.16	13,517.12	2.44	8.83	12.52	(29.49)	6.36	8.50	(25.14)	1.61	2.67	5.23	4.89	0.34	7.63	
Mega Bank	1,465.50	368.62	14,232.45	13,689.36	3.97	14,185.53	13,736.83	3.27	13.07	8.83	47.96	9.15	6.08	50.47	0.89	1.01	4.96	6.18	(1.22)	9.81	
Civil Bank	864.37	152.20	9,273.91	8,863.49	4.63	8,192.01	7,906.06	3.62	4.26	13.82	(69.15)	2.92	0.97	201.88	0.96	1.50	6.43	7.06	(0.63)	8.26	
Century Commercial Bank	903.44	155.90	9,489.14	9,349.66	1.49	8,411.46	7,809.68	7.71	3.77	3.08	22.42	2.72	2.20	23.59	1.88	2.08	6.17	6.94	(0.77)	8.09	
Sanima Bank	968.15	378.72	14,059.80	12,842.59	9.48	12,786.63	11,907.14	7.39	7.86	5.33	47.45	5.68	3.73	52.14	0.11	0.40	5.84	5.99	(0.15)	7.45	
Public Sector Banks																					
Nepal Bank	1,263.68	1,722.56	17,309.86	16,281.34	6.32	14,813.70	13,542.05	9.39	9.58	7.79	23.02	7.55	5.50	37.14	2.00	3.02	4.22	3.97	0.25	5.93	
Rastriya Banijiya Bank	1,018.49	1,566.80	24,087.17	26,407.71	(8.79)	19,022.80	17,857.22	6.53	12.86	11.75	9.38	10.51	11.85	(11.31)	3.01	4.10	3.60	3.65	(0.05)	5.63	
Agriculture Dev. Bank	1,642.26	1,183.63	15,322.06	16,267.73	(5.81)	3,120.47	3,799.88	(17.66)	22.60	19.42	16.40	4.85	4.61	5.18	2.08	2.37	4.96	5.97	(1.01)	7.12	
Total	40,598.90	18,860.96	413,380.71	408,629.11	1.16	367,496.48	342,508.38	7.30	268.69	233.44	15.10	181.17	149.60	21.11	1.17	1.61	5.36	5.69	(0.33)	7.48	

Capital Market

The review period started with a huge rise of 161.94 points amidst discussions of the impacts of the monetary policy and unified directives related to the falling secondary market.¹⁶⁹ During the festive season of Dashain, the index saw a defensive investment strategy where the index fell by 151.85 points during that time. This was also a result of the growing concerns of liquidity and the uncertainty of interest rates. The days leading to the festive season of Tihar led to a rise in the NEPSE index as it gained 97.77 points and closed at 2848.84 points a day before Laxmi Puja. This was like the trend it followed last year where there was 70.61 points increase in the index, a week prior to Tihar. The review period ended with the secondary market showing signs of uncertainty as Nepal Rastra Bank's (NRB) monetary policy review has not addressed the expected relaxations on the NPR 40 million and NPR 120 million set for share pledge loans¹⁷⁰.

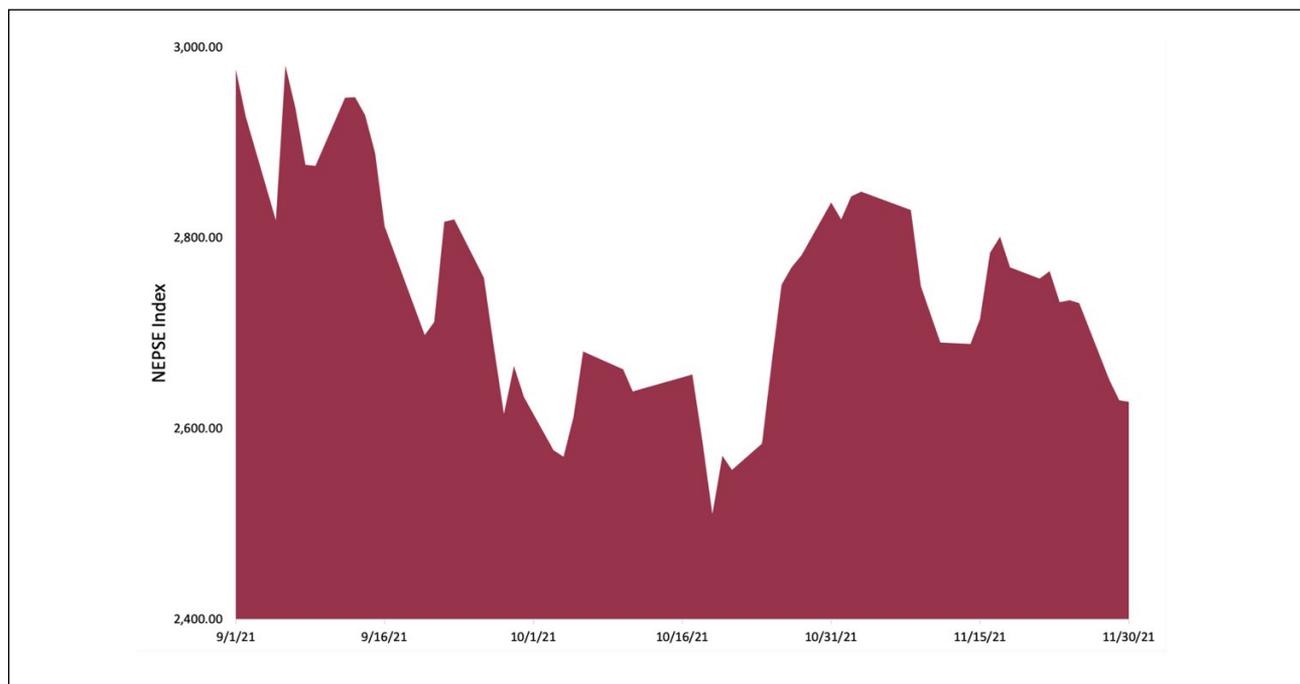
Secondary Market: During the review period, the Nepal Stock Exchange (NEPSE) index decreased by 11.71%, closing at 2628.37 points. The total market capitalization at the end of the review period amounted to NPR 3695.06 billion (USD 31.01 billion), while the total floated market capitalization reached NPR 1291.75 billion (USD 10.84 billion). As indicated in Table 1, during the review period, all the indices landed in the red zone as the market has remained bearish with lower levels of transaction. The biggest decrease was seen by the finance sub-index (22.13%), followed by life insurance sub-index (17.21%) and non-life insurance sub-index (15.01%).

Table 6. Key indicators

	1-Sep-21	30-Nov-21	% Change
NEPSE Index	2977.02	2628.37	(11.71)
Sub-Indices			
Commercial Bank	1987.35	1761.37	(11.37)
Development Bank	5733.55	4937.04	(13.89)
Hydropower	3488.91	3017.72	(13.50)
Finance	3164.25	2463.72	(22.13)
Non-Life Insurance	13851.54	11771.24	(15.01)
Others	2193.92	2061.54	(6.03)
Hotels & Tourism	3575.20	3178.10	(11.10)
Microfinance	5662.39	5078.75	(10.30)
Mutual Fund	16.39	15.31	(6.58)
Life Insurance	16878.50	13972.22	(17.21)
Manufacturing & Processing	6926.67	6115.62	(11.70)

Source: Nepal Stock Exchange (NEPSE)

Figure 15. NEPSE Movement Index



Source: Nepal Stock Exchange (NEPSE)

Primary Market: In the public issue front, during the review period, Initial Public Offering (IPO) of Upper Syange Hydropower, Muktinath Krishi Company, Rij Line Energy, Bikas Hydropower, Manakamana Engineering Hydropower Limited was approved by Sebon. Madhya Bhotekoshi Jalavidyut Company and Samling Power Company concluded their IPOs with 90,00,000 and 7,30,000 units issued respectively.

Some new IPO issues have been added by Securities Board of Nepal (SEBON) in the pipeline, mostly comprising of hydropower and microfinance institutions. Some of them are CYC Nepal Laghubitta Bittiya Sanstha Limited, Swetganga Hydropower and Construction Limited, Mandakini Hydropower Limited, and Rapti Hydro and General Construction Limited.

During the review period, the issue of NMB Saral Bachat Fund – E, Nabil Balance Fund 3 (Close End) and Mega Mutual Fund 1 (Close End) was also approved while Civil Bank also offered applications for their 9% 10-year debentures.

KEY DEVELOPMENTS

18-Point Memorandum Submitted by Investors to NRB: The Share Market Reform Struggle Committee has submitted an 18-point memorandum to the Nepal Rastra Bank (NRB) addressing the monetary policy introduced by them. The committee has demanded that the ceiling of NPR 120 million on margin lending be removed. Other demands that have been included in the memorandum are the removal of the cap on dividends distributed by microfinance companies

and amending the provision of provisioning¹⁷¹.

Demat Accounts Registration Rise: The Central Depository Service and Clearing Limited has reported that a total of 4.66 million demat accounts have been registered in the country, 50% of which have been registered in the last eight months. More than 7.78 billion units of shares have been bought under these demat accounts. The users of the Meroshare platform have also seen a subsequent rise with over 3.78 million people using the online trading platform¹⁷².

IPOs On Hold Due to the Absence of New SEBON Chief: Initial public offerings (IPOS) worth NPR 6 billion have put on hold due to the recent sacking of SEBON Chairperson, Bishma Raj Dhungana, who was involved in insider trading of many

companies. The Ministry of Finance has invited applications for the post of SEBON's Chairperson. Companies that are waiting for the approval of their IPOs are Green Ventures, Balephi Hydropower, Dordi

Khola Jalabidyut, Bindhyabasini Hydropower Development Company and Himalayan Hydropower Limited. Some of the candidates to have applied for the post of chairperson are SEBON's Executive Director

Niraj Giri, Deputy Executive Director Nabaraj Adhikari, former Executive Director of Nepal Rastra Bank Gopal Bhatta and former Chairperson of Insurance Board Chiranjibi Chapagain¹⁷³.

“ OUTLOOK

There has been a favorable first-quarter review of Monetary Policy, and a positive performance of the secondary market at the end of the first quarter of this fiscal year (FY). 100,000 new demat accounts were added in a month followed by an increase in the users of the 'Mero Share' platform which reached a total of 3.7 million users. The rising liquidity and margin debt in the country has shown that investors have increased their risk appetite. The exponential moving average indicates an overlapping pattern while the relative strength index (RSI) stands at the 45-60 range and Moving Average Convergence and Divergence (MACD) line and signal line have moved towards a positive zone. These indicators have shown that there is a possibility of an uptrend momentum in the market. Even the trade volumes which had reached a first-quarter low of 1.49 billion in mid-October has climbed up to the 5.5 billion range. This indicates a gradually increasing buying pressure in the market. The review of the monetary policy has not seen a lot of changes with some key aspects of liquidity crunch still not addressed. There is a need for changes in the credit-deposit (CD) ratio and credit to core capital plus deposit (CCD) ratio which indicate the amount of deposits that the banks have given out as loans and the extent to which banks are allowed to issue loans respectively¹⁷⁴. There needs to be proper structuring of the secondary market, where the involvement of real sectors like manufacturing and agri-business should be encouraged. Therefore, the lack of expected changes in the loan against share limit means that there might be a wait and watch approach of the investors to see how to the market reacts.

5

SPECIAL SECTION:

EVIDENCE-BASED POLICY SPECIAL

Ideology or evidence: What makes a policy?

By Mohd Ayub, Consultant to the Government of Nepal

Evidence-based policies have been the talk of the town in the last couple of months among economists and practitioners of global development after the 2019 Nobel Memorial Prize in Economic Sciences was awarded to three economists 'for their experimental approach to alleviating global poverty'. These three economists are Esther Duflo, Michael Kremer, and Abhijit Banerjee who, by using a statistical tool called randomized control trials, generate evidence on how poverty-related policies can be drafted. Many economists and development practitioners, including Nobel laureates, have vehemently criticized the approach terming it to be misleading and short-sighted. The criticism leads to a compelling question: Do evidences really matter in formulating policies?

If historical evidence is anything to tell, it seems there couldn't have been a more perfect time to award this contribution. The prize was awarded on December 10; on December 12 in the general election in the United Kingdom, the Labor Party seemingly went into an abyss. This needs some dots to be connected.

By 1997, the Labor Party had endured four consecutive

defeats in the general elections and was out of power for a straight 18 years. This made them realize that their socialist inclined policies were getting in the way, so they transformed the party into New Labor that made very few promises, and rather were in line with the 'spirits' of the 'policies the conservative government had been pursuing'. When the party won a majority in 1997, it found itself facing adversities stemming from ideological leanings and a troubled economic legacy, especially for people in the lower economic strata, that were unleashed by Thatcher's neoliberal economic policies. This made the Tony Blair-led Labor Party in 1997 to urge through a White Paper the policies to be made, backed by evidence and not by ideologies. Political commentators say that the Labor Party in 2019 didn't learn from their past experiences as they promised too many things that made even some dedicated Labor voters to vote for the Tories out of fear that Corbyn 'would bankrupt the country'. The Labor Party paid the price for ignoring the evidence they had.

It is said about 'religious texts' that 'you can find anything you want in them—as long as you know what you're looking for'. But

shrewd observation suggests that ideologically driven issues are not immune from this irrationality and madness. In the early 1980s in the United States and the United Kingdom, a flatter tax rate—a tax rate more equally to be levied irrespective of the level of income—was implemented by President Ronald Reagan and prime minister Margaret Thatcher respectively.

The policy was passionately discussed by Arthur Laffer, and hence in public finance the model is called the Laffer Curve. Both Laffer and Reagan honestly maintained that the policy was not theirs; rather was borrowed from Ibne Khulladun, a 14th-century Muslim philosopher. Reagan even recurrently quoted Khalladun in his White House briefings 'at the beginning of a dynasty, taxation yields a large revenue from small assessments. At the end of the dynasty, taxation yields a small assessment from large revenues. This became the basis of flatter taxation in the US and the UK. But apparently, they both ignored the immediate next lines that read, 'The reason for this is that when the dynasty follows the ways of Islam...' which clearly means the policy prescription was meant for a different context—a context in which indulgence with usury is

one of the most sinful acts, while the context (capitalism) where the policy was implemented revered indulgence with interest.

One of the key criticisms of the approach has been that the evidence does not matter much, rather other factors do. Back in the 1960s and the 1970s, in six US states and Canada, one of the biggest human experiments was conducted to assess the effectiveness of Negative Income Tax. Negative Income Tax intended to supplement the income of people earning less than a stipulated income through unconditional cash transfers. The experiment aimed to understand the extent to which people would stop working once they start receiving free money. The findings suggested that the drop in work was very small, and that the pilot could be extended nationwide. However, an unexpected result was found Women who were enduring abusive marriages started coming out as they had become economically independent. Due to this, the proposed policy was termed as 'toxic to the American family' and eventually the whole scheme was 'nixed'.

This echoes with what happened very recently in India: The evidence collected by Banerjee

and Duflo suggested there was a need to include eggs in the government's midday meal programme. But for ideological reasons, it could not be translated into policy.

If the very aim of understanding what causes poverty and how it can be addressed is the underlying reason for having such an experimental approach, there seems to be another set of evidence that suggests we may not need it. Let's take the case of Nepal with its spectacular achievement in poverty reduction from 'everyone in Nepal is poor except for a few professionals and businessmen and perhaps some large farmers' in 1979, as quoted in Devendra Raj Pandey, to only 21 percent poor in 2015. Nepal not only has demonstrated remarkable achievement on income poverty; it has also performed remarkably on the Millennium Development Goals.

Nepal's case seems to be the antithesis of what economists would like to believe: Growth is key to poverty reduction. Nepal never got to enjoy stunning growth in the last three decades when this accomplishment was made. On top of that, for the same period, it endured a civil war and political instability. Of course, the major credit for this

achievement is attributed to the personal remittances sent back from the countries where Nepal's youth go in search of work.

The pursuit of evidence-based policy is nothing but an ideological approach finding its roots in neoclassical economics-driven experiments that reemphasizes market supremacy. This reasserts that poverty traps emerge due to the failure to make the right choices and eventually blames the poor while it 'tends to ignore the broader macroeconomic, political and institutional drivers of impoverishment and underdevelopment'. However, both Nepal's experience and Negative Income Tax's findings suggest that people make decisions that collectively help them to flourish. Narrowing down the sources of evidence to some randomized trials with a presumption that the poor are the people who lack the ingenuity to make fitting decisions to come out of poverty is not only misleading, but also rather dehumanizing. When people have money, they demonstrate a higher intelligent quotient than when they were out of cash. Policies stemmed from such short-sighted trials may only provide short-run remedies.

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<https://tkpo.st/2MFb1WN>

Evidence-based policymaking in Nepal

By Samridhi Pant, Coordinator, Nepal Economic Forum

National policies are tools that stimulate the growth and development of a country. Governments use policies to influence economies, the two primary ones being the fiscal policy, which determines the taxing and spending, and the monetary policy that uses the control of money supply and interest rates. Liberal ideologies favour more governmental regulation of the marketplace, conservative ideologies favour fewer regulations, and libertarian ideologies favour little or no regulation of the marketplace beyond the protection of property rights and voluntary trade. Accordingly, governments develop and implement supportive policies to drive the development agenda that is mostly associated with the political ideologies of the ruling governments.

Worldwide, when a country witnesses a switch in the political ideology of the ruling party, the economic policies and systems change too. However, a regular turnover of the governments leads to the policies being merely short-lived political campaigns or agendas to manoeuvre the citizen's choices, opinions, and votes rather than an evidence-based tool that drives the economic system in the long term. Nepal's economic system has unfortunately been wheeling through such a myopic

policy-making process driven by political interests limiting economic growth.

Nepal's Policy Formulation

Process: Nepal's policymaking process undergoes six stages – agenda building, policy analysis, committee formation, and draft preparation, draft preparation and consultation, finalization of the draft, and approval from the cabinet each of which is presented below:

1. Agenda Building – Agenda building describes the process by which various factions attempt to transfer their interests to be the interests of public policymakers as “collective” and “societal”. In Nepal, agenda building materializes through three streams:

- Problem stream: Proposal for solutions to an existing problem in any area from the stakeholders.
- Policy stream: Proposal for the need for a new policy from the stakeholders.
- Political stream: A proposal from policymakers.

2. Policy Analysis – Policy analysis defines and outlines the goals of a proposed policy and identifies similarities and differences in expected outcomes and

costs with alternative policies. Once the agenda is brought to policymakers' attention, it is analysed to forecast future needs based on past and present conditions. Policy outcomes can be found in a variety of different forms—tangible outputs and less-tangible outputs for which the impacts are more difficult to measure. In the case of Nepal, stakeholders' consultations primarily drive the policy analysis process. Three primary institutions consulted in this process include:

- Ministry of Law, Justice, and Parliamentary Affairs – to check if the policy adheres to the constitutional provisions.
- National Planning Commission – to check if the policy is in line with the national development plan and agenda.
- Ministry of Finance – for financing the formulation and implementation of the policy.

After the analyses and consultations consummate, the anchor ministry/line ministry drafts an approach paper for the policy grounded on the feedbacks and information gathered.

3. Committee Formation and Draft Preparation:

The line ministry forges a committee constituting representatives from the line ministry and relevant ministries, representatives from National Planning Commission, sectoral experts, representatives from relevant associations, and consumer groups, among others, to draft the policy based on the approach paper. However, since there is no panned process, the engagement with relevant stakeholders entirely depends on the interest of the line ministry. If needed, the line ministry also forms an inter-ministerial committee for policies that affect the jurisdiction of multiple ministries.

4. Draft Preparation and Consultation:

The committee formulates the draft policy and advances it for several rounds of discussions to concerned ministries. The draft policy also is shared in various workshops, seminars, and meetings (including experts and stakeholders affected by policies) in a larger setting for feedback. The committee analyses and incorporates the suggestions and recommendations received from this process. It then circulates the draft to relevant ministries and institutions for institutional recommendations.

5. Finalization of the Draft:

Based on the institutional recommendations, the draft is further modified and discussed with the relevant stakeholders for final approval. The committee hands over the final draft to the line ministry that forwards it to the cabinet for discussion.

6. Approval from Cabinet:

There are thematic committees in the cabinet consisting of ministers and secretaries of respective ministries that review the policies put forth for approval. Based on the analysis and recommendation of the thematic committee, the cabinet approves the policy and sends it to the president for final endorsement.

Challenges Associated with the Current Process of Policymaking:

The process of policymaking, in theory, looks robust in the case of Nepal where stakeholders are consulted, policies are analysed for a long-term impact but in practice, the process has multiple flaws, some of which are highlighted below:

1. Manipulations in Setting the Agenda:

While formulating policies, policymakers decide who gains and who loses with their policy actions, as well as relevant risks. Policies are formulated based on these calculations. In the case of formulating economic policies, the government agencies and the private sector are the two primary players who drive the process. In Nepal, there exists a polarized private sector with a few large business groups dominating multiple sectors and a multitude of small firms with minimal dynamism and engagement, resulting in a narrow group of large firms unduly influencing policies.

2. Weak Policy Analysis: Ideally, policy analysis should be based on theoretically grounded and empirically validated robust models to determine if the policy will lead to the desired result. However, in Nepal, policy analysis is very rudimentary and depends heavily on stakeholders'

consultations, which only generate opinions based on personal perception and self-interest rather than on objective information on the subject matter of interest.¹⁷⁵ For instance, a bill proposing the transfer of guthi land to private ownership and converting private guthis into public ones was presented in the Parliament in June 2019. This enraged the public and the bill was later withdrawn. The co-chairman of the ruling party himself admitted that the sponsors presented the bill while still lacking a sufficient ex-ante impact assessment.¹⁷⁶ Given that the GON cannot still conduct ex-ante impact assessments, policy failures of the kind mentioned above remain highly likely.

3. Inefficiencies in the Policy Drafting Committee:

After completing the ex-ante impact analysis phase, the line ministry forms a committee to draft the policy. This phase faces two problems:

- Bureaucratic shuffle – In Nepal, authorities frequently transfer bureaucrats due to conflicts of interest with political leadership. As a result, the activities of the drafting committee get stalled as bureaucrats are transferred to another position, and the next bureaucrat must be informed about the policy agenda, the stakeholders, and the analyses that were conducted. This unnecessarily lengthens the policy formulation process.
- Unclear roles of

committee members – The line ministry that forms the drafting committee often simply assigns a coordinator and leaves the roles of the other members of the committee with unclear boundaries. This reduces the committee's operational efficiency as personalities may exert undue influence and not be tempered by a clear boundary of roles.

4. Rent-seeking in Policy Discussion and Modification:

Once the first draft is ready, the sponsoring line ministry forwards the policy to various ministries and institutions for review and feedback. With the prevalence of conflicts associated with institutional rivalries, such as inter-ministry conflicts and inter-office conflict within a ministry, the time and costs sharply increase at this stage of the policy formulation process. It is also at this phase when different interest groups engage in aggressive bargaining horse-trading to advance their interests.

5. Collusion in Approval:

The thematic committees in the cabinet review the draft that is finalized by the policy drafting committee, following consultations and after addressing feedback from the review process. At this phase, the political actors play a significant role in advancing their interests in the final draft of the policy. It is common for the final policy that is approved by the cabinet to diverge from the one drafted by the sponsoring line ministry.

Using an Evidence-based Approach to Strengthening the Policymaking in Nepal:

While the demand for evidence-based policymaking is weak in Nepal, some level of awareness is developing among the citizens and policymakers because of more skilled manpower entering the private and public sector as well as multiple development programs directed to bolster data-driven policymaking in Nepal. The application of an evidence-based approach will help the Nepali policymaking process in the following ways:

- Targeted approach for deliverables: A data-driven approach can identify and suggest targeted interventions to have the desired impact of policy and make it more output-based.
- Better informed decisions: An evidence-based approach helps to perform scenario analysis on various fronts so that the decision-maker can analyse the situation better and make informed decisions.
- Strengthened reporting and compliance processes: Having proper reporting measures in place improves the policy cycle whereby the policymaker can understand the impact caused by the policy and make the desired amendments accordingly.

Areas to Work on: To shift the current policy-making process into an evidence-based approach, some of the areas that can be worked upon are as follows:

1. Addressing the Data Availability Gap:

The paucity of data has been a key hurdle for most of the countries worldwide, especially in the least developed countries and developing countries. In Nepal, the system of keeping physical records of data has been in practice but the complexity of data retrieval and the accessibility hampers the process of data availability. Hence, digitizing the process of data collection with standard methods is essential for the quality assurance of data.

2. Harmonizing the Data Collection Methods and Processes:

The data collection processes and formats must be harmonized across the agencies to avoid duplication of the data collection and increase consistency among the data quality. For this, the use of updated digital technologies and software is much needed. This will also improve the monitoring, evaluation, and analytics of the data.

3. Staffing: The use of digital mechanisms to feed data means that the human resource in charge of keeping records must bear the required skillsets. Hence such capabilities must be built among the resource pool and complemented by routine supervision, capacity building, constant evaluation, and feedback loop mechanism.

4. Increasing the Role of CBS:

The primary agency for keeping records of national-level data is the Central Bureau of Statistics (CBS). Apart from this, multiple organizations keep records of relevant data in their preferred

format. Hence, these functions data collection and monitoring. CBS need to be enhanced
can be consolidated by making To make this happen, the tremendously.
CBS the centralized center for capacity and resources of

*Some of the content of this article are excerpts of one of the studies of beed management on Nepal
Private Sector Engagement Assessment 2020.*

Evidence-based fiscal operations

By Chandan Sapkota, Senior Fellow at Nepal Economic Forum

Political economy considerations tend to largely dictate Nepal's development programs that are included in fiscal budgets of all three tiers of government. Evidence-based policymaking is not popular. It receives minimal attention, if at all, from the government. It has been gaining popularity amongst donors and donors funded projects. Evidence-based policymaking can drive informed decision making, help learn reasons for shortcomings and successes of interventions, guide an appropriate approach to data collection given nature of intervention, and promote research and development. Eventually, a sound evidence-based policymaking contributes to enhancing the effectiveness of development interventions and services delivery. It can also be used to improve existing and future interventions.

Evidence-based policymaking should not always imply scientifically rigorous evaluation studies that are typically a hallmark of program or impact evaluation exercise. It should also consider context, time, and purpose of evaluation as research, policy influence and practice are intertwined and complex— i.e., it is not a linear

process that can always be reduced to direct causal links. At times simple summary statistics provide quicker and easily interpretable inferences that are politically palatable, implementable, and sufficiently enough to guide policymaking. However, in some cases rigorous causal analysis that require counterfactual consideration is needed to ascertain ex-post the effectiveness of interventions. It will be helpful to derive important lessons for further improvement or scale up. An easily interpretable theory of change is essential in all cases.

Ad hoc Policymaking: Most of the new programs and policies are drafted and implemented without considerations for evidence-based informed decision making. For instance, three years ago the government announced a populist policy to influence voter base without considering the impact of such policy on households and public finance. The government endorsed a non-budgetary ad hoc proposal to lower the age of eligibility for receiving social security allowance. The estimated additional spending, if the proposal was implemented fully, was about 3.8% of GDP. This would have heightened fiscal

imprudence and perpetuated leakage as beneficiaries are not properly and uniquely identified in most cases. Furthermore, the usual administrative processes to deliver such a populist and distributive program are too cumbersome.

There has been a sort of competitive populism amongst political parties to increase social security and other handouts to influence voter base. Proper identification of beneficiaries, transaction cost free transfer of eligible benefits, and assessment of the effectiveness of such transfers to support household and individual welfare are not adequately and satisfactory considered in Nepal. Importantly, baseline surveys of potential beneficiaries are missing in most cases when novel large-scale development interventions are initiated. In fact, baseline, midline, and end line surveys are rarely prioritized. Most discussion is based on anecdotes. It creates difficulties in ascertaining driving forces behind progress or delay while executing projects.

For poverty and inequality related interventions, short-term inexpensive snap representative surveys are even more important given that periodic living standard

surveys are available after a gap of over five years. Central Bureau of Statistics, in collaboration with concerned line ministries, need to play an active role in this. Similarly, monitoring and evaluation units at Ministry of Finance, National Planning Commission, ministries, and private think tanks need to augment their financial and human resources to promote the practice of evidence-based policymaking.

Evidence-based Fiscal Operation: Given the size of budget and nature of development interventions, evidence-based policymaking is essential in fiscal sector. The size of federal, provincial, and local governments' budget is around 36% of gross domestic product (GDP), including 10% of GDP as capital spending that aims to create or maintain public assets having long-term significance for inclusive growth, employment, access to opportunities, poverty reduction, and inequality. Since tax and non-tax revenues are about 30% of GDP only, there will be pressure on the governments to raise resources to plug the financing gap and to lower fiscal deficit. Revenue can be increased either by raising tax rates or broadening tax net without raising tax rates or doing

both. Another approach is to divest government's share in public enterprises or monetize their assets or liquidate them to lower operation costs. However, increasing tax rates and broadening tax net have limits because in some instances both can result in lower revenue mobilization. Evidence informed policymaking on this front to assess the effectiveness of 'nudges' (heterogenous nudges such as SMS notification, phone call, sending out letters, random in-person visits) for better taxpayer compliance could be helpful to comprehend taxpayer's behaviour and their willingness to comply with tax filing deadlines. The point is to learn optimization of monitoring to improve behaviour and compliance of firms and individuals. It not only helps to increase taxpayer compliance of existing taxpayers but will also increase taxpayer base.

Furthermore, a potential operationally relevant evidence informed policymaking could be to rely on the assessment of the impact of fiscal sweeteners in the form of conditional and special fiscal transfers/grants to subnational governments to improve fiscal transparency and budget execution. This is relevant

in the context of cooperative and competitive fiscal federalism and enforcing fiscal discipline at the subnational level. Similarly, policymaking based on the assessment of the effectiveness of e-procurement instead of paper-based procurement process is an important aspect related to public financial management. Does e-procurement promote competition, reduce cost, and time of contract award, and improve governance? A relevant issue on the same topic could be the effect of randomized audit in deterring corruption and waste in public procurement.

New expenditure interventions could also be informed by assessment of similar interventions in the past either in same or associated sectors. This is especially important in the case of social security allowances and other fiscal handouts that aim at cushioning households or individuals against adverse economic shocks. The use of evidence-based policymaking will improve public services delivery, save resources by improving targeting and plugging leakages, and help in achieving the intended objectives of interventions.

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NEF Profile



Nepal Economic Forum (NEF) is a premier private sector-led economic policy and research organization that seeks to redefine the economic development discourse in Nepal.

Established in 2009 as a not-for-profit organization under the beed umbrella, NEF is a thought center that is working on strengthening the Nepali economy through various activities that promote the growth of an efficient and inclusive private sector.

NEF has been featured in the list of Top Think Tanks in Southeast Asia and the Pacific in the Global Go To Think Tank Index Reports since 2016.

Over the past decade, NEF has produced seminal work across many areas. Some of its widely quoted work are around Political Economic Analysis and Economic Impact Assessment after the 2015 Earthquake and 2015–16 Blockade. NEF's reports on the Cartel Economy have led to rethinking of how government and society engages with the private sector. NEF pioneered policy discourse around business opportunities through Doing Business in Federated Nepal, and produced a map tracing opportunities throughout Nepal. NEF also successfully generated awareness and promoted public discourse on key issues of Nepali economy through Business Policy Research Centre, NEF's core program.

NEF has a strong social media presence with higher number of followers and engagement across Facebook, Instagram, LinkedIn, and Twitter compared to similar institutions in Nepal.

NEF is led by Founder Chair Sujeev Shakya, who is regarded as one of Nepal's leading thought leaders and go to person to understand the complex relations of Nepal's business, economy, politics and society. The organization functions under the guidance of an advisory board comprising of eminent people and also supported by honorary Senior Distinguished Fellows and Senior Fellows. The NEF Fellowship Program is a sought after one year fellowship program that enables young people to pursue further studies in educational institutions of repute and careers in esteemed organizations

NEF BROADLY WORKS UNDER THE FOLLOWING AREAS:

BPRC

Business Policy Research Center (BPRC) consolidates NEF's activities into a hub that takes a holistic approach to the issues; generates dialogue between the public and private sectors on economic development concerns, and acts as a platform for information dissemination. To bridge the gap in credible research and leverage beed's engagement with private sector, BPRC has been working to generate awareness and promote public discourse on key issues of Nepali economy. The products of BPRC are as follows:

Nefport: Quarterly economic analysis publication

Neftake: Periodic blog that covers wide range of issues

Nefstalk: Platform for policy discourse

Weekly Economic Update: Weekly overview of major economic headlines in Nepal

Did You Know: Factual overview of relevant economic activities in Nepal



Himalayan Circular Economy Forum (HiCEF) is one of the functional outcomes of the Himalayan Consensus Summit that aims to mainstream alternative development paradigms. HiCEF intends to initiate and foster discourse on the concept of circular economy, explore existing circular economy practices and investment opportunities for knowledge dissemination and replication, identify policies related to the circular economy and sustainable businesses and identify ways for its effective implementation, create a repository of such information and disseminate the information events and to create an inventory of sustainable initiatives working with the potential of replication in the Himalayan region. For this, the focus area will be predominantly Nepal but also look at initiatives in Bhutan and Himalayan India.



Renewable Energy Centre (REC) aims to be the premier platform for mainstreaming renewable energy issues by engaging multiple stakeholders to articulate discourse that will shape national-level energy politics. Engage strategic stakeholders in Nepal, from the concerned sectors towards thinking and acting towards promoting the use of renewable energy, conduct discussions in the public space relating to renewable energy.

Centre for Private Sector Development (CPSD):

The Centre for Private Sector Development (CPSD) will focus on private sector-led development by supporting the growth of small and medium enterprises. For this, CPSD will work in the areas of skills development, capacity development, financial management, providing business development services for private enterprise's operation and growth. Similarly, it will also focus on reforms that are required at the policy level and administrative level of the government to facilitate the ease of doing business in Nepal.

Global Nepali Network (GNN):

Through the Global Nepali Network (GNN), NEF plans to connect Global Nepalis across the world irrespective of their citizenship. This will be a platform to share ideas, thoughts and connect to professionals and entrepreneurs that do not enjoy the political organizations, elections, and speeches but love their connection to Nepal or Nepalis. GNN envisages work on providing a platform for knowledge exchange, to share employment and business opportunities, host network events physically and virtually and develop programs for creating knowledge repository, disseminate information on Nepal especially relating to art, culture, literature, history, and matters of common interest.

Centre for Digital Transformation:

Center for Digital Transformation (CDT):

The Center for Digital Transformation (CDT) will address cross-cutting themes related to digital adoption and revolution in emerging and frontier markets of Asia and Africa. The main purpose is to create a platform for dialogue among technologists, policymakers, academics, businesses, regulators, financiers, and more. Some of the cross-cutting themes that we will address include: digital innovation and transformation, governance and politics, resources and finance, law and society, and security and privacy.

Nepal and the World (NaW):

Nepal and the World will operate to study Nepal's foreign policy and diplomacy in the context of a globalized world and support public debates in the field of foreign affairs especially in relations to the economy. It focuses on analyzing Nepal's foreign policy making and diplomatic practices to map out the areas/actors of significance to its international relations that will push economic growth and transformation.

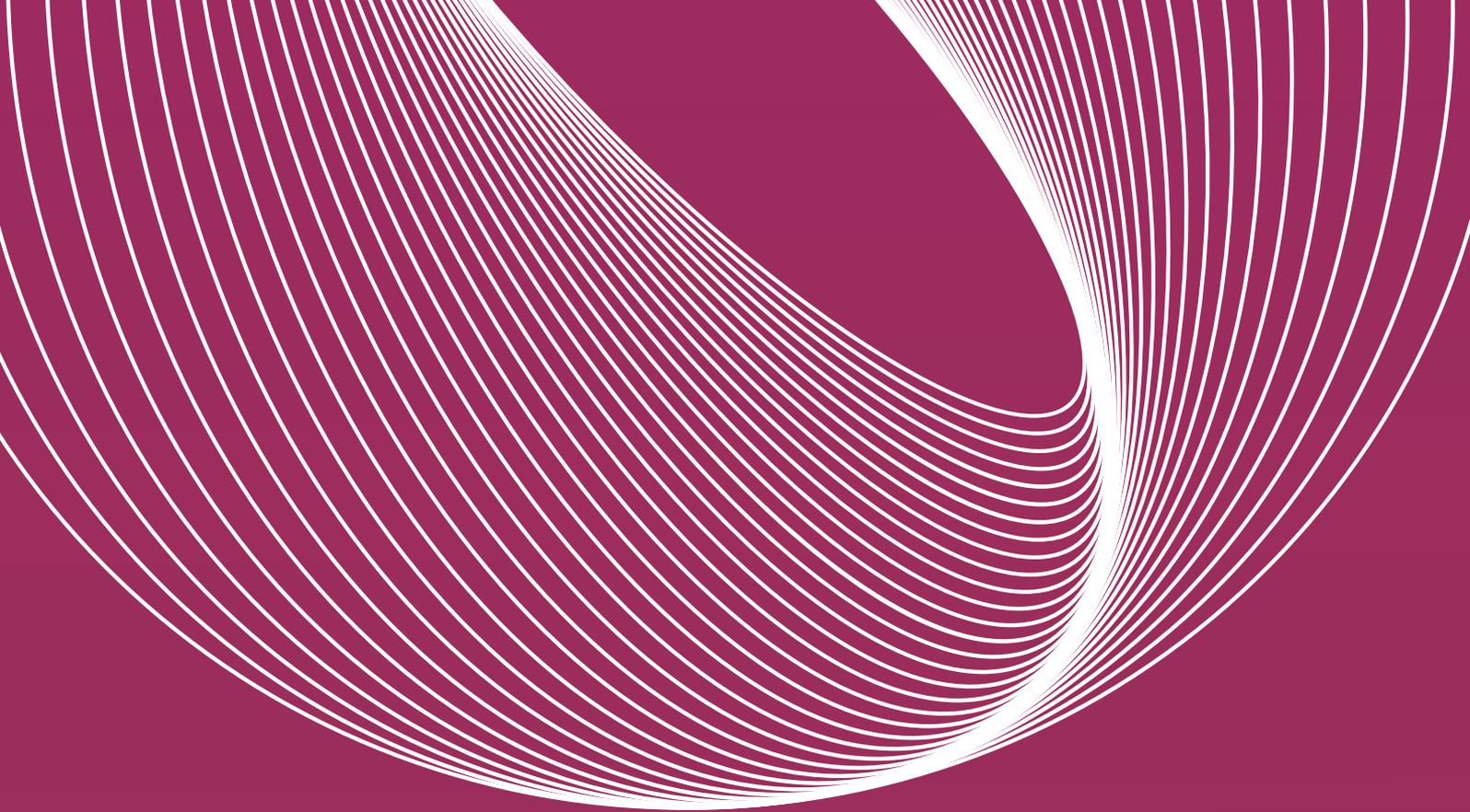
Doing Business in Federated Nepal (DBFN):

Nepal Economic Forum has been engaged in the discourse of federalism in Nepal since 2009. It has conducted multiple policy discourses, done assessments and produced publications on doing business in Nepal in the context of federalism. Hence, through the Doing Business in Federated Nepal (DBFN) vertical, NEF shall continue to engage itself in fostering a conducive business environment in the federated structure, supporting local businesses and empowering local bodies in governance. For this, NEF intends to open national chapters in each of the seven provinces of Nepal to promote localized efforts.



NEF operates in domain of Development Consulting (devCon) in conjunction with beed management. It works with a variety of bilateral, multilateral, national and international institutions in the areas of policy research, economic analysis, value chain analysis, enterprise development, sectorial studies and public private dialogue.

We are striving to ensure financial sustainability for NEF to complement the support it currently receives from beed management and the Open Society Foundations. If you are interested to support NEF, please do get in touch with info@nepaleconomicforum.org



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