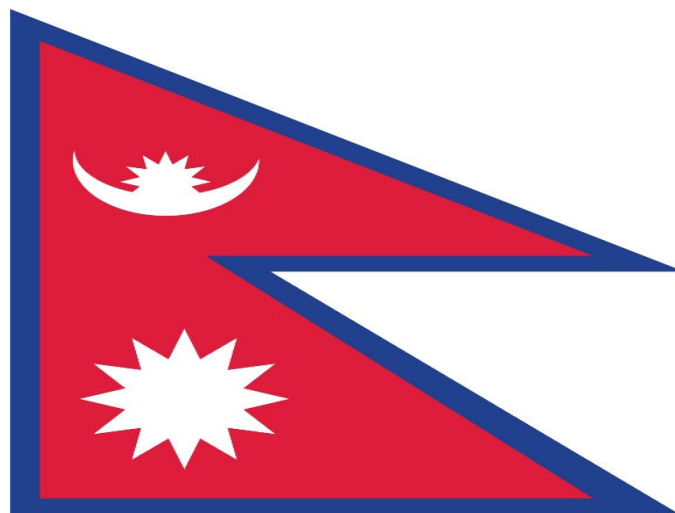


## Nepal: In between a rock and a hard place

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August 2022

**Nepal is known for many things: Mount Everest, Buddhist Monks and temples with a rich history, the only nation whose flag is not a quadrilateral shape. Unfortunately, it is not known for being an economic powerhouse and prime investment destination. The past few years have not been kind to Nepal and its citizens, economically speaking. The main issue has been the inflation rate which has been rising for the past six years, and not to mention the devastating effects of the Covid-19 pandemic, from which has proven challenging to rebound.**



Like with most Western nations today, inflation is increasingly becoming an economic upheaval that most governments are struggling to deal with. However, in Nepal's case, inflation is not a recent problem. Inflation is at a six-year high, with it increasing rapidly since the Russian invasion of Ukraine, due to the rise in crude oil prices. Annual inflation accelerated to 8.56% for June, pushed up by a spike in food and fuel costs amid pressure on the country's currency, which has led to foreign exchange reserves declining to \$9bn USD, barely sufficient to cover imports for about 6 months, from near \$12bn USD a year earlier. The rise in inflation and the government's handling of the country's economic crisis will undoubtedly be the key political talking point in the nation's parliamentary elections in November this year.

An alliance of communists including former Maoist rebels and the centrist Nepali Congress Party (NCP) of Prime Minister Sher Bahadur Deuba has held power since July 2021. Former Prime Minister K.P. Sharma Oli's Communist UML party, considered to be 'close' to Beijing, is the main opposition. Deuba has been prime minister five times and says astrologers have told him that he would hold the office two more times, which seems like a perfectly legitimate claim to make. This election only adds to weight to the fact that Nepal has barely seen any remnants of political stability since becoming a republic. Nepal has seen ten governments change since 239-year-old monarchy was abolished in 2008. However, it seems that the tide could be turning, and local reports indicate that voters are tired of revolving door governments and are looking for change and seeking younger leaders to head the government.

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While there are no popularity surveys of political parties, the general perception of major parties and senior politicians is significantly lower in the past decade due to the incompetence and non-performance of the government. The incompetence and non-performance that is spoken about government stems partly from the lack of action against corruption. Local federal government are widely seen as corrupt with very little being done to tackle the worsening situation. Recent years have seen the biggest corruption scandals in the south Asian nation, most notably being the main anti-corruption body filing a case against three members of the Tax Settlement Commission (TSC) at the Special Court on the charge of embezzling Rs10bn or \$78m USD, back in 2017. Other scandals have included the misappropriation of funds during the pandemic. It is cases like this which illustrates why voters are keen on getting younger people into power. It is doubtful that there will be any real change in the ageing government come November, however, this could be the start of a 'young leaders revolution' so-to-speak.

Pushback against younger people joining would come not just from those in power already but also from abroad. Political developments in Nepal are closely watched by neighboring giants China and India, who jostle for influence and have poured billions of dollars in aid and investment in infrastructure. They would hardly be keen on allowing people into positions of power who not look favorably on them. Nepal is very much in China's and India's 'backyard, just as Kazakhstan is in Russia's, meaning any type of change not in line with Nepal's neighbours is a feat of it own.

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