THE GOVERNANCE GAP

INEQUALITY, CORRUPTION, AND CONSTITUTIONAL CONTESTATION IN FEDERAL NEPAL

Centre for Social Change
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Governance Monitoring Centre Nepal

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Centre for Social Change

June 2026

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INTRODUCTION

CHAPTER 1
INTRODUCTION

Prakash Bhattarai Phd & Anish Khatri

This annual governance analysis (the latest in GMC Nepal's multi-year series tracking governance conflicts and cooperation in federal Nepal) examines the country's contemporary governance landscape through a peace-and-conflict lens. It positions the 2025Gen-Z protest as the most visible and digitally amplified expression of deep-rooted governance failures that have accumulated over nearly two decades. It analyzes how systemic deficits in accountability, constitutional implementation, corruption, and structural inequality have sustained cycles of instability in Nepal.

In recent years, Generation Z (Gen Z) has risen as a transformative force in global protest movements, bringing a significant shift in political activism dynamics. Since the late 2010s, Gen Z has mobilized across continents, utilizing digital platforms to demand justice, transparency, and accountable governance. Notable examples include the 2021 Myanmar Spring Revolution, the 2022 Sri Lankan Aragalaya, Kenya's #RejectFinanceBill protests in 2024, and Bangladesh's July Revolution in 2024. This wave continued into 2025 with youth-led actions in Indonesia, Nepal, Philippines, Madagascar, and Morocco, each addressing local grievances but sharing common digital strategies and generational identities. Gen Z's activism is often characterized by decentralized organization, rapid digital mobilization (especially via TikTok, Discord, and Twitter/X), transnational solidarity symbols (e.g., pirate flags), and a focus on intersectional justice. These movements often transcend traditional party lines and established leadership structures (Ali, 2025; Barma & Thapa, 2025; Sen, 2025; Islam et al., 2025). In this context, the 2025Gen-Z protest in Nepal stands out as both a local manifestation of a global trend and a unique response to the country's specific historical and political challenges.

Comparing Nepal'sGen-Z protest with similar movements worldwide reveals both shared features and contextual differences. Globally, Gen-Z activism is marked by digital-first strategies that blend online coordination with offline action. These movements are often leaderless yet highly effective at agenda-setting on issues like climate change, anti-corruption, or social justice (Barma & Thapa, 2025; Islam et al., 2025). In Nepal's case, however, historical legacies of centralized power, entrenched patronage networks, and incomplete federal implementation shaped both the grievances expressed by protesters and the outcomes achieved (Acharya, 2025; McCargo, 2021; SANGWA, 2025). While digital activism enabled rapid mobilization akin to other countries' experiences, Nepal's movement was deeply influenced by its unique trajectory from monarchy to federal democracy and by ongoing struggles over how power and resources are distributed among generations and regions (Mia & Hasan, 2025; Sen, 2025).

Placing the demands of Nepal'sGen-Z protest at the core of analysis highlights critical questions about the future of democracy, federalism, and governance in the country. The protest exposed longstanding deficits in accountability and inclusion while demonstrating youth capacity to drive transformative change through digital means. At stake is whether post-Gen-Z protests Nepal can achieve meaningful reforms, such as transparent governance structures, robust anti-corruption mechanisms, participatory policymaking processes, and equitable federal arrangements, that address both historical injustices and contemporary aspirations for democratic renewal. Understanding this pivotal moment requires situating it within both global patterns of youth-led activism and Nepal's evolving political landscape.

The objective of this report is to provide evidence-based analysis of Nepal's governance and conflict landscape by positioning the 2025Gen-Z protest as the visible expression of civic-grievances towards the governance deficits in accountability, constitutional implementation, corruption, and structural inequality. It maps governance conflict trends, examines the causes and aftermath of the protest, assesses corruption and inequality as structural drivers of instability, and evaluates howGen-Z protest reopened constitutional debates around federalism, representation, and institutional reform. Thus, the report seeks to move beyond episodic description and provide policymakers, oversight institutions, civil society, and future researchers with a coherent, evidence-backed framework for understanding Nepal's evolving conflict dynamics and for designing sustainable governance reforms that can restore public trust and prevent recurrence of large-scale political upheaval.

This report employs a mixed-methods approach. It combines systematic conflict event documentation, quantitative data analysis, and qualitative policy and literature review. The empirical foundation of the report rests on Governance Monitoring Centre Nepal (GMC Nepal)'s systematic daily media monitoring of 12 national and provincial newspapers, through which 776[1] governance-related conflict and resolution events were recorded between June 2025 and May 2026. This event documentation methodology is adapted from the Armed Conflict Location and Event Data Project (ACLED) framework, modified to reflect Nepal's unique federal governance context, and captures the nature, type, location, actors, and thematic area of each recorded event.

This quantitative conflict data is complemented by a comprehensive review of scholarly literature, government and institutional reports, legal and policy documents, political party manifestos, and international governance indices. Historical context and contemporary political analysis are woven throughout to situate the findings within Nepal's broader trajectory from monarchy to federal democratic republic. Together, these methods allow the report to move beyond descriptive accounts of individual events and produce a structured, evidence-based analysis of the structural conditions that have sustained cycles of governance conflict in Nepal and most recently expressed in the 2025Gen-Z protest.

This report is organized into the following six interlinked chapters. While each chapter addresses a distinct dimension of Nepal's governance and conflict landscape, they collectively build the evidence base needed to understand the structural conditions that produced the 2025Gen-Z protest and to chart a pathway toward sustainable reform.

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[1] This total excludes election-related events, which are detailed in *Ballot Bulletin Nepal: Volume I* (Issues I–IV), available at https://gmcnepal.org/.

Chapter 2: Annual Pattern of Governance Conflicts and Resolutions in Nepal provides the empirical backbone of the report. Drawing on GMC Nepal's systematic daily media monitoring, it maps governance-related conflict events recorded between June 2025 and May 2026. It examines their four thematic distributions, and their geographic spread across provinces. By documenting the scale, nature, and patterns of conflict, this chapter establishes that theGen-Z protest was not an isolated event but the most dramatic expression of a much wider and deeper governance crisis. It sets the stage for the structural analysis that follows in subsequent chapters.

Chapter 3: Nepal's Gen-Z protest of 2025 and Its Aftermath situates the recent Gen-Z protest at the center of the report's analysis, as the most visible and consequential expression of accumulated governance failures. It traces the structural, economic, and political conditions that fueled the protests, examines immediate aftermath of the protest, reviews accountability measures, and assesses the political, economic, service delivery, and psychological costs of the upheaval. This chapter connects directly to Chapter 2 by explaining what the conflict data reflects on the ground, and provides the political context within which the structural drivers examined in Chapters 4 and 5 must be understood.

Chapter 4: Corruption as a Structural Driver of Conflict deepens the analysis by demonstrating that corruption is not merely a governance irritant in Nepal but a primary structural force sustaining the cycles of instability documented in Chapters 2 and 3. It reviews Nepal's anti-corruption legal framework and institutional arrangements, analyzes trends in complaints, case filings, and financial irregularities across three tiers of government, and identifies the sectors most vulnerable to corrupt practices. By linking corruption directly to the grievances that fueled theGen-Z protest, this chapter reinforces the report's argument that meaningful reform must go beyond punishing individuals to address the systemic conditions that enable elite capture and institutional failure.

Chapter 5: Inequality and Conflict Linkages complements Chapter 4 by demonstrating that corruption and inequality are mutually reinforcing structural drivers of conflict. It traces the intersectional nature of inequality in Nepal across caste, gender, region, and generation. And evaluates the gap between the constitutional promises of inclusion and the ground realities of marginalized communities. By situating theGen-Z protest within Nepal's longer history of inequality-driven mobilization, from the Maoist armed conflict to the Madhesh and Janajati movements, this chapter shows that it was not an aberration but the latest in a series of eruptions produced by unresolved structural injustices.

Chapter 6: Constitutional Debates and Contestation ties together the political, corruption, and inequality dimensions explored in earlier chapters by examining how they have manifested in Nepal's constitutional landscape. It traces unresolved debates over federalism, representation, inclusion, and institutional accountability from the constitution-making period of 2008 through to the aftermath of theGen-Z protest and the March 2026 elections. By showing that many of the structural grievances identified in previous chapters are rooted in constitutional design flaws and implementation failures, this chapter makes the case that lasting governance reform must have a constitutional dimension by laying the groundwork for the recommendations that follow.

Chapter 7: Conclusion and Recommendations synthesizes the findings of all preceding chapters into a coherent, forward-looking reform agenda. It draws together the evidence on governance conflicts, theGen-Z protest, corruption, inequality, and constitutional contestation to identify the structural conditions that must be addressed to prevent future cycles of instability. Rather than treating these as separate problems, the chapter presents them as interconnected dimensions of a single governance crisis, and offers targeted recommendations across political, legal, constitutional, and institutional domains. In doing so, it fulfills the report's ultimate purpose: to provide policymakers, oversight bodies, civil society organizations, and development partners with an evidence-backed pathway toward sustainable governance reform and democratic renewal in Nepal.

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પરિવર્તન...
મૌનતાલે...
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02

ANNUAL PATTERN OF GOVERNANCE CONFLICTS AND RESOLUTIONS IN NEPAL

CHAPTER 2

ANNUAL PATTERN OF GOVERNANCE CONFLICTS AND RESOLUTIONS IN NEPAL

Anish Khatri

Drawing on GMC Nepal's systematic daily media monitoring of 12 national and provincial newspapers, this chapter maps and analyzes governance-related conflicts and their resolution across Nepal between June 2025 and May 2026. It begins with an empirical overview of the 776 recorded events, their thematic distribution across Political, Developmental, Ethnocultural, and Natural Resource and Environmental governance, their geographic concentration by province, and the balance among nonviolent engagement, violent confrontation, and formal resolution efforts. For each thematic domain, the chapter then unpacks the key drivers of conflict, the tactics of state and non-state actors, the triggers that escalated disputes from latent grievance to public action, and the formal and informal mechanisms through which disputes were settled or left unresolved.

2.1. Introduction

Since 2022, Governance Monitoring Centre Nepal (GMC Nepal) has been systematically monitoring and documenting the governance conflicts and resolution efforts across Nepal. The methodology is designed to track governance conflicts and their resolution efforts across Nepal's federal system through daily documentation of events reported in the media. GMC Nepal research team regularly monitors 12 national and provincial daily newspapers, selected for their wide readership and availability of the digital archives. This approach is both cost-effective and practical for tracking and documenting incidents across the country. A dedicated team of researchers reviewed news reports daily and organized them into a structured database. Only archived and verifiable incidents were included to ensure data integrity. GMC Nepal regularly publishes annual reports on these documented events. Accordingly, this chapter presents findings for the period from June 2025 to May 2026.

Governance conflicts, as defined within the context of GMC Nepal's media-monitoring scope, are disagreements, disputes, or tensions arising from the implementation of Nepal's federal governance system. These conflicts manifest in various forms, including those related to political, developmental, ethnocultural, natural resources or environmental governance. They are often characterized by actions, such as protests, violence, and/or legal challenges.

The approach to media-monitoring and documenting[1] was drawn from the Armed Conflict Location and Event Data Project (ACLED), adapted to Nepal's unique governance context. Events are coded in a way that captures the form of contention (e.g., protest, attack, legal action), enabling the identification of trends and patterns in governance disputes. Each event was treated as a discrete data point, defined by its occurrence at a specific time and place, involving identifiable actors, and documented with sufficient detail to allow for categorization and analysis.

1 Information regarding the detailed approach of the media-monitoring is available at the https://gmcnepal.org/

Table 2.1 Categorization criteria for news event documentation in GMC Nepal's media monitoring database

Variables	Description
Nature of event	Classified as violent or nonviolent or conflict resolution nature of the event
Type of event	Further segregation of main events into subcategories like legal actions, riots, attacks, protests, agreements, etc.
Thematic area	Classified by Political Governance, Developmental Governance, Ethnocultural Governance, or Natural Resources and Environmental Governance.
Event location	Classified by province, district, and local unit.
Actors	Divided into state (e.g., government bodies, civil servants, security forces) and non-state (e.g., civilians, CSOs, political parties) groups

This media-monitoring approach enables consistent nationwide tracking but is bounded by the limits of press coverage, i.e., the newspapers selected provide broad coverage but not exhaustive. Incidents might be under-reported in areas or involving communities with limited media access may be under-represented, and the database reflects documented events rather than an exhaustive inventory. Furthermore, actor categories evolve over time and are updated continuously to reflect new dynamics. The study is also limited to conflicts emerging in four predefined thematic areas and within a five-year federal timeframe, which limits broader generalizations.[2]

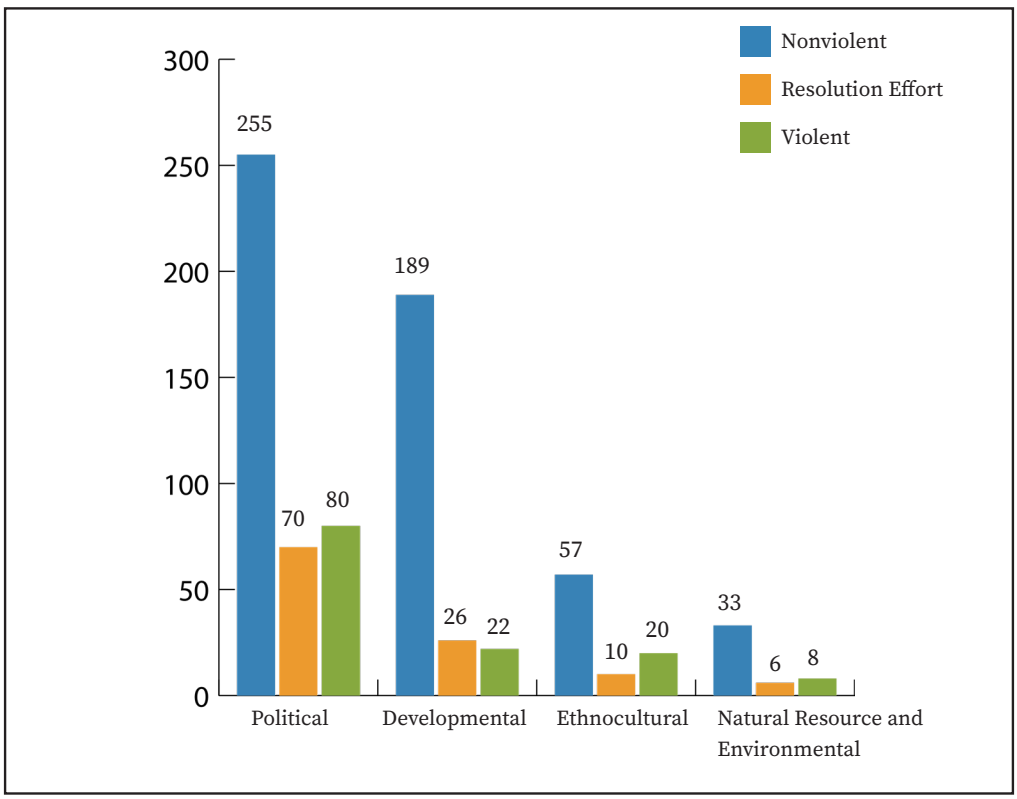
Between the period of June 2025 and May 2026, GMC Nepal recorded a total of 776[3] events relevant to governance conflicts and resolution efforts in Nepal. This represents a significant increase from the 660 events recorded in the preceding year (June 2024-May 2025) (Bhattarai et al., 2025). This period reflected exceptional political turbulence driven largely by theGen-Z protest of September 2025 and its wide-ranging institutional aftermath.

2 The four thematic areas, political, developmental, ethnocultural, and natural resources, were identified by the rapid assessment conducted by GMC Nepal as the principal domains in which governance conflicts have most prominently emerged under Nepal's new federal structure. The five-year federal timeframe spans from Nepal's first post-constitution local, provincial, and federal elections in 2017 through the rapid assessment period 2022, thereby capturing the initial implementation phase of federalism. Report title, Triggers of Governance Conflicts in Federal Nepal: A Rapid Assessment of Conflicts in Nepal's Federal Structure.

3 This total excludes election-related events, which are detailed in Ballot Bulletin Nepal: Volume I (Issues I–IV), available at https://gmcnepal.org/.

Unlike the previous reporting period, in which Developmental Governance generated the largest share of incidents, this year Political Governance dominated the dataset, accounting for 405 out of 776 recorded events (52%) (Bhattarai et al., 2025). These reflect a concentration of political contention: parliamentary obstructions, the nationwideGen-Z protest that forced the resignation of the prime minister and the dissolution of the House of Representatives, accountability proceedings against former senior officials, contested intra-party conventions, and persistent media freedom disputes. Developmental Governance followed with 237 incidents (31%), encompassing disputes over public transport regulation, agricultural subsidies, healthcare governance, education legislation, cooperative fraud, and most prominently in the final months, a nationwide controversy over the forced eviction of informal settlers. Ethnocultural Governance generated 87 events (11%), covering caste-based violence, gender-based violence, inter-religious clashes, and polygamy law protests. Natural Resource and Environmental Governance accounted for 47 events (6%), encompassing community forest autonomy disputes, hydropower revenue conflicts, river resource extraction, wildlife-community tensions, and environmental conservation campaigns. See Figure 1.

Figure 1 Total recorded events by the governance theme and nature of events



2.2. Nature of Governance Conflicts and Resolution Events

As illustrated in the Table 2.2, the majority of documented incidents, 534 out of 776 (69%) were nonviolent, including peaceful demonstrations, sit-ins, delegations, memorandums, legal actions, and disobedience campaigns. This mirrors the pattern observed in prior years and reflects a strong civic tradition of peaceful mobilization, even when institutional grievance channels are perceived as ineffective (Bhattarai et al., 2025; Bhattarai et al., 2024). Of these, peaceful demonstrations alone accounted for 307 incidents (40% of all events), making them by far the most frequently deployed mode of civic engagement. Legal actions, disputes, and delegations or memorandums collectively account for a further 160 nonviolent events, indicating that citizens and organizations are also engaging formal institutional pathways alongside street action.

Table 2.2 Total recorded number of events by their type

Nature	Type	Count
Violent		**130**
	Violent Demonstration	56
	Riot/Mob violence	32
	Physical assault	24
	Demonstration with intervention	17
	Killing/Kidnapping	1
Nonviolent		**534**
	Peaceful demonstration	307
	Delegation/Memorandum	60
	Dispute	52
	Legal action	48
	Arrest/Seize	37
	Disobedience and non-cooperation	30

Resolution Effort		**112**
	Official decision	78
	Agreement	21
	Meeting	13
	Grand Total	**776**

Violent events amounted to 130 incidents (17%), notably higher both in absolute terms and as a share than the previous year's 107 violent incidents (16%) (Bhattarai et al., 2025). This increase reflects the violence associated with theGen-Z protest of September 2025, during which government buildings, political party offices, political leaders' residences and private businesses were attacked, burned, and vandalized across Nepal's provinces. Violent demonstrations, riot or mob violence, and physical assaults were the three most prevalent violent event types in this period.

Encouragingly, resolution efforts reached 112 events (14%), a marginal increase from 90 in the prior year, suggesting that conflict resolution mechanisms remain active across all governance domains even in a highly turbulent year (Bhattarai et al., 2025). Official decisions constituted the largest resolution category, driven by court orders, administrative rulings, and government decisions. Formal agreements between disputants were recorded in 21 instances.

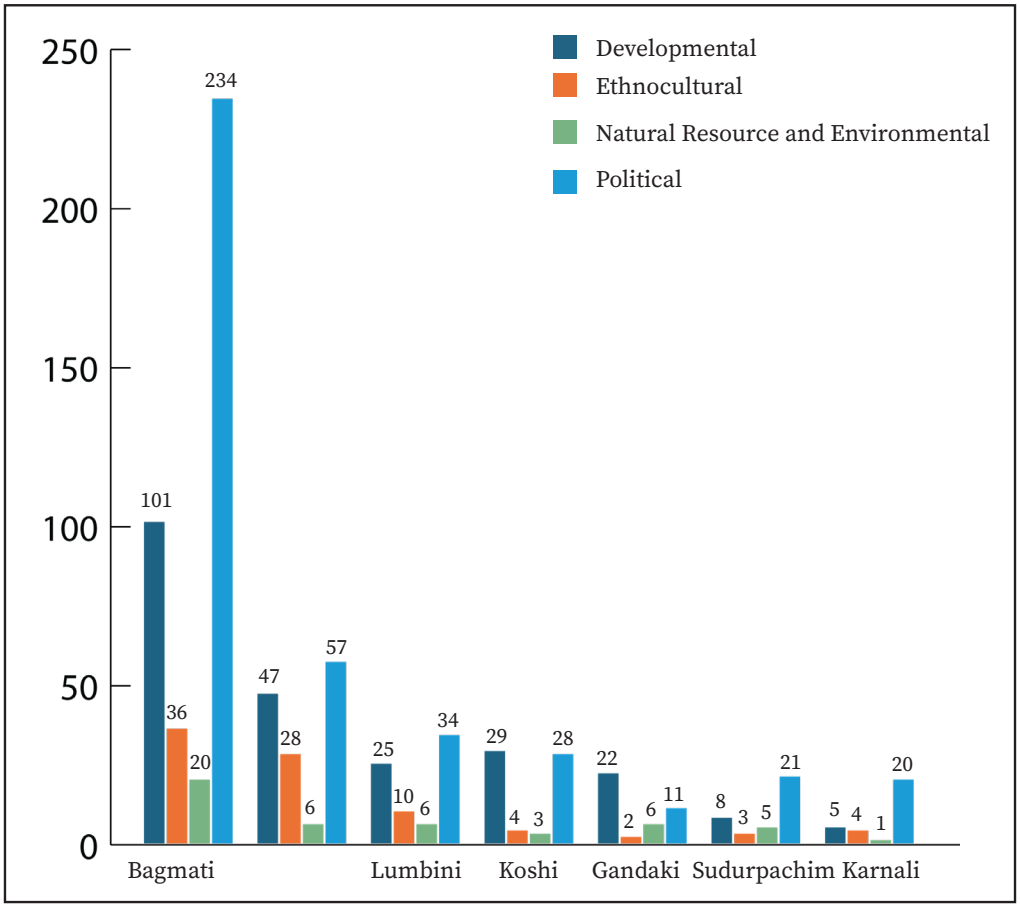
The year also witnessed a qualitative shift in the character of nonviolent protests. Beyond traditional demonstrations, citizens increasingly reached for judicial and quasi-judicial mechanisms: writ petitions challenging the legality of the interim government, habeas corpus applications for the release of arrested political leaders, and contempt of court cases against lawmakers who publicly disparaged the judiciary. This growing juridification of political disputes reflects both the expanding role of courts in governance and the deepening mistrust of purely political negotiations.

2.3. Provincial Distribution and Hotspots

Geographic patterns of conflict were highly concentrated this year, with Bagmati Province accounting for 391 out of 776 events (50%), broadly consistent with prior years (Bhattarai et al., 2025; Bhattarai et al., 2024). Kathmandu Metropolitan City functioned as the primary national arena for political mobilization, parliamentary disruptions, legal challenges, and the most catastrophic episodes of theGen-Z protest (Governance Monitoring Centre Nepal [GMC Nepal], 2025). Madheshh Province recorded the second highest share with 138 events (18%), reflecting sustained activity

across Birgunj (Parsa), Janakpurdham (Dhanusha), Rajbiraj (Saptari), and Gaur (Rautahat), with notable communal conflicts, governance disputes in local bodies, and agricultural protests. 75 events (10%) were recorded in Lumbini Province, concentrated in Butwal & Siddharthanagar (Rupandehi) and, in Tulsipur & Ghorahi (Dang), both heavily affected byGen-Z protest violence and subsequent squatter eviction protests. Koshi Province recorded 64 events (8%), with Biratnagar (Morang) serving as a provincial hub and Gramthan Rural Municipality (Morang) emerging as a persistent site of inter-local-government conflict. Gandaki Province generated 41 events (5%), centered overwhelmingly in Pokhara, which experienced heavy physical destruction duringGen-Z protest (GMC Nepal, 2025) and sustained protests over tourism resource governance. Remaining 67 events (9%) were recorded in Sudurpaschim and Karnali Provinces which including a border dispute, and a rape and murder case that generated nationwide outrage. See Figure 2 for governance theme wise distribution across provinces.

Figure 2 Recorded number of events by province and theme



2.4. Descriptive Summary of Observed Events Under Each Theme

2.4.1. Political Governance

This thematic area analyzes the structures, processes, and institutions that underpin the political system. It includes the governance of federalism, decentralization, elections, corruption, and political participation. Thus, the focus is on democratic governance, accountability, and transparency in political decision-making.

Political governance this year was defined by the most significant rupture in Nepal's democratic continuity since the transition to federalism: theGen-Z protest of September 2025 and its cascading institutional consequences. Yet even before the protest, the political system was under sustained strain. The period opened with parliamentary deadlock over the visit-visa scandal. Opposition parties, including the Maoist Centre, Rastriya Swatantra Party (RSP), and Rastriya Prajatantra Party (RPP), repeatedly disrupted the House of Representatives, demanding the resignation of Home Minister Ramesh Lekhak and the formation of a parliamentary probe committee. Although a two-point agreement between the ruling coalition and the Maoist Centre ended the latter's obstruction in mid-June, RSP and RPP continued parliamentary disruption through walkouts and well encirclements throughout July 2025. Parliamentary obstruction also recurred in the second half of the year, as opposition parties demanded the presence of newly elected Prime Minister Balendra Shah to answer parliamentary questions in May 2026. Similarly, a critical drafting error in the Federal Civil Service Bill (passed in July 2025) rendered an agreed two-year cooling-off period for retired civil servants seeking constitutional or diplomatic posts effectively ineffective. It generated accusations of bureaucratic sabotage in parliamentary committee meetings and subsequently eroding public trust in legislative processes.

Political tension escalated sharply in early September 2025 when the government, under Prime Minister KP Sharma Oli's cabinet, imposed a ban on 26 unregistered social media platforms[4]. Civil society organizations, press freedom groups, and legal professionals filed write petitions at the Supreme Court and condemned the ban as unconstitutional. Police briefly detained five youth protesters on 6 September. This proved to be a critical accelerant for a protest movement that had been building for

[4] In late August 2025, the cabinet under Prime Minister KP Sharma Oli issued a directive requiring foreign social media and online platforms to formally register with the Ministry of Communication and Information Technology (MoCIT). This included appointing a local liaison/compliance officer and meeting other regulatory requirements. After the deadline, on 4 September 2025, the government ordered the Nepal Telecommunications Authority (NTA) to block access to those that had not complied. The platforms had not completed the formal local registration process that the Oli government mandated, so the "unregistered" label is technically accurate from the government's perspective. Whether the requirement itself was reasonable or fairly applied is a separate political debate.

months around corruption, unemployment, and state unresponsiveness.

The Gen-Z protest emerged as a leaderless protest led by young people aged 17 to 28, organized through decentralized digital channels including Discord servers, TikTok, and bypassing banned social media through Virtual Private Networks. On 8 September, protests that began peacefully at Maitighar Mandala in Kathmandu drew a massive number of participants in the capital alone. It escalated dramatically when the crowd reached New Baneshwor area. Security forces responded with tear gas, rubber bullets, and ultimately live ammunition.

Post-mortem reports confirmed that 17 of the fatalities on that day resulted from high-velocity bullets aimed at upper bodies and heads, violating standard crowd-control protocols. By 9 September, the violence reached its peak: the Federal Parliament building, Singha Durbar, the Supreme Court, the President's official residence, and Nakkhu Jail were stormed; provincial assemblies, Chief Ministers' offices, and political leaders' private residences were attacked and burned across all seven provinces. The protest resulted in 77 deaths total, over 400 injuries, and staggering staggering damage to the public and private properties.

The political consequences were sweeping. Home Minister Lekhak resigned on the evening of 8 September; by 9 September, all RSP and RPP MPs had resigned, and Prime Minister Oli himself resigned by 5:00 p.m. The Federal Parliament was dissolved on 12 September, and an interim government was established under former Chief Justice Sushila Karki with a six-month mandate for elections, ultimately held on 5 March 2026.

The political landscape of Madheshh Province in the months following the Gen Z-protest was severely destabilized by frequent coalition shifts and a major constitutional crisis. The turmoil erupted after Chief Minister Satish Kumar Singh, who publicly announced his intent to resign via social media at the height of the protests, ultimately stepped down on 14 October 2025, hours before a scheduled vote of confidence, accusing his own Janamat Party and federal coalition partners of political betrayal. Loktantrik Samajbadi Party leader Jitendra Prasad Sonal was sworn in to replace him on 15 October 2025. However, Sonal's fragile coalition crumbled rapidly, and realizing he would face an inevitable defeat during the vote of confidence, he resigned on 8 November 2025, ending a brief 25-day tenure. To resolve the impasse, a majority alliance in the provincial assembly urged Province Head Sumitra Subedi Bhandari to initiate a new government formation under Article 168(2) of the Constitution. Instead, Bhandari claimed ill health and left her Janakpur residence under the pretext of traveling to Kathmandu. Early the following morning on 10 November 2025, she secretly swore in CPN (UML) parliamentary party leader Saroj Kumar Yadav at a hotel in Bardibas under Article 168(3), bypassing the

multi-party majority claim. This clandestine appointment sparked widespread outrage, prompting street protests and vandalism in Janakpur. Bypassed opposition lawmakers immediately filed a writ petition in the Supreme Court challenging the constitutionality of the appointment. Following the federal backlash, President Ram Chandra Paudel summarily sacked Bhandari on recommendation of the Cabinet, replacing her with Dr. Surendra Labh Karna. Facing a Supreme Court mandamus order to take a vote of confidence within 24 hours and a total opposition boycott, Saroj Kumar Yadav resigned on 3 December 2025. Stability was finally restored on 5 December 2025, when the new Province Head, Dr. Surendra Labh Karna, appointed Krishna Prasad Yadav of the Nepali Congress as the sixth Chief Minister under Article 168(2), backed by a decisive 77-member assembly majority.

Accountability proceedings became the defining political narrative for the remainder of the monitoring period.Gen-Z protest groups maintained pressure on the new government after the March 2026 elections to implement the findings of the Karki Commission5 and to arrest those responsible. On 28 March 2026, the Cabinet acted: former Prime Minister Oli was arrested from his Bhaktapur residence, former Home Minister Lekhak was arrested from Suryabinayak, former Kathmandu CDO Chhabilal Rijal was arrested the following day. Also, former Energy Minister Deepak Khadka was arrested in connection with hydropower licensing irregularities. These arrests triggered immediate nationwide CPN (UML) protests: tire-burning in Kathmandu, clashes with police near Singhadurbar, and torch rallies in multiple cities. Habeas corpus petitions were filed in the Supreme Court by the wives of Oli and Lekhak. In a parallel accountability case, former Maoist Centre Speaker Krishna Bahadur Mahara was arrested by the Central Investigation Bureau in October 2025 on gold smuggling charges.

The Karki Commission's legitimacy was contested in court with accusations of bias. Even the implementation of its findings by the newly elected government generated countermobilization from affected parties. The interim government also faced continuous pressure over its own transparency, with youth groups demanding asset disclosure of top political leaders, equal provincial representation in the cabinet, and short-term action plans for each ministry. Writ petitions challenging the legality of the dissolution of parliament, the recall of ambassadors, and the formation of the interim government flooded the Supreme Court during this period.

The Nepali Congress experienced its most significant internal rupture in years. After

5 The investigation body established during the interim government to investigate the killings and violence during the Gen-Z protest.

weeks of intra-party dialogue, a special party convention in January 2026, demanded by dissatisfied members, elected Gagan Thapa as the new party president.

The Election Commission recognized the Thapa-led committee, prompting Sher Bahadur Deuba's faction to file writ petitions, organize counter-protests at the Election Commission, and stage demonstrations in his home district of Dadeldhura. RPP similarly saw its youth wing padlock the party's provincial office over the expulsion of a senior leader, and its cadres physically assaulted a critic of party chairman Lingden with a motorcycle helmet. CPN (Maoist Centre) split ahead of elections, with a prominent leader confronted by black-flag rallies in his home district. Election period intra-party disputes over ticket distribution, candidate eligibility, and convention timing generated additional protests across multiple parties.

Media governance emerged as a significant and recurring political conflict theme. The conflict began in the Federal Parliament of Nepal when the government registered the Bill Related to the Operation, Use, and Regulation of Social Media, 2081 BS[6] in the National Assembly (the upper house). The draft immediately attracted sustained opposition from journalist federations, press freedom groups, and the Socialist Press Organization Nepal, who warned it would stifle free speech. While this bill was still being debated, the executive branch enforced a sweeping social media platform ban in September. This sparked widespread public outrage and mass protests. Though the government was quickly forced to withdraw the platform ban due to public pressure, the incident severely damaged trust and intensified opposition to the pending legislation. The National Assembly ultimately withdrew the bill in February 2026 after 35 members had registered 155 amendment proposals.[7] A further controversy erupted in April 2026 when the Office of the Prime Minister issued a circular directing all government advertisements to be published exclusively through state-owned media. The Federation of Nepali Journalists issued a three-day ultimatum, civil society groups condemned it, the Supreme Court received a writ petition, and Koshi Province government enacted its own Media Act in direct defiance of the federal directive.

The year's political governance events collectively reveal a governance system under acute stress. TheGen-Z protest demonstrated that accumulated frustration with governance deficits can produce a powerful upheaval that is capable of bringing down a government and reshaping institutional arrangements. Also, with the successful elections and the formation of a new government, Nepal's political institutions have

6 The bill is also commonly known as the Social Media Bill, 2081.

7 The 155 amendment proposals filed by the 35 National Assembly members primarily targeted clauses that mandated platform licensing, penalized vague categories of speech, and granted excessive regulatory power to the Ministry without judicial oversight.

now moved beyond the immediate transitional phase.

However, the period leading up to the polls was marred by internal party disputes, controversies surrounding ticket distribution, questions over candidate eligibility, and doubts surrounding the election itself. Together, these developments reflect both the resilience of Nepal's democratic processes and the challenges that continue to test institutional stability.

2.4.2. Developmental Governance

This thematic area focuses on the governance processes that promote equitable and sustainable development, addressing the needs of marginalized groups and regions. It encompasses policies and practices related to poverty reduction, rural development, and infrastructure development.

Developmental governance disputes opened the reporting year with the most disruptive sectoral protest of the first quarter: a nationwide public transport shutdown. In June 2025, public transport operators across Nepal launched a nationwide strike in response to Gandaki Province's new Ride-Sharing (Regulation and Management) Regulations 2082. The regulation permitted private "red-plated" vehicles to operate commercial transit services. Organized by the Federation of Nepalese National Transport Entrepreneurs (FNNTE) and supported by seven other transport and labor associations, the indefinite strike completely halted both long- and short-distance public bus services starting 2 June. On the first night of the shutdown, the federal government signed a six-point draft agreement with operators, pledging to form a reform task force and formally request Gandaki Province to stall the directive. However, the strike actively continued into its second day as operators maintained blockades demanding a formal suspension of the provincial rule. On the same day, enforcement-related vandalism occurred against defying vehicles in Bhaktapur as well. The disruption finally concluded on 4 June, when the Gandaki provincial government officially yielded to the pressure and suspended the ride-sharing regulations for one month[8] , prompting the FNNTE to withdraw the strike.

The healthcare sector served as a primary flashpoint during this period. In July 2025, the Nepal Medical Association (NMA) declared a nationwide non-emergency services shutdown after the Consumer Court penalized physicians in medical malpractice cases without what doctors deemed appropriate peer-led medical evaluations.

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[8] The Supreme Court subsequently overturned this one-month suspension later that June.

Affiliated doctors staged white-coat rallies at Maitighar Mandala and threatened to surrender their medical licenses to the Nepal Medical Council. The highly disruptive strike was called off within 48 hours after the government agreed to establish a fast-track task force to recommend necessary amendments to the Consumer Protection Act, 2075.

Later in the year, nurses at Manipal Teaching Hospital and Gandaki Medical College in Pokhara initiated a full work stoppage on 10 October 2025, over the exploitation of private-sector healthcare workers.

The dispute rapidly cascaded across all seven provinces. Backed by the Nursing Association of Nepal (NAN), nurses demanded full implementation of government-mandated minimum scales, overtime pay, and an end to daily-wage loopholes. By late October, government-hospital nurses joined in solidarity, completely halting non-emergency operations daily from 10:00 AM to 12:00 PM. The government responded by forming a 14-member central committee, followed by the decision to form provincial task forces.

Though the Ministry of Health pushed forward a milestone salary enforcement agreement on 1 November, rolling strikes briefly continued over unaddressed labor benefits. Following intense mediation, the movement transitionally moved from active public demonstrations into a lower-intensity phase of monitoring compliance, with no renewed nationwide shutdowns documented through May 2026.

Contract and daily-wage worker protests also recurred in public institutions, including Nepal Electricity Authority daily-wage workers demanding conversion to monthly-wage status, and Lumbini Development Trust employees demanding leave encashment, provident fund, and dearness allowances. The Supreme Court's August 2025 mandamus ordering NPR 5,000 monthly dearness allowance for contract and temporary employees constituted a significant judicial intervention addressing discriminatory exclusions from inflation relief.

Education governance generated sustained and multi-stakeholder conflict from late August through September 2025, centered on the School Education Bill then pending in the House of Representatives. Private school operators represented by Private and Boarding School's Organization in Nepal (PABSON) and National PABSON organized multi-day demonstrations including marching with banners, parking hundreds of school buses along Kathmandu's Ring Road, and staging sit-ins at Maitighar Mandala. Their objections targeted clauses for mandating non-profit conversion, full scholarships, and excessive local government control over scholarship distribution. The Nepal Teachers'

Federation staged consecutive sit-ins at the offices of Nepali Congress, CPN (UML), and Maoist Centre, handing memorandums to party leaders and demanding removal of provisions they argued would threaten temporary teachers and public education quality. Nepal Student Union leaders met the President to urge student-friendly revisions, and community school teachers also joined protests through the Nepal Teachers' Federation. Simultaneously, students and faculty of Pulchowk Engineering Campus staged a month-long protest and gherao of the Tribhuvan University Vice-Chancellor's office demanding full institutional autonomy, with a round-the-clock sit-in that lasted over a month. The School Education Bill remained pending through the end of the monitoring period.

Agricultural governance disputes were geographically distributed but followed recurring patterns. Rather than isolated incidents, local conflicts consistently stemmed from two systemic failures: state-led payment backlogs that crippled farmer livelihoods, and bureaucratic gatekeeping over essential farming inputs. Sugarcane farmers from 13 districts sustained a week-long sit-in at Maitighar Mandala in late August and early September 2025, demanding payment of the previous year's pending NPR 70-per-quintal government subsidy. Farmers carried sugarcane on their shoulders and threatened indefinite highway blockades, before partial government engagement. Fertilizer distribution was a recurrent source of conflict at the local level, with multiple incidents of mayor-versus-deputy-mayor standoffs over fertilizer quotas. For instance, ward chairpersons of Lahan Municipality (Siraha) padlocked the municipal office of deputy mayor over alleged irregular quota demands. Farmers in Bara protested Indian fertilizer imports being blocked at the Matiarwa border checkpoint. Sugarcane producers in Rautahat burned tires outside Baba Baijnath Sugar Mill demanding full subsidy payments. Dairy farmers marched to the Dairy Development Corporation head office in Kathmandu accusing it of delaying milk payments for months. Cooperative fraud continued to generate protests, with the National Campaign for Cooperative Savings and Protection staging a motorcycle rally in Kathmandu in July 2025 and warning of direct debt recovery action.

The most geographically extensive developmental conflict happened in the latter part of the reporting period. This was the informal settler eviction campaign launched by the new RSP-led government beginning in April 2026. The government issued directives to clear settlements from riverbanks and public land across the country, with operations via law enforcement personnel and heavy machinery in Thapathali, Shankhamul, Manohara, and other sites in Kathmandu. This triggered protests in at least 15 separate municipalities: Kathmandu, Bhaktapur, Dharan, Hetauda, Butwal, Bardiya's Gulariya, Bardibas in Mahottari, Janakpur, Chhireshwornath in Dhanusha, Lahan in Siraha, Pokhara in Kaski, Ghorahi and Tulsipur in Dang, Rautahat's Fatuwa Bijaypur,

and Jhapa's Kamal Rural Municipality. A violent clash also erupted when police tried to remove structures at the Manohara riverbank in Bhaktapur, injuring approximately 14 people. Protesters organised under banners condemning "bulldozer terror", demanded rehabilitation before displacement, and filed writ petitions at the Supreme Court. On 8 May 2026, the Court issued an interim order directing the government not to evict or relocate informal settlers without following legally mandated procedures. The government was ordered to ensure adequate housing, food, healthcare, and education for already-displaced families, a major judicial intervention that effectively slowed the aggressive eviction campaign.

Developmental events as a whole this year reveal the shift in sectoral emphasis (from infrastructure-centric disputes of prior years toward labor rights, agricultural subsidies, education legislation, and housing rights) signals that Nepal's development conflicts are maturing into demands for structural policy reform rather than only project-level accountability.

2.4.3. Ethnocultural Governance

This thematic area explores the relationship between identity, gender, culture, and governance, with a focus on conflict prevention and resolution. It includes the governance of ethnocultural relations, religious diversity, gender diversity, migration, and integration.

The year opened with the royalist and pro-Hindu movement as a visible political actor: the United People's Movement Committee, coordinating with RPP Nepal chairman Kamal Thapa, organized repeated demonstrations in Kathmandu demanding monarchy restoration, Hindu kingdom re-establishment, and abolition of federalism. Police baton-charged protesters at Narayan Chowk in June 2025, detaining Thapa and other leaders. These royalist mobilizations largely subsided after theGen-Z protest reoriented national political attention. The movement led by Durga Prasai to restore monarchy re-emerged in the October–January period, submitting a 27-point demand letter and sustaining demonstrations, to which the government responded that the demands were unconstitutional.

Caste-based discrimination events appeared throughout the year in multiple institutional and community settings. A school principal in Taplejung was arrested for barring a Dalit teacher from the school kitchen during a school event, after the teacher recorded the incident and filed a complaint. In Siraha, a ward chair was arrested following allegations that he led the vandalism and looting of five Dalit family homes after a Vishwakarma Puja dispute. In Rautahat's Fatuwa Bijaypur Municipality, members

of a Dalit family were brutally beaten, with allegations of physical and sexual abuse by a group; police faced accusations of biased handling and premature release of suspects. In Sindhuli in April 2026, 23-year-old Dalit man Shrikrishna BK died in police custody on rape charges; his family and Dalit rights activists alleged physical abuse in custody and demanded a parliamentary investigation committee, raising severe concerns about custodial caste violence. In Siraha's Dom community, family members were forcibly displaced from a government-built home on the grounds that their presence made the land "impure". This incident gained national attention only after media coverage and led to arrests.v

Polygamy law protests emerged as a focused governance dispute in August 2025 when the government proposed a draft amendment to the National Criminal Code that would have recognized a second relationship as marriage if pregnancy or childbirth resulted. Women's rights activist Bina Yadav launched a hunger strike at Maitighar Mandala, and the All Nepal Women's Association submitted memorandums nationally through district administration offices opposing the amendment. The proposal was subsequently dropped.

Gender-based violence crystallized around the event that generated the most geographically widespread civic response of the entire monitoring period: the rape and murder of 16-year-old Dalit girl Inisha Bishwakarma in a community forest in Birendranagar, Surkhet, in early March 2026. The postmortem report confirmed death from excessive bleeding following rape. Within days of the discovery, protests erupted simultaneously in Kathmandu, Taplejung, Jhapa, Morang, Makwanpur, Parsa, Rautahat, Kaksi, Rupandehi, Chitwan, Dadeldhura, and Bajhang; a geographic spread unseen for a single incident outside theGen-Z protest. Student organisations, Dalit rights groups, women's legal professionals, political parties, and individual citizens all mobilized demanding the justice for Inisha. The Nepal Dalit Mukti Morcha submitted memorandums through district administration offices nationwide. Inisha's family met the Home Minister in Kathmandu and received assurances of a thorough investigation. This case intensified pre-existing demands for constitutional amendment to impose stricter penalties for sexual violence, demands that had also followed the case of Reshmika Pariyar in Khotang in September 2025 and continued into early 2026. The 29-point Bhaktapur Declaration issued at a national conference of women legal professionals in March 2026 incorporated justice for Inisha among a broader set of demands.

Communal religious conflicts were episodic but high intensity events. The October 2025 communal clash in Janakpurdham Ward No. 20 during Dashain idol immersion

required tear gas, curfew, and an all-party reconciliation agreement. Mosque vandalism and Quran burning in Dhanusha in January 2026 triggered violent protests in Birgunj (Parsa). The most severe episode among the communal conflicts was the Gaur Municipality riots in Rautahat in February 2026. Beginning with a dispute over a wedding procession playing music near a mosque on 19 February, the incident escalated despite a six-point agreement, with renewed stone-pelting, arson of an Indian-registered vehicle, and 12 motorcycle vandalizations, prompting police arrests of over 20 individuals. In March 2026, Hindu-Muslim tensions in Kapilvastu's Maharajganj Municipality during overlapping Eid and Ram Navami observances escalated into stone-pelting, police use of tear gas and aerial firing, and the death of a youth shot during the protests. A three-day curfew was imposed and ultimately lifted after an all-party agreement.

Continuation of language and indigenous rights events signaled persistent ethnic governance tensions. Protests in Biratnagar demanded official recognition of Limbu and Maithili as working languages in the Koshi Province, following the Language Commission's recommendation being ignored for three years. Nepal Federation of Indigenous Nationalities (NEFIN) and 39 organizations submitted a memorandum to the Forest and Environment Ministry demanding that the national biodiversity strategy incorporate indigenous customary laws and knowledge. The Federal Democratic Alliance held a Black Day rally on Constitution Day in Birgunj. Even as specific political actors shift over time, Madheshi groups have continuously observed a 'Black Day' rally on Constitution Day. This has occurred annually since the 2015 Constitution's promulgation, with Madheshh-based political groups characterizing the document as discriminatory and incomplete for Madheshi and other marginalized communities. The Badi community staged a protest at Maitighar Mandala demanding the halt of the film Lalibazar for stereotyping their community, leading to a Supreme Court writ. This pushback stems from a history of deep-seated prejudice. As a marginalized Dalit group traditionally tied to the performing arts, the Badi have faced intense social stigma and economic exclusion, forcing many into survival sex work. Protesters argued that the film promotes a damaging misrepresentation that reduces their multi-generational struggles to a reductive stereotype.

2.4.4. Natural Resources and Environmental Governance

This thematic area encompasses the policies, institutions, and processes related to the management and utilization of natural resources while ensuring environmental sustainability. It includes the governance of forests, water, energy, and minerals, as well as strategies for climate change adaptation and disaster risk reduction.

Natural resource and environmental governance this year was defined by community assertiveness over resource equity, post-Gen-Z protest demands for free equity shares in hydropower projects, and ongoing contestation over the boundaries between conservation mandates, community rights, and extractive interests. Community forestry governance was contested from the outset of this monitoring period when Federation of community Forestry Users Nepal (FECOFUN) publicly opposed provisions in the Budget Implementation Plan 2082 that would distribute community forest income among federal, provincial, and local governments. FECOFUN argued that this threatened community forest autonomy guaranteed under existing law, demanded immediate cancellation of the provision, and called for direct allocation of 80% of climate finance to community groups.

An Asian Development Bank (ADB)-funded waste management center worth NPR 300 million was padlocked by a community forest consumer group in Kanchanpur, after three years of unfulfilled municipal commitments. This incident highlights a broader and growing waste-management crisis across Nepal. In Bardaghat Municipality (Nawalparasi West), locals strongly protested the use of the Parijat Forest area as a temporary dumping site, citing foul smells, infection risks, and threats to public health and nearby markets. The municipality's long-term landfill plan remained stalled due to anti-corruption complaints and lack of provincial approvals. Similarly, in Siddharthanagar (Rupandehi), the Supreme Court issued an interim order banning waste dumping in the Danda Khola area due to environmental pollution and public nuisance, leaving the municipality scrambling for alternatives and forcing households to manage waste temporarily. These cases, alongside persistent industrial pollution complaints, such as the Pollution Control Struggle Committee's protests in Sunwal (Nawalparasi West) demanding relocation of the heavily polluting Lumbini Sugar Industry, underscore how waste management failures are increasingly sparking environmental justice conflicts that entangle forests, rivers, and community livelihoods.

The most novel natural resource conflict of the year arose whenGen-Z protest actors extended their accountability demands into the energy sector. The flashpoint was the 45 MW Upper Bhotekoshi Hydropower Project in Sindhupalchok district. In September 2025, a group of Gen-Z youth from Bhotekoshi Rural Municipality in Sindhupalchok district forcibly shut down the 45 MW Upper Bhotekoshi Hydropower Project. They demanded 10% free shares in the company for local affected residents, claiming that previous agreements had not been fulfilled. The protesters occupied the headworks and powerhouse, forced staff to open the spillway gates, and threatened to keep the project closed until their demands were met. As a result, the project remained completely shut for over a month. The Independent Power Producers' Association, Nepal (IPPAN) raised

the issue with Home Minister Om Prakash Aryal, describing the shutdown as "anarchy". After negotiations, on 12 October 2025, the company and the protesters reached an agreement to provide 10% shares (an increase from an earlier 6% deal) through a specially formed local public investment company. The shares would not be entirely free; they would be financed through bank loans backed by future dividends from the project. Similar disputes have emerged in several other districts of Nepal, inspired by or running parallel to the Upper Bhotekoshi case in Sindhupalchok. In Sindhupalchok alone, letters demanding 10% free shares were sent to at least ten other operating and under-construction projects. Protests spread to other districts: in Lamjung, locals halted the 50 MW Marsyangdi Besi project in November 2025 over fears of environmental damage and loss of water sources. In Khotang, residents shut down the Upper Rawa Khola plant in December, citing unpaid compensation.

Conservation governance generated both advocacy and conflict. Mayor Tirtharaj Bhattarai of Diktel Rupakot Majhuwagadhi Municipality, Khotang district, conducted a hunger strike at Maitighar, in Kathmandu, in late July 2025 demanding policy support for bamboo construction and climate change responses at the federal level. Following his 16-day fast, a government agreement committed to finalizing a bamboo building code within 45 days, declaring Khotang the bamboo capital of Nepal, and encouraging all three tiers of government to promote bamboo use. The Chure and Forest Conservation Campaign Nepal staged protests in August 2025 demanding Chure conservation and compensation for drought-affected farmers. Phewa Lake demarcation protests in Pokhara reflected tensions between the Supreme Court's conservation directive, expanding lake boundaries, and landowners' property rights. Protesters demanded that historical 1975 survey records be used rather than drone-based measurements, claiming their ancestral land was being unfairly absorbed. Protesters from the Land Right Conservation Committee demonstrated at Maitighar in January 2026 against the Supreme Court's decision requiring an additional 20-meter riverbank setback, citing ILO 169 protections for indigenous communities.

Displacement from protected areas remained a persistent grievance. Evictees from Shuklaphanta Wildlife Reserve, who were displaced 24 years ago without rehabilitation, staged hunger strikes in Kathmandu in June 2025 and again lodged demands in Kanchanpur in August 2025. Despite government assurances and the Bom Commission's recommendation of 10 kattha of land or NPR 6 million per family, no implementation had occurred as of the end of the monitoring period. In May 2026, locals in Mahottari set fire to a Divisional Forest Office vehicle during a tense eviction notice operation affecting approximately 1,100 hectares of encroached forest land, illustrating how the land encroachment-forest governance tension can generate its own violent episodes.

Wildlife-human conflict events also feature in Bardiya and Kailali, where communities pressured MPs and the Prime Minister to address tiger incursions from Bardiya National Park.

River resource conflicts involved a diverse range of actors and legal instruments. A ward chair in Waling Municipality (Syangja) physically assaulted RSP activists who were forming a 'Save Aandhi Khola' conservation committee to stop illegal riverbed extraction, prompting police complaints and widespread condemnation. In Machhapuchchhre Rural Municipality, Kaski, crusher industries disputed survey methodology for revenue assessments, with a GPS and drone re-survey ordered under a municipal facilitation task force. The Jugal Rural Municipality (Sindhupalchok) chairperson filed a CIAA complaint against a hydropower company that had not paid local resource-use royalties since 2079 BS (2022/2023 CE), despite repeated requests.

The natural resource and environmental governance events of this year collectively signal that resource conflicts are becoming entangled with broader political accountability demands that are extending to natural resource ownership, community forest income, hydropower revenue, and environmental protection.

2.5. Conclusion

The annual data reveal several noteworthy dynamics:

1. Political events dominate in every province except Koshi and Gandaki, where Developmental events are either equal in number or slightly higher, reflecting stronger service-delivery tensions relative to national political contestation in those regions.

2. Bagmati Province's predominance (50% of all events) is even more marked in the Political theme (234 events, 58% of all political events), reflecting the concentration of national-level governance structures and civil society in the Kathmandu Valley.

3. Madheshh Province shows the highest proportion of Ethnocultural events relative to its total (20%), driven by communal religious conflicts, Dalit rights protests, and identity-based governance disputes in the Terai districts.

4. Gen-Z protest events (8–9 September 2025) are recorded across all seven provinces, making the protest the first governance conflict in the dataset with genuinely nationwide simultaneous reach.

5. Conflict resolution events remain active in all provinces, but are proportionally

highest in Bagmati and Koshi, suggesting that formal institutional mechanisms and civil society mediation are more accessible in urban or more administratively developed provinces.

6. Natural Resource and Environmental conflicts, though lower in absolute numbers, span all provinces and reflect a consistent undercurrent of community-level resource governance tensions nationwide.

7. The year recorded a qualitative shift in protest character beyond traditional demonstrations, with citizens increasingly deploying judicial mechanisms such as writ petitions, habeas corpus applications, and contempt cases, signalling a growing juridification of governance disputes.

8. Resolution efforts increased marginally (from 90 to 112 events), suggesting that even in a year of exceptional turbulence, formal and informal conflict resolution mechanisms remain active. When the government responded promptly with committees, task forces, and court interventions, escalation was often averted.

9. The shift in developmental conflicts, from infrastructure-centric disputes of prior years to labor rights, agricultural subsidies, education legislation, and housing rights, signals that Nepal's developmental conflicts are maturing into demands for structural policy reform.

10. Nepal's governance system has demonstrated notable resilience amid post-uprising pressures. The transition from street violence to institutional contestation marks genuine progress. However, if underlying grievances around corruption, youth representation, resource management, and communal harmony remain unaddressed, protests risk intensifying and eroding public confidence in the newly formed government.

Note: *While this chapter provides a comprehensive analysis of all 776 recorded events (excluding election-related incidents), section "2.5. Descriptive Summary of Observed Events Under Each Theme" is intentionally selective. The case studies and resolution efforts detailed therein are chosen specifically to illustrate major trends and significant developments during the reporting period. For exhaustive documentations, please consult the periodic publications of GMC Nepal, or reference the dedicated election bulletin for election-specific incidents. They are accessible on the official GMC Nepal website.*

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03

NEPAL'S GEN-Z PROTEST OF 2025 AND ITS AFTERMATH

CHAPTER 3

NEPAL'SGEN-Z PROTEST OF 2025 AND ITS AFTERMATH

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This chapter analyzes the dynamics of the recentGen-Z protest of Nepal and its aftermath across multiple thematic areas. It begins with the roots of the protest and the political transition that followed. It then covers the accountability measures adopted in the aftermath. The chapter goes on to examine the political changes that unfolded in the period after the protests, including the March 2026 House of Representatives elections. Dedicated sections address the economic conditions, public service delivery, the backlash against civil society, social cohesion and trust, and the psychological costs of the protests.

3.1 Introduction

On 8 and 9 September 2025, Nepal witnessed its most consequential political upheaval in decades. What began as protests mostly led by Gen Z, the cohort born roughly between the late 1990s and the early 2010s, against corruption and the government ban on 26 social media platforms rapidly escalated into a mass uprising that toppled Prime Minister KP Sharma Oli's government, left 77 people dead, injured over 2,400, and caused damage to public and private infrastructure estimated at NPR 84.45 billion, or approximately USD 582 million (The Kathmandu Post, 2025a). Nepal became the third South Asian country in three years to see its government fall under the weight of protests led by youth, following Sri Lanka in 2022 and Bangladesh in 2024 (Gupta, 2025). TheGen-Z protest gave voice to years of frustration among the Nepali people with corruption, unemployment, inequality, political patronage, and governance failure, with economic despair at the center of those grievances (Shahid et al., 2025).

3.2 Roots of the Protest

Although the government's ban on 26 social media sites was the immediate trigger for theGen-Z protest, fractured economic, political, and governance conditions were the underlying causes. Over 60% of Nepal's population is under thirty, and youth unemployment exceeded 22% in fiscal year 2023, among the highest in South Asia (Mijiyawa et al., 2025; Central Bureau of Statistics, 2023; National Statistics Office [NSO], 2021). The country absorbs only a few thousand new workers annually while hundreds of thousands enter the labor market each year (Dhungel, 2026), pushing over 2,000 young Nepalese to depart for overseas work daily (Jha, 2026). Remittances now contribute more than a quarter of Nepal's GDP, which masks the weakness of the domestic economy rather than reflecting its strength (Shahid et al., 2025; Nepal Rastra Bank [NRB], 2026).

Without remittances, an estimated 2.6 million more Nepalese would have fallen into poverty (Mijiyawa et al., 2025). Nepal's economy averaged only 4.3% annual growth between 2012 and 2024, held back by a complex business environment, high trade costs, corruption, and inadequate infrastructure. The services sector dominates at 62% of GDP while industry sits at a weak 13%, limiting well paid job creation at home and leaving the economy exposed to shocks in Gulf and Southeast Asian labor markets (Jha, 2026).

These economic failures did not occur in isolation. They were compounded by decades of corruption, poor governance, and a political class that had stopped delivering for ordinary people (Jha, 2026; Bhattarai et al., 2025a). Sufficient employment opportunities were not created because the business environment remained hostile to

investment. The private sector, which generates more than four-fifths of the country's employment, was reluctant to expand without credible guarantees on property rights or policy predictability (Dhungel, 2026).

The social media ban was less the cause of the protest than its catalyst. Because social media accounts for 80% of internet usage in Nepal (Shahid et al., 2025), Prime Minister Oli's decision to ban 26 platforms on 8 September 2025 was experienced not as a regulatory measure but as a direct attack on communication, livelihoods, and political expression. In this sense, the ban condensed years of structural violence, inequality, corruption, and growing autocratic tendencies into a single act, and it mobilized precisely the generation it was meant to suppress (Henry, 2025).

3.3 The Fall of Oli and the Interim Government

After the killing of 19 young protesters by government security forces on 8 September, widespread anger swept across the general public, particularly among youth, the families of those killed, and people disturbed by the use of force against unarmed protesters. Young protesters along with adults from diverse segments of society then took to the streets in Kathmandu and across the country, defying the government curfew. The second day of protests turned into mass riots across the country, beginning with the vandalism and burning of private residences of some political leaders, police posts, and private properties including hotels, business outlets, transport infrastructure such as cable car services, and telecommunication offices.

The scale of destruction was unlike anything Nepal had witnessed since the end of the decade-long armed conflict. Public fury turned against the symbols of state power and political authority, with mobs setting fire to the parliament building, the Prime Minister's Office, the President's Office, the Kathmandu District Court, and the Supreme Court. Across the country, 2,168 government and public bodies were damaged, 2,671 buildings destroyed, and 12,659 vehicles set ablaze. Four of Nepal's six metropolitan cities, Biratnagar, Birgunj, Bharatpur, and Pokhara, suffered devastating destruction of administrative infrastructure. Over 400 police stations and offices were burned, thousands of prisoners escaped from prisons and detention facilities, and airports were temporarily shut down. Total physical damage was officially assessed at 1.38% of the country's GDP (Kafle, 2026; The Kathmandu Post, 2025a).

The events of 9 September forced Prime Minister KP Sharma Oli's resignation. His government, a coalition of Nepali Congress and CPN (UML), collapsed alongside him. Evacuated by the Nepal Army reportedly only after agreeing to step down, Oli spent

10 days in army barracks before resuming political activity (Bhattarai, K.D., 2025a). The swift and total collapse reflected anger not just at Oli personally, but at an entire political class that had rotated through power for over three decades without delivering on promises of jobs, accountability, or governance reform (Gupta, 2025). Unlike the People's Movements of 1990 and 2006, which were steered by organized political parties, this uprising had no central leadership or institutional anchor, a feature whose consequences for the transition would become apparent in the months that followed.

The violence of 8 and 9 September became deeply contested in the months that followed, as later sections of this chapter show. One camp framed 8 September, when security forces killed 19 young protesters, as the moral center of the protest. Another focused exclusively on the destruction of 9 September to delegitimize the protest movement entirely. This division between state violence and mob violence hardened into competing political identities that continued to shape Nepal's politics long after the protests ended (Bhattarai, K.D., 2025a).

Following Oli's resignation, the country moved toward forming an interim government, facilitated by President Ram Chandra Poudel and the Nepal Army in consultation with senior political leaders and former prime ministers. Protest organizers used the Youths Against Corruption Discord channel as an impromptu public forum to deliberate on who should lead the country next, and thousands participated in this online debate (Adhikari, 2025b). While the process carried no legal weight, it showed a generation comfortable bypassing traditional party structures and bringing digital habits directly into political decision-making. Among the names that emerged through this digital debate, former Chief Justice Sushila Karki received the strongest support.

On 12 September 2025, Karki was sworn in as Nepal's first woman prime minister through means outside the formal constitutional process by President Poudel, a decision widely interpreted as a necessary response to an exceptional national circumstance (Carnegie Endowment for International Peace, 2025). Parliament was dissolved the same day and elections were set for 5 March 2026. The Karki government's core mandate was to stabilize the country and conduct elections on time. Her status as a non-partisan actor completely detached from the established political parties and a distinguished record as the first woman Chief Justice gave her administration a degree of public credibility. The narrow mandate, however, constrained bold decision-making, the bureaucracy underperformed, and coordination between federal and provincial governments broke down.

These governance limitations had real administrative consequences. Civil servants showed a marked reluctance to act within their legally guaranteed mandates,

fearing repercussions from a rapidly shifting political situation (World Bank, 2026). Coordination on service delivery between the federal government and provincial and local governments collapsed almost entirely, leaving citizens to bear the consequences directly (International Crisis Group, 2025). Jha (2026) observes that Nepal had cycled through 32 governments in roughly 35 years, and that the interim administration was in no position to break that pattern of political paralysis.

A National Day of Mourning was declared on 17 September 2025 as an official acknowledgment of national grief. The government announced compensation of NPR 1,500,000 per family for those who lost a member in the protests, with 53 families receiving payments totaling NPR 79.5 million. Financial assistance of NPR 36.4 million was also distributed to 2,429 injured individuals as immediate relief (Kafle, 2026). Human Rights Watch, Amnesty International, and the International Commission of Jurists collectively called in February 2026 for accountability that went beyond monetary settlement, warning that compensation alone cannot substitute for justice (Human Rights Watch et al., 2026).

3.4 Accountability: The Investigation Commission and the Ten Point Agreement

The government adopted three major accountability measures in the aftermath of the protests (The Kathmandu Post, 2025a; Kafle, 2026): a Damage Assessment and Reconstruction Committee under the National Planning Commission, a high-level probe commission, and a formal agreement between Gen Z groups and the Government of Nepal. Following a Cabinet decision on 21 September 2025, the government established an independent probe commission under former Justice Gauri Bahadur Karki. The commission was given a dual mandate, to investigate the state's use of excessive force against protesters on 8 September, and to investigate the widespread destruction of public and private property on 9 September. Its scope covered 54 districts and 262 local units across all seven provinces (The Kathmandu Post, 2025a).

After more than five months of investigation, the commission submitted its report to the government on 8 March 2026, three days after the general election. The damage assessment committee had submitted its report on 11 December 2025. According to these reports, the total death toll reached 77: the commission's verified count attributed 20 deaths to 8 September, one more than the 19 reported during the protests as deaths among the critically injured were later linked to that day's events, along with 37 deaths on 9 September and 20 in the days that followed. A total of 2,429 people were injured,

including 17 children under 13 and 1,433 young people aged 13 to 28. Total physical damage was assessed at NPR 84.45 billion, approximately USD 582 million, with 2,168 government and public bodies affected. Of this, 2,671 buildings were damaged at a loss of NPR 39.31 billion, and 12,659 vehicles were destroyed at a loss of NPR 12.93 billion. Public sector losses stood at NPR 44.93 billion, private sector losses at NPR 33.54 billion, and community sector losses at NPR 5.97 billion. Reconstruction of damaged public infrastructure was estimated to require NPR 36.30 billion (The Kathmandu Post, 2025a; Kafle, 2026; Public Property, Physical Infrastructure and Private Establishment Damage Assessment and Public Structure Reconstruction Plan Preparation Committee, 2025).

The Ten Point Agreement signed between the interim government and mainstream Gen Z leaders on 10 December 2025 was another major accountability measure. Gen Z groups had long demanded a formal written commitment from the state acknowledging the legitimacy of their movement and binding current and incoming governments to act on their demands (Adhikari, 2025a). The agreement covered a wide range of issues and marks the first time in Nepal's post-conflict history that a government formally committed in writing to the demands of a protest movement led by youth.

The agreement's ten points can be grouped into five broad categories of demands (Office of the Prime Minister and Council of Ministers, 2025):

1. Corruption and governance reform: commitments to strengthen anticorruption mechanisms, improve public sector transparency, and enforce accountability.
2. Electoral and constitutional framework reform: commitments to review and clarify electoral and constitutional provisions to better reflect the demands of the movement.
3. Accountability and justice for victims: a formal commitment to investigate and prosecute those responsible for the deaths of protesters on 8 September.
4. Establishment of a constitutional amendment recommendation commission: to review and recommend changes to the constitution in line with the movement's demands.
5. Youth inclusion in governance: provisions to ensure meaningful youth representation in decision making bodies.

The agreement had two critical weaknesses. First, although the movement had sought a commitment that would bind incoming administrations, the agreement carried no legal mechanism to enforce this, meaning its provisions could go unimplemented if the next elected government chose not to take ownership of it. Second, CPN (UML)

rejected the agreement outright (Bhattarai, 2026), leaving it without shared legitimacy across parties and signaling that Nepal's largest opposition party had no intention of being held to its commitments. Despite these limitations, the agreement created a documented public record that civil society organizations, journalists, and voters could use to hold future governments accountable.

Despite these accountability measures, the country witnessed deepening political division around the question of justice. The events of 8 and 9 September produced two distinct and competing demands that complicated any unified transitional justice process. One camp demands the prosecution of state actors responsible for the 8 September killings (Amnesty International, 2025). The other insists on rigorous investigation of the 9 September destruction of public and private infrastructure (International Crisis Group, 2025). This framing of state violence against mob violence prevented a more comprehensive accountability process from taking shape. There is a legitimate concern that under a Rastriya Swatantra Party (RSP)-led government, which broadly endorsed the verdict of theGen-Z protest, accountability for the 9 September incidents may be deprioritized while the findings of the probe commission are selectively deployed to weaken traditional political parties rather than to serve the broader cause of justice.

A related concern is the risk of pushback from established political forces, particularly if the probe commission's full fledge recommendations are seen as threatening their interests. The commission had also submitted its report to an outgoing interim government rather than the newly elected administration, which further complicated the question of who bears responsibility for implementation. The most troubling risk is that backroom negotiations between those responsible for the events of 8 September and those responsible for the events of 9 September produce mutual impunity, an unspoken arrangement where neither side is held accountable in exchange for political accommodation.

The slow pace of reconstruction of damaged public infrastructure is a less visible but equally important accountability concern. The question of who bears responsibility for rebuilding what was destroyed, and how quickly, has attracted far less public attention than the debates around political transition and electoral outcomes. For the thousands of citizens who lost access to courts, municipal offices, health facilities, and public records (Paudyal, 2025; Suwal, 2025), the physical damage of September 2025 remains a daily reality. Accountability is not only about prosecuting those responsible for violence but also about restoring what was taken from ordinary people.

3.5 The March 2026 Election: Youth, New Parties, and RSP's Landslide

The snap general election held on 5 March 2026 gave youth an opportunity to actively exercise their democratic rights, to choose parties and candidates of their preference, push back against traditional political establishments, and demonstrate democratic resilience. Voter turnout reached approximately 58.07% despite months of civil unrest and widespread uncertainty about whether elections would be held on time (Ghimire, 2026; Election Commission of Nepal, 2026). Relatively peaceful conduct of the polls, overseen by national and international observers, provided the constitutional stability needed to bring the period of transition to a close.

The 5 March election carried several characteristics that set it apart from any previous electoral cycle in Nepal's history. First, the election saw an encouraging number of first-time voters as well as a significant generational turnover in candidacy across the country. The total registered voter roll grew by 915,119 compared to the 2022 election (The Kathmandu Post, 2026a; Election Commission of Nepal, 2026), with approximately 52% of all eligible voters falling between the ages of 18 and 40. Approximately two thirds of lawmakers from the previous parliament chose not to contest, producing the largest generational turnover in Nepal's electoral history. The protest had communicated clearly to older politicians that their credibility with the electorate had expired.

Youth participation was equally significant on the candidate side. Of the 3,406 candidates contesting under the First Past the Post system, approximately 1,056 (31%) were aged between 25 and 40 (International Foundation for Electoral Systems, 2026). By the final count, 59 candidates under the age of 40 had won seats among the 165 directly elected constituencies, representing approximately 38% of all seats, a dramatic leap from the 11% recorded in the 2022 parliament and the 13% in 2017 (Dudraj, 2026). Of these 59 under-40 lawmakers, 51 belonged to the RSP, with the youngest elected member being 25-year-old Prashant Upreti from Makawanpur-2 (Dudraj, 2026).

Table 3.1 Key youth participation metrics in the March 2026 election

Metric	Value
Increase in registered voters from 2022	915,119
Eligible voters aged 18 to 40	52% of total
Youth candidates aged 25 to 40	1,056 (31% of total)
Youth elected to directly contested seats	59 MPs (38% of 165 seats)
Youngest elected MP	25 years old (Prashant Upreti)

Youth MPs from RSP	51 of 59
Youth in 2022 parliament	11% of members
Youth in 2017 parliament	13% of members
Overall voter turnout	58.07%

Source: Compiled by the author from Dudraj (2026), Ghimire (2026), International Foundation for Electoral Systems (2026), Election Commission of Nepal (2026), and The Kathmandu Post (2026a).

Second, the 2026 election saw a fundamental shift from physical rallies to digital campaigning. Candidates across the political spectrum turned to TikTok, Facebook, Discord, and other digital platforms, but younger candidates used them most effectively, engaging directly with voters and mobilizing volunteers who largely bypassed traditional media gatekeepers to share candidate platforms and provide real-time updates (Kurlantzick, 2026). Digital platforms served as a grassroots coordination tool, enabling localized voter mobilization without the need for centralized party funding (Adhikari, 2025a). Traditional parties were not absent from digital spaces, but they struggled to compete effectively. RSP's ability to translate online engagement into votes at scale showed that digital organizing had become a credible alternative to the patronage networks that older parties had long depended on (The Guardian, 2026).

Third, the election saw the emergence of new political parties and a new generation of political leaders. A total of 120 different parties competed, up from 84 in 2022, reflecting the political space the protests had opened up. In the immediate aftermath of theGen-Z protest, 25 new parties were formally registered with the Election Commission (Bhattarai, K.D., 2025b). The clear winner was the RSP, formed only four years earlier, which won 125 of 165 directly elected seats (Election Commission of Nepal, 2026).

The generational shift also registered within traditional party structures, though in less dramatic form. CPN (UML) introduced a formal provision requiring that an under-40 member represent each constituency as a national convention delegate. Within Nepali Congress, Gagan Kumar Thapa's reform faction successfully ousted two-time party president Sher Bahadur Deuba (Bhattarai, 2026). These internal transformations show that the protest had changed what was politically viable even inside the organizations that had dominated Nepali politics for decades.

3.6 Internal Party Dynamics: Crisis, Rebellion, and Repositioning

The aftermath of theGen-Z protest brought remarkable shifts in the internal dynamics of both traditional and newer political parties. Nepali Congress, one of Nepal's largest and oldest parties, found itself caught in a generational conflict and deeply divided over how its leaders understood and responded to the protests. The assault on party president Sher Bahadur Deuba and his wife at their residence, followed by their rescue by the Nepal Army, symbolized the full collapse of the party's public standing (Bhattarai, K.D., 2025a). While Deuba was hospitalized in Singapore, General Secretary Gagan Kumar Thapa became the first senior Nepali Congress leader to publicly acknowledge the protesters' grievances and, alongside fellow General Secretary Bishwa Prakash Sharma, called openly for Deuba's resignation. The party split between an establishment faction loyal to Deuba and a bloc led by Thapa focused on reform. The eventual decision to hold a special convention brought the internal crisis to a head, with 54% of general convention representatives signing a petition demanding new leadership. The special convention, held in the second week of January 2026, formed a new central committee under the chairmanship of Gagan Kumar Thapa. The Deuba faction challenged this outcome in court, arguing that the convention had violated the party statute, leaving the party's internal legitimacy disputed even as it entered the election campaign.

The internal dynamics within CPN (UML) followed a somewhat different path. Chairman Oli and his close allies refused to accept any moral responsibility for the deaths of 19 protesters on 8 September, declaring that the protests had been launched against his party and the country itself (Bhattarai, K.D., 2025c). Leaders opposed to Oli took a more measured position, acknowledging the legitimacy of some protest grievances and calling for a leadership transition. Rather than responding to these internal pressures, Oli moved in the opposite direction, preemptively amending the party statute to secure a third consecutive term and blocking former President Bidhya Devi Bhandari from rejoining the party. A credible internal challenge emerged in the form of Ishwar Pokhrel, backed by Bhandari, but it ultimately fell short of dislodging Oli, who secured the chairmanship for a third time.

CPN (Maoist Centre) leader Pushpa Kamal Dahal was the first major leader from the traditional parties to engage constructively in the aftermath. He dissolved the party's Central Committee and formed a new political party, the Nepali Communist Party, by bringing together 15 fringe leftist groups and merging with CPN (Unified Socialist), abandoning the Maoist name entirely in the process (Bhattarai, K.D., 2025a; Economic Times, 2025). Senior leaders including Janardhan Sharma and Sudan Kirati left the party shortly after, and the ideological coherence of the new coalition remained uncertain.

The internal experience of RSP told a different story. A National Human Rights Commission (NHRC) report on human rights violations during theGen-Z protest alleged that some party cadres were responsible for the arson and vandalism during the protests (National Human Rights Commission, 2026), episodes consistent with the spontaneous character of the 9 September violence described earlier, but nonetheless damaging for a party claiming the reform mantle. Party chair Rabi Lamichhane drew sharp public criticism for his decision to leave prison during the unrest, senior leaders including Sumana Shrestha and Santosh Pariyar resigned from the party, and a hastily arranged merger with the Bibeksheel Party was interpreted by political analysts as damage control rather than principled coalition building (Bhattarai, K.D., 2025a). Yet RSP managed to recover its footing. The entry of popular Kathmandu mayor Balen Shah as a senior leader gave the party a credible public face (De Guzman, 2026), while the continued unpopularity of the traditional political establishment and RSP's effective digital campaign strategy allowed it to reclaim the reform narrative.

3.7 Economic Aftermath

TheGen-Z protest left a significant mark on Nepal's already fragile economy. The impacts ranged from direct physical damage and fiscal pressure to the collapse of tourism revenues and a broader deterioration in the business environment that persisted long after the protests ended.

Total physical damage was officially assessed at NPR 84.45 billion, approximately USD 582 million, representing 1.38% of GDP and approximately 4.30% of the national budget (Kafle, 2026). Some broader estimates place the total economic loss at up to NPR 3 trillion, which is nearly half of Nepal's annual GDP (Adhikari, 2025b). The Federation of Nepalese Chambers of Commerce and Industry (FNCCI) estimated private sector losses at NPR 81 billion alone (Dhakal, 2026), a figure far higher than the commission's assessment of NPR 33.54 billion. The gap largely reflects differences in scope and method: the commission counted direct physical damage, while FNCCI's estimate covered broader business losses, including lost inventory and disrupted operations. Revenue mobilization targets were revised downward from NPR 1,480 billion to NPR 1,298 billion for the fiscal year, reflecting lower tax collections and import waivers on reconstruction materials (Kafle, 2026).

Tourism, a sector that should have been thriving during Nepal's peak trekking season, was similarly devastated. International tourist arrivals fell by 30% compared with the previous year (DD News, 2025), and the hotel sector alone reported losses exceeding

NPR 25 billion, roughly USD 177 million (AM Best, as cited in Insurance Business, 2025). The World Bank revised Nepal's GDP growth projection for fiscal year 2025 to 2026 downward from 4.6% to just 2.1%, with poverty rates slightly elevated compared to projections made before the protests (Mijiyawa et al., 2025). The government's recent decision to extend Nepal's least developed country (LDC) graduation timeline by three years further signals the unfavorable economic condition that the country is going through (The Kathmandu Post, 2026c).

Nepal avoided macroeconomic collapse despite the disruption. According to Nepal Rastra Bank, gross foreign exchange reserves grew 23.3% to USD 22.76 billion by February 2026, sufficient to cover 18 months of merchandise and services imports (NRB, 2026). Remittance inflows surged 39.8% to USD 8.86 billion in the first seven months of fiscal year 2025 to 2026, compared to growth of just 7.5% in the same period the previous year (NRB, 2026). The current account recorded a sizeable surplus. These headline figures masked a deeper problem, however. Bank deposits grew 14.8% year on year while private sector credit rose only 6.7%, a gap that points to a confidence crisis where money is available but willingness to deploy it is not (Dhungel, 2026).

FNCCI President Dhakal (2026) warned that private sector confidence had fallen to historic lows. Foreign direct investment hovered below 1% of GDP, and nonperforming loans stood at 5.42% as of January 2026. Nepal's placement on the Financial Action Task Force (FATF) grey list for a second time in February 2026, a designation that signals weaknesses in a country's safeguards against money laundering and raises the cost and scrutiny of cross-border transactions, further complicated international financial dealings and discouraged foreign investment (Jha, 2026). Public debt crossed 44% of GDP. Nepal's macroeconomic buffers held, but the protests accelerated a confidence crisis that the country's institutions were not equipped to reverse quickly.

3.8 Impact on Service Delivery and State Capacity

The violence of 8 and 9 September directly disabled the institutions through which the state provides services to its citizens. At least 300 local unit offices were left in ruins or unable to function (Paudyal, 2025). Between 200 and 250 municipalities suffered vandalism, with four of Nepal's six metropolitan cities, Biratnagar, Birgunj, Bharatpur, and Pokhara, seeing particularly severe destruction of administrative infrastructure. Public records, vehicles, computers, and legal documents were burned, complicating administrative processes for citizens for months afterward (Paudyal, 2025). Rapid assessments of 440 buildings across 287 federal offices found that one third of those

set on fire were fully destroyed (Ghimire, 2025). Key institutions, including the Prime Minister's Office, the federal parliament building, and the Kathmandu District Court, were declared uninhabitable (Suwal, 2025).

The destruction of physical infrastructure was compounded by a broader breakdown of federal coordination and bureaucratic paralysis. The interim government operated under a narrow mandate and faced persistent questions about its democratic legitimacy, both of which constrained its ability to govern broadly or restore effective coordination across Nepal's three-tier federal structure. The bureaucratic caution noted earlier ran through the entire administration during this period, with officials avoiding even routine decisions for fear of being caught on the wrong side of a rapidly shifting political landscape (World Bank, 2026). The result was an administrative vacuum at every level of government at precisely the moment when citizens most needed the state to function. The World Bank identified this disruption to public services and core administrative processes as one of the primary risks to Nepal's economic and social recovery in the period after the protests (Mijiyawa et al., 2025).

TheGen-Z protest also exposed critical weaknesses in security and law enforcement. Thousands of prisoners escaped during the chaos of 9 September, and many remained untraced months later (Jha, 2026). Over 400 police stations and offices were burned or destroyed (Suwal, 2025). The failure to maintain order in several high-security facilities created an environment of perceived lawlessness (Human Rights Watch, 2025). These lapses signaled to citizens and investors alike that the state's capacity to maintain basic order was fragile, with real consequences for investment, rule of law, and public trust (The Diplomat, 2026).

3.9 Backlash Against NGOs, INGOs, and Development Partners

One notable development in the period after the protests was the emergence of a narrative claiming that NGOs, INGOs, and Western development partners had backed or enabled the uprising. No solid evidence supports this claim (Bhattarai, 2025b). Analysts warn that promoting such narratives carries significant geopolitical risks for a small nation like Nepal, potentially inviting unwanted interference from larger powers while obscuring the genuine domestic socioeconomic grievances that actually fueled the unrest (Observer Research Foundation, 2026). The absence of evidence did not prevent the narrative from gaining political traction and producing real consequences for civil society organizations (CSOs) on the ground.

Before examining those consequences, it is worth recalling what NGOs have contributed to Nepal over the past three decades, while acknowledging that some of these contributions, particularly their role in the 2015 constitution drafting process, remain contested in some circles. They were instrumental in both the 1990 and 2006 People's Movements. They helped establish the NHRC and the National Women Commission. Through sustained advocacy, they secured women's property rights, abortion rights, and the abolition of bonded labor. They fought for inclusive representation of marginalized communities in state institutions and played a central role in drafting Nepal's 2015 Constitution (Bhattarai, 2025b). Attacks on these organizations are, in a meaningful sense, attacks on the entire body of contributions made by civil society.

The period after the protests, thus, saw a measurable contraction of civic space. Organizations working on governance, human rights, and anticorruption, areas directly associated with the protest movement's demands, found themselves operating in a more hostile environment, facing political rhetoric, reputational campaigns, vilification by anonymous social media accounts, and in some cases formal scrutiny of their funding and activities (Bhattarai, 2025b). This pattern is consistent with what has been documented in other South Asian contexts, where governments under pressure redirect public frustration toward external actors rather than addressing the underlying grievances that produced it (Shahid et al., 2025). In February 2026, Human Rights Watch, Amnesty International, and the International Commission of Jurists jointly called on Nepal's government to end impunity and protect civic freedoms (Human Rights Watch et al., 2026).

The practical consequences for Nepal's development landscape were significant. Organizations providing support in health, education, livelihoods, and disaster risk reduction, often filling gaps the state itself cannot cover, found themselves operating under increased scrutiny (Bhattarai, 2025b) at precisely the moment when Nepal needed maximum institutional support for recovery and reconstruction.

3.10 Social Cohesion, Trust, and Disinformation

The aftermath of theGen-Z protest brought significant erosion of social cohesion and public trust, driven by disinformation, hate speech, and deepening political division. One of the most consequential fault lines is how the events of 8 and 9 September are interpreted and selectively amplified by different political and social actors. Different parties have exploited this divide for their own purposes. The royalist Rastriya Prajatantra Party (RPP) invoked 8 September as evidence of government brutality, while CPN (UML)

focused exclusively on 9 September, staying conspicuously silent about the bloodshed of the previous day (Bhattarai, 2026). This division did not dissolve after the election. It settled into families, workplaces, and online communities, shaping how people interpret each new political development, and it will influence political alignments for years to come. There is also a risk looking ahead: if the current RSP government moves to hold accountable only those responsible for the 8 September killings while effectively granting amnesty for the 9 September destruction, it will deepen existing social and political divisions.

A related fault line is the generational divide that hardened in the wake of the protests. Leaders who have maintained political dominance since the 1990 democratic transition are increasingly viewed by Gen Z as symbols of systemic stagnation and cronyism (Carnegie Endowment for International Peace, 2025). In response, segments of the established political leadership have repeatedly characterized theGen-Z protest as an irrational force responsible for the destruction of 9 September, making it harder for the state to engage constructively with its youngest citizens (The Kathmandu Post, 2026b). This is fundamentally a clash between two incompatible political cultures. Nepal's existing political order is built on party loyalty, patronage, and personality-centered leadership. TheGen-Z protest, by contrast, introduced a value-based, transparency-driven, and issue-centered orientation. Without a genuine reckoning with this generational shift, the divide will likely deepen: one camp will continue to view the old political generation as corrupt and incapable of delivering governance, while the other will continue to frame the changes underway as a threat to democratic stability and national sovereignty.

These divisions have been further aggravated by a surge in disinformation during the period after the protests and during the election. Manipulated AI-generated images of political leaders, deliberately misleading photographs circulated as fact, and coordinated campaigns by anonymous accounts to shape public perception have all become increasingly common (Bhattarai, 2026). A Center for Media Research Nepal survey found that over 95% of online users in Nepal had encountered false information (Acharya, 2020). With 73% of Nepalese now using smartphones and 37% having internet access, the infrastructure for mass disinformation is more developed than at any previous point in the country's history (NSO, 2021). When authoritative information is absent and rumor fills the vacuum, shared social reality fractures and the conditions for genuine reconciliation become harder to sustain.

The cumulative effect of polarization, generational mistrust, and disinformation is most clearly visible in the declining public trust in Nepal's democratic institutions. This

erosion of trust is considered the deepest threat to Nepal's democracy in the period after the protests (Magar, 2025). Constitutional bodies, the judiciary, the bureaucracy, and political parties all emerged from the crisis with damaged reputations and diminished public confidence. The institutional churn noted earlier, with no government completing a full term since 2008, both reflects and reinforces public cynicism, creating a cycle that makes it progressively harder for any incoming government to build the legitimacy it needs to govern effectively (Jha, 2026).

3.11 Psychological Cost of the Protests

While the political and economic dimensions of theGen-Z protest have received some attention in the aftermath, addressing the psychological cost remains far from becoming a national priority. The interim government took an initial step by establishing Gen-Z clinics and allocating NPR 4.8 million, approximately USD 33,565, for free medical treatment of those physically injured during the protests (The Kathmandu Post, 2025b). This initiative addressed only the most visible wounds. Psychosocial distress among survivors, families, witnesses, and other vulnerable groups was left largely unaddressed. Nepal's response remained largely biomedical rather than sensitive to trauma, treating the body while leaving the mind largely unattended.

The scale of psychological need is significant, and the demographic profile of the injured makes it more acute. The overwhelming majority of those hurt were at ages of particular vulnerability to lasting mental distress: among the injured were 1,433 young people aged 13 to 28 and 17 children under 13. PTSD, depression, and anxiety are well documented outcomes of exposure to political violence, conflict, and disaster, and evidence shows that without early psychosocial intervention, children exposed to violence often develop persistent trauma disorders that undermine their educational attainment, relationships, and long-term productivity (Paudel et al., 2026). Nepal already faces critical shortages of child and adolescent mental health services, and the national capacity to absorb cumulative psychological stressors from continuous political unrest is severely constrained.

This unaddressed trauma is not only a health concern but a governance concern. A generation that carries untreated psychological wounds from state violence is less likely to trust public institutions, less inclined to engage through formal civic channels, and more susceptible to the cynicism and disinformation described in the previous section. If the young people who powered the protests come to associate political participation with injury and neglect, the legitimacy of whatever political order emerges from this

transition will rest on fragile foundations. Investing in psychosocial recovery is, in this sense, an investment in democratic stability itself.

3.12 Discussion and Conclusion

Nepal stands at a crossroads. TheGen-Z protest of September 2025 achieved something that decades of political contestation had failed to deliver: they broke open a political order that had built around the same faces, the same parties, and the same broken promises for over three decades. The immediate triggers were surface expressions of deeper structural grievances against corruption, unemployment, elite capture, and the failure of democratic institutions to deliver for ordinary people.

While the core demands of theGen-Z protest are yet to be fully addressed, the snap general election held on 5 March 2026 can be seen as an important pathway toward addressing them in a systemic way. The election gave youth an opportunity to actively exercise their democratic rights and showed that the country could hold a credible and competitive election even after months of civil unrest.

The RSP's landslide victory, built on digital organizing rather than patronage networks, demonstrated that a new kind of politics was not only possible but electorally viable in Nepal. Yet a democratic election is just a starting point. The protest succeeded politically while leaving quality governance largely unfinished. The probe commission submitted its report, a damage assessment was prepared, and the Ten Point Agreement was signed. None of these commitments are self-implementing, however. Their fate rests entirely with the present Balen-led government, which was not party to the negotiations that produced them. The risk is selective implementation, where accountability for 8 September is pursued while 9 September is quietly set aside, or vice versa, in ways that serve political interests rather than justice. An arrangement of mutual impunity between those responsible for each day's events would not only leave justice unserved but would deepen the social divisions that currently threaten Nepal's democratic fabric.

The economic picture deserves similar scrutiny. On the surface, Nepal's macroeconomic indicators held: foreign exchange reserves remained robust, and remittance inflows surged. But these figures reflect resilience inherited from overseas labor migration, not a healed domestic economy. Private sector confidence has fallen to historic lows, foreign direct investment hovers below 1% of GDP, and bank deposits are growing while private credit stagnates. The structural conditions that drove over 2,000 young Nepalese abroad daily before the protests remain entirely unaddressed. If the current government treats macroeconomic stability as evidence that the economic

crisis has passed, it will be making the same mistake that brought Oli down (Dhungel, 2026).

The costs that receive the least attention are often the ones with the deepest long-term consequences. Unaddressed trauma among injured youth, declining institutional trust across constitutional bodies and the judiciary, and a disinformation infrastructure that have reached a significant number of online users represent slow moving risks to Nepal's democratic quality. These issues have attracted the least policy attention in the period after the protests, yet their consequences will shape civic participation and political culture for a generation. Social cohesion cannot be rebuilt through elections alone. It requires deliberate investment in healing, in honest public information, and in creating spaces where the generational fault lines exposed by the protest can be worked through rather than weaponized.

There is a broader structural risk as well: fragmentation. As noted earlier, unlike the 2006 People's Movement, which had organized political parties providing institutional continuity, theGen-Z protest was leaderless. That made them harder to suppress but also harder to translate into sustained reform (Suwal, 2025). The dispersal of protest energy across 120 competing political parties may inadvertently reopen space for traditional parties to reassert dominance through coalition arithmetic in the years ahead. Whether this generation can hold together as a political force across electoral cycles, maintaining the pressure that produced change in the first place, is the defining open question for Nepal's democratic future.

Nepal's future will be shaped by three things: how the transition is managed, how the commitments already made are implemented, and how the issues that have not yet reached the national agenda are brought into it. The RSP-led government carries a mandate that is as moral as it is electoral. The probe commission's recommendations must be implemented without political selectivity and covering the incidents that took place on both days of theGen-Z protest. The infrastructure must be rebuilt. Trauma must be acknowledged. Civic space must be protected. And economic reform must go beyond stability to create the jobs and opportunities that a young, educated, and increasingly impatient generation has been waiting for far too long.

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CORRUPTION AS A STRUCTURAL DRIVER OF CONFLICT

CHAPTER 4

CORRUPTION AS A STRUCTURAL DRIVER OF CONFLICT

Nishu Ratna Bastakoti

This chapter looks at corruption as a persistent and systemic driver of conflict in Nepal. It situates corruption within a clear paradox. The country has extensive legal provisions on paper, yet political accountability remains weak. After tracing the context and trend of corruption in Nepal, the chapter reviews anti-corruption policies, legal frameworks, and institutional arrangements, then moves to an analysis built on Auditor General and Commission for the Investigation of Abuse of Authority (CIAA) reports. It shows how corruption is distributed across levels of government and sectors, identifies the institutions where vulnerability runs highest such as the courts and land administration. The chapter closes with practical recommendations drawn from this evidence, treating corruption as one of Nepal's most pressing governance challenges.

4.1. Introduction

Corruption in Nepal is not simply an administrative irregularity or a collection of individual wrongdoings. It runs through how the state operates, shaping how power is negotiated, how public money moves, and what ordinary people encounter when they deal with government. In political economy terms, corruption is understood not as a deviation from normal governance, but as a systemic phenomenon that reflects and reinforces underlying political agreements among elites over power and resource distribution (Johnston, 2005; Khan, 2006). For a country like Nepal, where the political system remains fragile, corruption takes the form of deeply rooted patronage networks, elite deals, and unwritten rules that operate alongside formal institutions. Access to public goods, justice, and economic opportunity often depends not on merit but on political connections (Acemoglu & Robinson, 2012; Transparency International, 2023).

Following the promulgation of the Constitution of Nepal 2015 and the transition to federalism, Nepal underwent major political and institutional restructuring intended to strengthen governance and accountability. Despite this, corruption has not disappeared; rather, in many sectors it has intensified across all tiers of government (World Bank, 2022). Nepal has established oversight institutions including the Commission for the Investigation of Abuse of Authority (CIAA), the Office of the Auditor General (OAG), and the Special Court (SC), each with formal mandates to investigate, audit, and prosecute corruption cases. However, their annual reports continue to reveal the gap between detection of irregularities and effective enforcement. Nepal thus presents a paradox where comprehensive legal and institutional frameworks on paper coexist with weak enforcement and limited political accountability in practice (Shrestha, 2019; TI, 2023).

This gap between formal rules and everyday practice sits at the heart of institutional theory. What is written in law (*de jure*) often differs significantly from the power relations that actually shape behavior on the ground (*de facto*) (North, 1990; Acemoglu & Robinson, 2012). Nepal is a clear example of this dynamic. Legislation such as the Prevention of Corruption Act 2002[1] and the Right to Information Act 2007 [2] provides a strong legal foundation (see Section 4.4), yet conviction rates and actual enforcement remain low relative to the number of reported irregularities. This points to deeper structural weaknesses in the country's accountability systems (ADB, 2019; TI, 2023).

The persistence of corruption carries significant consequences for Nepal's governance and stability. Nepal's Corruption Perceptions Index (CPI) score has stagnated

1 भ्रष्टाचार निवारण ऐन, २०५९(| Nepal Law Commission
2 सूचनाको हक सम्बन्धी ऐन, २०६४ | Nepal Law Commission

at 34 on a 100-point scale (Transparency International, 2025)[3]. Financial irregularities across all tiers of government cumulatively exceed NPR 5.5 trillion (ADB, 2024; OAG, 2024). Governance assessments also point to structural weaknesses including limited accountability, weak procurement oversight, and uneven service delivery as key factors sustaining corruption (World Bank, 2024).

One might have expected federalism to curb corruption. Instead, it has decentralized and embedded itself deeper into everyday governance. Large budgets devolved to 753 local governments without adequate oversight have multiplied the points where corruption occurs, spreading it from central level into everyday service delivery. In FY 2024/25 alone, over 53% of all CIAA complaints originated from local governments, with public procurement, infrastructure, land administration, and local budgeting emerging as recurring hotspots (CIAA, 2025; The Himalayan Times, 2024). When corruption occurs in these spaces, its effects are immediate and visible, stoking public frustrations as the gap widens between what citizens expect and what institutions deliver (TI, 2024; ADB, 2024).

With limited accountability, corruption distorts how resources are allocated and disrupts equitable service delivery. This reinforces perceptions of exclusion, especially among marginalized communities. These are not abstract concerns; they represent tangible injustices that citizens experience from the state and its institutions. Scholars in conflict studies have long argued that systemic corruption and weak accountability erode institutional legitimacy and fuel public grievances, particularly when the state fails to deliver services fairly (Dix et al., 2012; Le Billon, 2003; Rose-Ackerman & Palifka, 2016). When institutions consistently fall short, public trust breaks down, and over time this creates conditions for dissatisfaction and open contestation (Khatri et al., 2025). This might be one of the reasons why in Nepal youth-led protests, particularly in urban areas, have grown more visible and vocal, reflecting a rising intolerance toward corruption (Nepal Law Society, 2025; East Asia Forum, 2025).

The Gen-Z-led protest of September 2025, for instance, is not simply a reaction to high-profile scandals. It is a broader expression of frustration with systemic governance failures. Evidence from Transparency International (2025) suggests that perceived corruption is a key driver of declining institutional trust and frequently acts as a catalyst for civic frustration and political mobilization. In Nepal, this dynamic has been amplified by increasing digital connectivity and the growing role of social media in exposing elite privilege and governance failures. Information now spreads faster, scrutiny is higher,

3 See section 4.3.1 (Corruption Perceptions Index [CPI] Trend 2021–2025) for an extended discussion of Nepal's longitudinal data and specific area performance.

and public tolerance for corruption appears to be gradually declining, particularly among younger and digitally connected populations (De Guzman, 2025).

4.2. Historical Context of Corruption in Nepal

Corruption in Nepal has evolved alongside shifts in political order, adapting to changing institutional arrangements while remaining structurally embedded. During the Rana period (1846–1951), the ruling families enriched themselves through state resources, making nepotism and corruption central to governance (Sharma, 2004). Throughout the Panchayat period (1960–1990), corruption remained largely centralized and limited to those with close ties to the monarchy and ruling elite. Oversight was limited. There were no independent anti-corruption bodies, no free press, and no meaningful political participation to hold powerholders accountable (Lawoti, 2005). This corresponds to what political economy literature describes as a "limited access order" (North et al., 2007), in which elites restrict access to economic and political opportunities to maintain their hold on power. For Nepal, this meant that resource distribution, licenses, and public appointments depended on political patronage rather than merit or rule of law. Corruption in this period was therefore contained but institutionalized, silently reinforcing exclusion and limiting accountability.

The democratic transition following the People's Movement of 1990 brought multiparty competition, but it also opened new avenues for corruption. Political liberalization multiplied the actors competing for state resources. Parties, bureaucrats, and business groups all entered the game (Shah, 2018). Frequent government changes meant no administration lasted long enough to build accountability. Coalition politics made things worse, as party loyalties began driving bureaucratic appointments and procurement decisions rather than merit (Shah, 2018).

Following the signing of the Comprehensive Peace Accord in November 2006, Nepal entered a post-conflict transition that brought institutional expansion but weak enforcement mechanisms. Political actors and armed groups that had competed for power during the conflict period increasingly sought access to state resources, weaving corruption into the fabric of power-sharing arrangements (Thapa, 2025). Fragile coalition governments and a prolonged constitution-making process further weakened accountability and oversight. Irregularities in public procurement, land administration, and revenue collection signalled the entrenchment of grand corruption, while oversight institutions remained politically constrained (Dix, 2011).

Since 2015, federal restructuring has fundamentally altered how corruption operates. Devolving fiscal authority to 753 local governments without adequate checks and balances multiplied the points of discretion, spreading corruption across all levels of the system (Sah, 2024). The CPI has remained stagnant in the low-to mid-30s, and key sectors such as procurement, infrastructure, land, and local budgeting now directly shape how citizens experience the state every day (TI, 2023; TI, 2025).

Across these periods, corruption in Nepal has shifted from centralized patronage under the Panchayat system to competitive rent-seeking following the 1990 transition and toward elite capture & networked corruption in the post-conflict federal period. What remains constant across these shifts is the underlying motive of controlling state resources to maintain power. Corruption in Nepal is therefore not episodic but structural. The following sections examine this argument in detail, drawing on evidence from procurement, land administration, revenue settlements, and the performance of oversight institutions.

4.3. Corruption Trend in Nepal

This section examines corruption trends in Nepal through three complementary lenses. The first is the Corruption Perceptions Index (CPI). The second is complaint and case-filing trends of the CIAA. The third is financial irregularities identified by the OAG. Taken together, these indicators paint a broader picture of how corruption has persisted across public institutions and across different tiers of government. They also show that corruption in Nepal is not limited to isolated incidents but remains embedded in both governance practices and public resource management.

4.3.1 Corruption Perceptions Index (CPI) Trend 2021–2025

The following data summarizes Nepal's CPI scores and global rankings over the past five years. CPI, Transparency International's flagship publication, is the world's most widely cited indicator of perceived levels of public sector corruption, where a score of 0 represents high corruption and 100 represents a clean state, based on a composite of 13 expert and business surveys. Table 4.1 below depicts the Corruption Perception Index (CPI) of Nepal over the last 5 years.

Table 4.1 Nepal's CPI scores and global rankings, 2021–2025

Year	CPI Score	Rank
2021	33	117
2022	34	110
2023	35	106
2024	34	107
2025	34	109

Source: Compiled from Transparency International (2022–2026) annual CPI reports

The annual CPI released by Transparency International over the last five years shows that Nepal's score has remained stagnant, with no meaningful progress in curbing public sector corruption. Despite minor annual fluctuations, the score remained within a narrow range of 33 to 35, reflecting persistent challenges in transparency, accountability, and governance (HimalPress, 2026).

Weakest Performing Areas

Transparency International cited political instability, weak governance, abuse of public office, impunity, and a lack of transparency as the major reasons behind the stagnation (The Rising Nepal, 2026). TI Nepal's 2025 analysis identified key sectors where corruption perceptions remain particularly poor, as shown in Table 4.2 below.

Table 4.2 Key weak performing areas in Nepal's CPI based on TI Nepal, 2026 analysis

Sector/Area	Major Issues
Political activities & Government Functioning	Nepotism, patronage, elite capture, abuse of public office, political instability
Parliament & Public Institutions	Declining integrity, lack of transparency and accountability
Judiciary & Judicial Processes	Perceived influence, delays, lack of independence, and high impunity
Public Procurement & Service Delivery	Bribery, irregularities, diversion of funds, weak oversight
Taxation & Regulatory Systems	High corruption risks, tax payment irregularities, lack of transparency

Source: TI Nepal, 2026

Among the areas listed in Table 4.2, TI Nepal identifies the judiciary, political institutions, public procurement, and service delivery as the weakest performing areas contributing to Nepal's stagnant CPI score (The Rising Nepal, 2026).

Nepal's CPI score has remained below the score of 35 for several consecutive years, placing it firmly in the lower end of the index. TI Nepal has attributed this stagnation to the repeated failure of successive governments to take concrete action against corruption (New Business Age, 2026). This continued stagnation has fueled growing citizen grievance, particularly among politically awakened youth. TI Nepal has explicitly linked corruption to emerging political unrest in the country (New Business Age, 2026).

4.3.2 Accountability and Enforcement Trends: CIAA (2021–2025)

Table 4.3 below presents data on complaint handling and case filing by the CIAA over the five fiscal years from 2020/21 to 2024/25, showing the volume of corruption complaints received against cases actually filed.

Table 4.3 CIAA complaint handling and case filing trends (FYs 2020/21–2024/25)

Fiscal Year	Total Complaints	Cases Filed	Defendants	Financial Claim (NPR in Crores)
2020/21	12,496	46	150	250
2021/22	24,331	131	400	480
2022/23	28,065	161	650	620
2023/24	36,186	201	1,545	1,250
2024/25	37,026	137	753	597

Source: Compiled from CIAA Annual Reports (34th and 35th) and official statements (2021–2025), as reported by different newspapers.

The most significant trend over the last five years is a widening accountability gap. Table 4.3 shows an increase in total number of complaints received by the CIAA, increasing from 12,496 in FY 2020/21 to 37,026 in FY 2024/25. This near tripling of complaints suggests rising public intolerance toward corruption and greater willingness among citizens to report suspected wrongdoing. Yet, this increase has not been matched by a proportional increase in case filings. This underscores a fundamental gap in institutional follow-through. The sharp increase in both the number of officials accused and the claim amounts during 2023/24 was a strategic shift toward targeting high-value

procurement corruption, followed by a significant decline in 2024/25.

Reports also show that most cases filed were against bribery, fake educational certificates, and public property damage, while larger and more complex cases involving grand corruption remain rare and difficult to prosecute successfully. This undermines public faith in the anti-corruption body, as prominent cases frequently fail to result in convictions despite initial media attention.

4.3.3 Office of Auditor General (OAG): Flagged Irregularities Trend (FY 2019/20–2023/24)

The OAG, Nepal's supreme audit institution, examines public financial management and highlights irregularities across all three tiers of government. Its annual reports consistently reveal growing financial irregularities, weak internal controls, and poor recovery mechanisms.

Table 4.4 OAG-flagged financial irregularities (FYs 2019/20–2023/24)

Fiscal Year	Total Irregularities / Arrears (NPR billion)	Main sectors / tiers involved	Major Patterns highlighted
2019/20	≈ 418–439	Federal bodies, provincial offices, local governments, committees, public sector enterprises	Weak budget discipline; Weak record-keeping
2020/21	≈ 500–510	Federal ministries, provincial administrations, local governments, health and education bodies	Weak internal controls; Year-end rush spending
2021/22	≈ 550–600	Federal ministries, provincial and local governments, public sector enterprises	Off budgetary "pseudo funds"[4] ; Weak contract management
2022/23	≈ 664–684	Federal, provincial, and local governments, public enterprises and regulatory bodies	Poor procurement; Project management weaknesses

4 "Pseudo funds" refers to off-budget discretionary funds created by ministries or agencies outside the formal treasury and without parliamentary approval independent audit oversight and procurement controls. The OAG flags them because they are a common tool for hiding expenditure, avoiding procurement rules, and diverting public money without a clear paper trail.

2023/24	91.59 (new) / 733.19 (total) ≈33% recoverable (new) ≈ NPR 413.07 billion difficult-to-recover	Federal, provincial and local governments; procurement and construction (infrastructure, housing) and state-owned enterprises	High risk sectors identified as (procurement, local planning and budgeting, social sector subsidies); Acute fiscal governance distress driven by weak recovery mechanisms

Source: Compiled from OAG Annual Reports (57th–62nd) and official performance summaries (2020–2025), as reported in national newspapers

Note: Detailed recovery status categorization was not consistently reported across all fiscal years in the format adopted from 2023/24 onward.

Table 4.4 reveals a worrying upward trend in accumulated irregularities and arrears over the last five fiscal years. The total accumulated irregularities have grown substantially, from roughly 418–439 billion NPR in 2019/20 to about 733.19 billion NPR by 2023/24 (Nepal Khabar, 2025). In other words, misused or unaccounted funds are accumulating faster than they are being rectified. In 2023/24 alone, new irregularities of 91.59 billion NPR were added, of which only about one third, roughly NPR 30.1 billion, was considered realistically recoverable. The remaining amounts are deemed difficult to recover because of weak enforcement, missing documentation, and political protection.

Across all three tiers, the picture is one of serious governance distress. In FY 2023/24, federal government offices accounted for the largest share of new irregularities (approximately NPR 47.74 billion), followed by local governments (NPR 25.32 billion) and provincial governments (NPR 4.20 billion).

Across the five-year period, the OAG consistently flagged the following domains as high-risk:

- Public procurement and contract management
- Infrastructure and construction projects
- Social sector subsidies covering health, education, and targeted welfare programs
- Local level planning and budgeting
- Weak financial record-keeping and internal controls

4.3.4 Hotspots of Local-level Corruption

At the local level, corruption is most visible in public service delivery, procurement, selection and implementation of plans, social security allowances, fake educational certificates, encroachment on public property, and land administration. Investigative news reports and institutional assessments show that corruption is especially concentrated in the planning and implementation of local projects, particularly in infrastructure and construction (Maharjan, 2025). In many cases, engineers, executive officers, and local party leaders often collude to manipulate specifications, wages, and material use. [5] For example, replacing gravel with sand or inflating material estimates to justify larger budgets and to create room for financial irregularities.

Table 4.5 shows this pattern clearly. Local development has consistently attracted the highest number of complaints, rising sharply in later years and reaching 19,106 in FY 2080/81. Education, land administration, health, and administration also remain persistent sources of grievance, pointing to a close link between local corruption and development spending, service delivery, and administrative decision-making (Ghimire, 2025a).

Table 4.5 Sector-wise complaints related to Local Levels registered at the CIAA (FYs 2073/74–2080/81)

Fiscal Year	Local Development	Education	Land Administration	Health	Administration
2073/74	3042	3974	1341	901	895
2074/75	3511	3570	1262	851	804
2075/76	5221	3015	1470	914	751
2076/77	5446	2690	1323	773	842
2077/78	4888	2077	1265	616	688
2078/79	2743	1160	719	231	77
2079/80	7597	3270	1155	714	946
2080/81	19106	1054	1748	602	1661

Source: Compiled from the CIAA's annual reports

5 The highest level of corruption was found in the planning and implementation process, with engineers, employees and executive officers, who have the most responsibility of leading and carrying out works, as being the most corrupt.

Corruption at the local level appears as small-scale manipulation at single instance, but its repeated occurrence across hundreds of wards and municipalities adds up to substantial cumulative losses. Over time, these practices contribute to the broader fiscal gaps identified by the OAG and weaken the credibility of local development spending. The losses translate directly into daily citizen experiences of poor quality roads, broken water irrigation schemes, crumbling schools, and dysfunctional health institutions, deepening citizens' distrust in state mechanisms.

4.4. Anti-Corruption Legal Framework in Nepal

4.4.1 Constitutional Arrangements

The Constitution of Nepal serves as the primary legal foundation. Article 51b establishes state policy mandating that public administration be clean, competent, transparent, and free from corruption.

- **Article 239** empowers the **Commission for the Investigation of Abuse of Authority (CIAA)** to investigate and prosecute cases against public officials for corruption and abuse of power.
- **Article 241** mandates the **Auditor General** for auditing government bodies based on regularity, economy, efficiency, effectiveness, and propriety.
- **Article 153** assigns **Judicial Council** the responsibility for clean and fair judicial administration, including disciplinary actions and removal of judges for misconduct or corruption

4.4.2 Anti-Corruption Laws

Nepal's first legislative effort to address corruption dates to 1864, when the *Muluki Ain* (Country Code) was introduced. It included a section called *"Hakimko Nauma Karaune Ko Mahal',* which allowed people to file complaints against government officials who took bribes (Acharya, 2001).

Later, in 1954, Nepal enacted a dedicated anti corruption law, the *Corruption Prevention Act, 1954* (2011 BS), marking a more focused attempt to combat corruption. The current anti-corruption law was enacted in 2002, replacing the earlier statute.[6] It defines a wider

6 The current anti corruption law, the Prevention of Corruption Act, 2059 (2002 AD) replaced the earlier Corruption Prevention Act, 1954 (2011 BS).

range of corrupt practices and includes stronger provisions to investigate, prosecute, and punish corruption.

In the years that followed, Nepal passed a series of laws aimed at building a competent anti-corruption framework. The most important ones are summarized below.

- **Corruption Prevention Act, 2059 (2002):** This Act is the primary law that criminalizes various acts including bribery (acceptance of gratification), illegal commissions, revenue leakage, and disproportionate property acquisition. It allows for investigation even after an official's retirement or death and provides for automatic suspension once a case is filed in court.
- **Commission for the Investigation of Abuse of Authority Act, 2048 (1991):** This Act outlines the CIAA's operational procedures, including the power to search and seize, withhold passports, and access bank accounts during investigations. It specifies that there is no statute of limitations for corruption cases involving the embezzlement of public property.
- **Judicial Council Act, 1991:** This Act relates to appointment and disciplinary action of judges. It also provides power to the Judicial Council to investigate and prosecute the judges of District Courts and Appellate Courts, in charge of corruption.
- **Special Court Act, 2059 (2002):** This Act was enacted to deliver speedy and effective justice in special types of cases. The Special Court is empowered to exercise jurisdiction over cases related to the Corruption and Anti-Money Laundering Acts.

4.4.3 Supporting and Sector-Specific Laws

Corruption control is further supported by legislation governing specific sectors and financial activities:

- **Good Governance (Management and Operation) Act, 2064 (2007):** This Act aims to make public administration pro-people, accountable, transparent, inclusive, and participatory. It mandates codes of conduct for ministers and civil servants, requires officials to disclose conflicts of interest before making decisions, and establishes citizen charters for public service delivery. [7]
- **Asset (Money) Laundering Prevention Act, 2064 (2008):** The Act allows for the investigation of assets earned through corruption and facilitates joint investigation

7 शासन (व्यवस्थापन तथा सञ्चालन) ऐन, २०६४ | Nepal Law Commission

teams for complex financial crimes. It criminalizes the earning, acquiring, holding, possession, involvement or consumption of proceeds from tax evasion, terrorist activities and other crimes and other related offenses.[8]

- **Public Procurement Act, 2063 (2007):** This Act was enacted in line with United Nations Convention Against Corruption (UNCAC) provisions. It establishes procurement systems based on transparency, competition, and objective criteria. It aims to prevent irregularities in government bidding and contracting by setting clear standards throughout the procurement process.
- **Revenue Leakage (Investigation and Control) Act, 2052 (1995):** This Act targets tax evasion and unauthorized revenue-related activities. It pertains to the role and procedure of Department of Revenue Investigation and prosecution.
- **Army Act, 2063 (2006):** This Act governs corruption cases within the military, which are investigated by a committee headed by the Deputy Attorney General and adjudicated by a Special Military Court.
- **Right to Information Act, 2064 (2007):** This Act promotes transparency by providing citizens with a legal tool to access information about government actions. [9]

4.4.4 Adjudicatory and Procedural Laws

- **Muluki Criminal Procedure Code, 2074:** It specifies that corruption and money laundering cases cannot be withdrawn by the state and that convicted individuals are not eligible for pardons or commuted sentences.
- **Asset Management Act, 2070:** This Act provides the legal basis for freezing, controlling, and confiscating assets and instruments used in criminal activities.
- **Mutual Legal Assistance Act, 2070 & Extradition Act, 2070:** These Acts facilitate international cooperation. Notably, the Extradition Act specifies that corruption is not considered a "political offense," allowing for the return of fugitive offenders and seized assets.

8 Enacted in 2008, the Asset (Money) Laundering Prevention Act (ALPA) was recently updated to avert placement on the Financial Action Task Force (FATF) "grey list." The revised framework decentralizes enforcement by authorizing agencies investigating primary predicate offenses, such as the CIAA (corruption), Nepal Police (organized crime), and Department of Revenue Investigation (tax fraud), to concurrently investigate related money laundering activities. Standalone economic crimes like large-scale smuggling remain under the specialized jurisdiction of the Department of Money Laundering Investigation (DMLI).

9 The Right to Information (RTI) Act, 2064 (2007) functions as Nepal's primary preventative transparency mechanism. It legally empowers civil society and investigative journalists to uncover the institutional procurement and budgetary irregularities that the CIAA subsequently prosecutes.

4.4.5 Anti-Corruption Strategies in Nepal

Nepal's efforts to combat corruption have evolved from early legislative attempts to more comprehensive frameworks guided by international conventions. The earliest steps, starting with the 1864 Muluki Ain and later the 1954 anti-corruption law, were primarily focused on providing redress against misconduct by civil servants. This evolved significantly with the enactment of the Prevention of Corruption Act and the Special Court Act in 2002, which established a stronger legal basis for investigation and adjudication.

Gradually, from 2009 onwards, the government began adopting systematic approaches to address corruption. Strategic Action Plans (2009-2010) laid out reforms across key areas including public service, transparency in political party financing and oversight mechanisms. Key bodies such as the CIAA, judiciary, and Office of the Attorney General also developed their own strategic plans to strengthen investigation, prosecution, and judicial integrity. Following Nepal's ratification of UNCAC in 2011, the First National Anti-Corruption Strategy and Action Plan (2012) outlined preventive, corrective, promotive and punitive reform agenda, prioritizing institutional strengthening for 10 key bodies, including the CIAA, the Auditor General, and the Revenue Investigation Department.

Nepal's current efforts are guided by the Second National Anti-Corruption Strategy and Action Plan, 2082 BS (2025 to 2031). Developed to fulfill obligations under UNCAC, this plan aims to act on peer review recommendations and address the specific challenges posed by Nepal's federal structure. With zero tolerance as its stated priority, the government has committed to robust legal, administrative, and institutional reforms the strategy identifies several areas for legal reform (Nepal News, 2026).

- Developing a Private Sector Regulation Control Act to criminalize bribery in businesses, cooperatives, and NGOs and establishing penalties.
- Implementing effective monitoring in high-risk areas, alongside a National Integrity Policy.
- Enacting an integrated law for the protection of whistleblowers, witnesses, and experts.
- Emphasizing the use of technology as a key tool in combating corruption. It proposes digital procurement systems and automated systems to detect suspicious transactions. Also, amending the Evidence Act 2031 to recognize digital evidence as primary evidence in courts and drafting a new law to define the nature of digital

signatures.

- Amending elections and political party laws to strictly maintain digital records, regulate donations, and cap campaign spending.
- Introducing dedicated legislation to manage and penalize conflicts of interest across all public offices
- Establishing mechanisms for the international recovery of assets and property earned through corruption

4.5. Key Institutions and Their Roles

Nepal has a range of institutions tasked with monitoring and combating corruption, each with a distinct function spanning investigation, prevention, adjudication, financial enforcement, and oversight.

Table 4.6 Key institutions and their role in combating corruption

Category	Institution	Primary Responsibility
Investigative	CIAA	Investigates and prosecutes corruption by public officials.
	Nepal Police	Investigates organized crime, cooperative fraud, and corruption-related financial offenses
Preventive	National Vigilance Centre (NVC)	Conducts preventive monitoring, surveillance, and suggests policy reforms to the government.
	Public Procurement Monitoring Office	Ensures transparency and fairness in government procurement processes.
Adjudicative	Special Court	Acts as the primary court for hearing and deciding corruption cases filed by CIAA

	Supreme Court	Hears appeals and provides final judgments on corruption cases.
Judicial Oversight	Judicial Council	Investigates judicial misconduct and recommends disciplinary action against judges
Financial Enforcement	Department of Money Laundering Investigation	Detects, analyzes, and investigates financial crimes and the financing of terrorism.
	Department of Revenue Investigation	Investigates cases of revenue leakage, tax evasion and economic offenses
	Financial Intelligence Unit (FIU)	A specialized unit within Nepal Rastra Bank that analyzes suspicious financial transactions.
Oversight & Accountability	Auditor General's Office	Audits public spending based on regularity and propriety.
	Parliamentary Committees	Exercise legislative oversight, conduct inquiries, and hold the executive accountable
Asset Recovery Management	Asset Management Department	Manages, secures, and auctions assets seized in corruption and financial crime cases

Source: Compiled by the author based on respective institutional mandates.

The Second National Anti-Corruption Strategy and Action Plan, 2082 BS (2025 to 2031) emphasizes strengthening these institutions through technology, such as establishing Digital Forensic Labs and using Artificial Intelligence for "Suo Moto" (self-initiated) investigations into irregularities.

Despite these mandates, coordination among these institutions remains weak, a gap that the evidence in the following sections makes clear.

4.6. Major Corruption Debates in Federal Nepal

Nepal's 2015 Constitution promised to bring "*Singha Durbar to the villages*" by shifting authority, budgets, and development planning to local governments under the three tier federal system. In practice, however, this reconfiguration has not only decentralized governance; it has sparked a series of debates regarding the nature, location, and scale of corruption in the new system. The following three interconnected debates capture the core tensions in Nepal's current corruption discourse.

Debate 1: Decentralization of Corruption

The primary debate centers on whether federalism has reduced corruption through increased local accountability or simply decentralized it. Decentralization means moving authority, responsibility, and financial resources from central authorities to government agencies that are closer to citizens. In theory, this is expected to improve accountability and reduce corruption by shortening the distance between public offices and the people they serve (Oates, 1972).

After federalism, the Government of Nepal has dispersed large budgets for roads, schools, water, and sanitation to 753 local governments. But this shift has also transformed what was once grand corruption, concentrated within a limited number of central tenders, into fragmented project-based corruption spread across numerous small-scale projects. This diffusion makes monitoring and accountability significantly harder, as irregularities spread across hundreds of municipals.

While corruption persists at all levels, current evidence points clearly to local governments as the primary hotspots (Bhatta, 2024). Petty bribery, embezzlement, favoritism in resource distribution, elite capture, and opaque project management have become routine features of everyday service delivery at the local level.

Debate 2: State of Federal vs. Local Corruption

The second debate focuses on the relative scale of corruption across tiers of government and asks why local bodies consistently top the list.

Recent data from the CIAA and OAG highlight a clear shift. In FY 2024/25, the CIAA resolved 29,703 complaints, with 19,933 (over 53%) linked to local bodies, compared with 12,475 concerning the federal government and 4,618 targeting provincial governments (Khabarhub, 2025). Earlier reports from FY 2023/24 showed that local governments absorbed a disproportionate share of bribery complaints, with roughly 39% of all public complaints referring to municipalities and rural municipalities. Over the last five financial years, the CIAA also filed cases in the Special Court against 531 local representatives, further indicating that local-level corruption is not incidental but persistent (Ghimire, 2025a).

Financial audits reinforce this pattern. The OAG's 2022/23 report examined over NPR 1.1 trillion disbursed across 746 local governments, uncovering irregularities amounting to NPR 35.67 billion. These irregularities mainly arise from arrears, procedural violations, and misuse of funds (HimalPress, 2024). This paints a grim picture; local bodies are not only the most frequently accused tier of governance but also the largest cumulative site of financial irregularities in Nepal's federal system.

Several factors explain why local governments account for the highest share of corruption cases in Nepal.

1. Decentralization has significantly expanded fiscal authority at the local level, but this shift has not been matched by adequate oversight mechanisms, creating new opportunities for corruption (Fisman & Gatti, 2002).

2. Elite capture and misuse of resources are common occurrences at the local level. A small group of political leaders often control how projects are chosen and implemented. They often prioritize their own benefits instead of public needs, sometimes through party-based groups like "All Party Mechanisms" (APMs) and sometimes through informal networks. This problem becomes worse especially in areas where elected representatives may also act as contractors themselves.

3. Misuse of project funds is widespread. Local representatives sometimes work with contractors to channel contracts and financial benefits to themselves, their family members, or close associates. Large advance payments (peski) are given without proper verification; bills are inflated or fabricated, and in some cases, payments are made for work that has not been completed or never even started.

4. Consumer committees in Nepal have repeatedly been implicated in irregularities including political capture, fake documentation, and collusion with contractors

(Neupane, 2023).[10] Although they are meant to represent local beneficiaries and support small-scale community projects, these committees are frequently dominated by political supporters or individuals who are not direct beneficiaries. They are routinely used to bypass formal procurement rules, for instance by allowing local bodies to channel large sums into machine-intensive construction works that should be subject to competitive bidding. Bill inflation, duplicate payments, and false estimates have turned many of these committees into instruments of patronage rather than genuine participation.

5. Many local governments struggle with basic transparency and accountability, whether in timely financial reporting, conducting audits, or holding public hearings. A prolonged absence of elected representatives for nearly 15 years prior to 2017 fostered a culture of high discretion and low oversight, where party-appointed officials often treated local budgets as political funds (Panta, 2016). Due to weak technical capacity of local units, irregularities continue to persist. Tools like public hearings, Right to Information, and public revenue monitoring exist but remain poorly implemented. Many citizens are either unaware of these mechanisms or lack the practical capacity to use them effectively.

Debate 3: Frequency vs. Magnitude of Corruption

A central question in Nepal's current corruption discourse is whether corruption has genuinely increased at the local level or has simply become more visible because of decentralization and improved reporting mechanisms.

The data show that corruption complaints are now heavily concentrated at the local level. In FY 2080/81, the Commission filed 201 cases of corruption in the Special Court, of which 102 involved local governments, 79 federal government agencies and 20 provincial governments. By FY 2081/82 (2024/25), local-level bodies accounted for 53.84% of all complaints received (19,933 out of 37,026 total complaints), compared to 33.69% federal and 12.47% provincial (S. Maharjan, 2025).

These local-level incidents are typically characterized as petty corruption, embedded in routine governance. They involve small bribes, often ranging from NPR 15,000 to 50,000, for routine services such as certification, fake eligibility certificates for scholarships and social security as well as irregularities in minor infrastructure works

10 As reported in Annapurna Express in 2023, a consumer committee chair of Naraharinath-1, Kalikot, misappropriated Rs 3 million from a road project by inflating excavator charges and submitting false documents, while another case in Jajarkot involved Rs 881,977 received for goat-shed construction under a local consumer committee

(e.g., road gravelling, culverts, or drinking water schemes). While many of these involve relatively modest sums, the sheer volume of such cases across 753 local governments creates widespread public frustration and everyday grievances. The scale of financial misconduct varies significantly depending on each municipality's budget and project portfolio. What may appear as petty corruption in a small rural palika can represent substantial leakage in larger urban municipalities.

Grand corruption, by contrast, remains predominantly concentrated at the federal level, where large-scale procurement, major infrastructure projects, and high-value tenders create opportunities for significant financial misconduct. A notable example is the Nepal Telecommunications Authority case, where a single procurement irregularity involving the Teramocs system resulted in an alleged loss of NPR 3.21 billion, accounting for more than half of the total financial claims (bigo) pursued by the CIAA in that year (CIAA, 2025). Similar high-value procurement irregularities frequently occur in federal ministries such as Land Management, Home Affairs, and Education, involving hundreds of millions of rupees in a single instance (Ghimire, 2025b).

Overall, the evidence points to a dual pattern in Nepal's corruption landscape. Corruption has decentralized and become more frequent at the local level, while large-scale, financially substantial corruption remains concentrated at the federal level. The monetary magnitude at the federal level remains disproportionately higher. This asymmetry between frequency and magnitude carries important political consequences. The proliferation of smaller-scale corruption at the local level generates widespread everyday grievances, while grand corruption at the federal center enables elite capture with greater impunity. Together, they undermine the developmental promise of federalism and steadily erode public trust across all tiers of government.

4.7. Corruption as a Multilayered Conflict Driver

Corruption is not just a governance challenge. It also acts as a structural cause of conflicts in Nepal. By undermining institutional legitimacy, deepening inequality, and fueling everyday grievances, corruption creates fertile ground for social and political tensions to take root. The following sections examine how this happens.

4.7.1. Intergovernmental Friction and Institutional Standoffs

Nepal's federal restructuring opened new arenas for disputes, especially around jurisdiction, who holds what power and authority, and how resources are distributed.

Disagreements over revenue sharing, conditional grants, and the approval of development projects put federal ministries in direct conflict with provincial governments and even local councils, creating institutional standoffs that slow development. For example, in 2014 the Parliamentary Finance Committee overturned a directive that the CIAA had issued to terminate the license of 13 hydropower projects, claiming that the anti-corruption body had gone beyond its jurisdiction (Giri, 2014). This is just an example of many such instances where institutional power are deployed to protect those implicated in corruption, at the cost of national development goals.

The debate over petty versus grand corruption adds fuel to intergovernmental tensions. Local governments often accuse the federal center of deliberately delaying funds and politicizing project approvals. Federal authorities, in turn, claim stronger scrutiny of local governments is justified due to concerns over corruption and misuse of resources. Each tier points fingers at the other and caught in the middle are ordinary citizens.

These tensions play out directly at the implementation level. When local executive officials such as chief administrative officers or mayors are implicated in corruption cases and the CIAA initiates an investigation, ongoing development projects are often halted. New officials rarely continue previously initiated work, leading to discontinuity in service delivery and delays in development outcomes. Over time, these disruptions weaken institutional capacity, generate frustration at the community level, and reinforce perceptions of governance failure.

4.7.2. Elite vs Marginalized Conflicts Causing Social Unrest

In Nepal, corruption keeps reinforcing social exclusion and identity-based grievances that disproportionately affect Dalits, Janajatis, Madheshis, and other marginalized communities. When political and bureaucratic elites capture funds and welfare programs meant for such communities, they feel that their concerns are being ignored by the state. This perception of exclusion generates localized grievances, and when left unaddressed it could translate into an unrest.

This exclusion is most noticeable at the local level. The OAG has repeatedly pointed to serious financial irregularities in local governments, including misuse of public funds, weak procurement practices, and uneven targeting of social protection schemes. Audit findings consistently show irregularities alongside cases involving fake beneficiary records and unlawful expenditures (OAG, 2023). In Madheshh Province and several Terai municipalities, investigations have uncovered irregularities in social

security distributions, including fake beneficiaries, duplicated entries, and misuse of funds. In one documented case, Rs 90 million was misappropriated from social security allowances in Janaki Rural Municipality (Kailali) alone (Karki, 2026).

Exclusion from state resources and administrative justice has periodically spilled into protests, strikes, and road blockades. More recently, broader governance frustrations linked to corruption, nepotism, and exclusion contributed to the September 2025Gen-Z protest. Demonstrations that began as anti-corruption movements escalated into large-scale unrest, with violent clashes and attacks on state institutions.

4.7.3. Corruption-Politics Nexus and Cycles of Impunity

A significant driver of systemic corruption is the escalating cost of electoral politics in Nepal. In the local elections of 2017, mayoral candidates spent an average of NPR 1.74 million while deputy mayoral candidates spent an average of NPR 1.38 million, both well above the limits set by the Election Commission (Shrestha, 2022). Provincial election winners that same year spent an average of NPR 12.5 million, again well above the prescribed ceiling (Shrestha, 2022). By the 2026 parliamentary elections, total election expenditure had reached NPR 5.37 billion against a government allocation of NPR 6.77 billion (MyRepublica, 2026). All these figures point to a simple but consequential reality. Elections in Nepal cost far more than they should, and that money must come from somewhere and be recouped somehow.

To recoup these investments, elected officials often engage in illicit contracts, inflated billing, and sweetheart deals, creating a cycle where money buys power and power protects money across all tiers of government. Political winners shield their allies from accountability, and oversight bodies face pressure to look the other way. Impunity becomes routine. When people see that corrupt actors keep winning office and facing no real consequences, they lose faith in elections and institutions, and that breeds distrust and unrest.

4.7. 4. Systemic Scandals as Catalysts for Unrest

Large-scale corruption scandals in Nepal have repeatedly served as flashpoints of public outrage, sparking mobilization from street protests and sit-ins to parliamentary deadlocks and social media campaigns. What makes these cases particularly destabilizing is not just the scale of theft but the visibility of impunity. When implicated actors are ministers, senior bureaucrats, or security officials, it sends a signal to the public that the

state serves elite interests rather than citizens.

The Sudan Scam (2007 to 2011) involved the embezzlement of NPR 280 million, implicating senior police officials and exposing irregularities within the security sector itself. The Lalita Niwas Land Grab, one of Nepal's most notorious cases, involved 175 individuals including former ministers who colluded to illegally transfer prime government land to private interests, becoming a powerful symbol of elite land capture. The Fake Bhutanese Refugee Scam (2023), described as organized crime against the state, was particularly inflammatory. Two former ministers allegedly extorted millions from ordinary citizens through forged resettlement documents, showing how powerful actors can prey directly on the vulnerable. These scandals, along with others such as irregularities in wide-body aircraft procurement and cooperative fund embezzlement, reinforce public perceptions of structured impunity, where powerful actors face no real consequences.

Ultimately, corruption is not only a governance failure but a critical obstacle to peacebuilding. By diverting public resources, undermining service delivery, and weakening institutional legitimacy, it reduces the state's capacity to address grievances and respond effectively to public needs. Persistent corruption, combined with eroding public trust, heightens the risk of political unrest. While corruption may not directly start wars, it can trigger conflicts at multiple levels, making it a central challenge to lasting peace and stability in Nepal.

4.8. Discussion and Conclusion

Nepal's anti-corruption framework presents a striking paradox. A progressively sophisticated institutional and legal architecture coexists alongside persistent governance failures, deteriorating public services, and deepening public discontent. Over the past two decades, Nepal has built an extensive anti-corruption infrastructure, including constitutional provisions, the Prevention of Corruption Act (2002), the Right to Information Act, robust procurement laws, and key institutions such as the CIAA, the OAG, and the Special Court. On paper, this system appears comprehensive and modern. Yet the empirical outcomes tell a different story. Corruption complaints continue to rise sharply, financial irregularities and arrears are expanding, and Nepal's CPI score has stagnated between 33 and 35.

This consistent stagnation points to a deeper problem. Current anti-corruption measures and policy frameworks have been insufficient to generate meaningful institutional change. Nepal's inability to break out of this low-score bracket reflects a

recurring pattern of policy inertia. Successive governments have failed to act, effectively maintaining a status quo that in turn weakens state legitimacy.

The problem, however, is not simply the absence of laws or institutions. The problem lies in their effectiveness, constrained as it is by weak and uneven checks and balance mechanisms, inconsistent enforcement, and the politicization of oversight bodies. Persistent structural weaknesses including political interference in appointments, resource limitations, judicial backlogs, and jurisdictional overlaps continue to undermine enforcement across key bodies such as the CIAA, the National Vigilance Centre, and the Auditor General. For instance, the CIAA handled 29,703 complaints in FY 2024/25, while the Office of the Auditor General identified financial irregularities amounting to Rs. 91.59 billion. Yet these high levels of detection have not been matched by improvements in conviction rates or systemic correction, pointing to a fundamental breakdown between detection, adjudication, and enforcement.

Although Nepal's RTI framework aligns with global standards, its implementation is constrained by bureaucratic inertia, political interference, and weak enforcement by the National Information Commission. Procedurally lengthy processes and limited public awareness further discourage its use, particularly in rural areas (Bhandari, 2025). Social accountability instruments such as public hearings, social audits, and revenue monitoring systems similarly remain unevenly applied, reducing their preventive potential.

Nepal's anti-corruption approach is also predominantly reactive. Oversight institutions tend to intervene after irregularities have already occurred, rather than identifying and preventing them. As a result, regulatory bodies remain weak in monitoring high-risk sectors such as public procurement, infrastructure development, and local-level spending, precisely where leakage and irregularities are most prevalent.

Nepal's social systems also help sustain the corruption dynamic by normalizing corrupt practices and adaptive behaviors. Citizens who routinely encounter bureaucratic obstruction, administrative delay, and selective service delivery often resort to informal payments or leverage personal networks to get things done. These practices do not just emerge from institutional failure. They actively reproduce and entrench it. When small corruption is normalized, a self-reinforcing ecosystem takes hold in which expectations of corruption shape everyday administrative behavior, blurring the boundary between institutional dysfunction and citizen adaptation.

Corruption is no longer perceived as an abstract administrative issue but as a lived reality whose consequences are visible in the quality of roads, schools, irrigation

systems, and health services that citizens encounter every day. The growing gap between institutional promise and ground reality goes beyond technical shortcomings. It deepens perceptions of injustice, enables elite impunity, and gradually erodes trust in state institutions. Over time, these dynamics contribute to political instability, electoral tensions, and unrest. Nepal's anti-corruption challenge does not stem from the absence of institutions but from their failure to produce meaningful accountability and lasting behavioral change. Without political will and strengthened accountability at both institutional and citizen levels, the gap between promise and actual governance will only continue to widen.

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05

INEQUALITY AND CONFLICT LINKAGES

CHAPTER 5
INEQUALITY AND CONFLICT LINKAGES

Samiksha Neupane and Saurabhi Subedi

This chapter analyzes the structural and intersectional dimensions of inequality in Nepal and their enduring role in driving governance failures and social conflict. By tracing contemporary disparities from their roots in long, centralized state-building and caste codification, the chapter evaluates the comprehensive network of constitutional provisions, federal governance frameworks, and affirmative quotas engineered to dismantle historical exclusion. Despite these progressive provisions, evidence shows a persistent gap between formal legal protections and lived realities, shaped by deep horizontal, regional, gender-based, and intergenerational inequalities.

The chapter highlights how these structural grievances have historically fueled major socio-political upheavals, including the Maoist Armed Conflict, the Madheshh and Janajati movements, and the recent youth-led Gen-Z protest of September 2025. By setting contemporary youth demands against empirical evidence of labor market precarity and elite resource capture, the chapter shows how unresolved inequalities can quickly escalate into constitutional crises. The chapter concludes by arguing that sustainable conflict prevention and meaningful institutional accountability depend on targeted structural reforms that address the root causes of systemic exclusion.

5.1 Introduction

Inequality in Nepal cuts across caste, ethnicity, gender, class, region, language, disability, geography, and generation. It reaches well beyond simple disparities in consumption or assets. It encompasses unequal institutional recognition, compromised social dignity, uneven state protection, and systemic exclusion from public decision-making spaces. The Nepal Country Inequality Report 2025 highlights that inequality operates as a cross-cutting crisis linking climate vulnerability, public health access, educational delivery, food security, migration, and political representation (NGO Federation of Nepal, 2025). The country's most acute political grievances tend to surface precisely where material deprivation meets social humiliation and institutional neglect.

When these layers of deprivation accumulate, the resulting frustration can trigger sudden political volatility. This was clearly demonstrated in the late 2025 constitutional and political crisis, where a governmental ban on social media platforms served as a catalyst for intense civil unrest, fueled by underlying public resentment over political instability and compounding poverty (Parashu, 2025). These were not isolated acts of civil disobedience. The mass mobilizations directly challenged elite resource capture, with protesters targeting highly visible symbols of concentrated wealth from government centers to luxury hotels (Schmall, 2025). The accumulated weight of these structural economic grievances and widespread youth underemployment destabilized the ruling coalition, forcing the then Prime Minister Khadga Prasad Sharma Oli from office in September 2025 (Sharma & Sharma, 2025). The depth of the rupture between state and citizen was made plain when forensic investigations confirmed that security forces had used live ammunition against anti-corruption demonstrators (Bajracharya & Ahmed, 2025). This volatile landscape shows how systemic inequities, when left unaddressed, do not stay contained. They turn into an open crisis.

To understand why these material and institutional divides remain so volatile, it helps to trace their origins to a century-long, centralized state-building process. The historical process structurally privileged high-caste norms, the Nepali language, monarchical authority, and a narrow model of national identity. This paradigm consolidated governance authority around Khas networks (historically representing approximately 30% of the population), while systematically marginalizing indigenous groups with distinct languages and customs (Parashu, 2025). The roots of these privileges and exclusions can be traced back to the issuance of the 1854 Muluki Ain (Civil Code), which legally codified society into a rigid and state-enforced caste hierarchy. This statutory framework formalized highly unequal systems of criminal punishment, social interaction, and ritual purity (Hofer, 1979; Khatiwoda et al., 2021).

These exclusionary structures were further entrenched under the Panchayat system (1960 to 1990), which promoted a homogenous model of citizenship through a centralized public administration, suppressed political parties, and enforced Nepali-language dominance across educational and state bodies (Gautam, 2022; Parashu, 2025). Even when popular resistance forced the transition to a constitutional monarchy under the 1990 Constitution and reinstated a multiparty system, the underlying administrative and social structures remained fundamentally unrepresentative (Parashu, 2025). This persistent failure of successive legal frameworks to accommodate the country's multi-ethnic reality directly fueled the 1996–2006 Maoist Armed Conflict, leaving an enduring scar on the country's socio-legal trajectory.

These historical mechanisms entrenched elite state consolidation and systematically marginalized Dalit, Janajati, Madheshi, Muslim, Tharu, and minority communities by suppressing their languages, customary land claims, and access to state power. Modern governance failures are rooted in this pattern. Privileged groups have long been recognized as full political subjects, while marginalized communities must repeatedly mobilize just to claim basic citizenship, language, and land rights.

The resulting tension is one where inequality operates at once as a developmental failure and an ongoing constitutional crisis. To address these historical injustices, Nepal has spent the last two decades building a complex set of legal, constitutional, and institutional measures designed to reshape the state's governance, though their impact on historically marginalized populations remains uneven.

5.2 Nepal's Inequality Landscape: Legal and Institutional Frameworks

Constitutional Provisions

Nepal's 1990 Constitution also guaranteed equality under the law and laid a foundational roadmap for the constitutional frameworks that followed. The current Constitution of Nepal, 2015 under Article 18 also guarantees human equality and prohibits discrimination based on caste, gender, ethnicity, religion, or regional background. Going beyond anti-discrimination clauses, Article 18(4), 31, 33, 34, 35, 37, 38, 40, 41, 42, and 43 of the current Constitution establish justiciable fundamental rights to social justice, education, health, employment, appropriate housing, and social security for all citizens. The Constitution under Article 24 also criminalizes untouchability and exploitation, rendering caste-based discrimination a punishable offense.

This progressive legal framework reflects deep structural transformations in state identity. The formal transition from a Hindu monarchy to a federal republic guaranteed equal respect for diverse religious and cultural identities (Baral, 2025). Article 42 of the Constitution promotes political inclusion by mandating the proportional representation of historically marginalized groups, including Dalits, Janajatis, Madheshis, and women, within state bodies through positive affirmation and under a mixed electoral system.

These constitutional provisions ensure that disadvantaged groups have guaranteed access to opportunities, representation, and public resources, directly addressing the inequalities that the Maoist armed conflict of 1996 to 2006 brought sharply into focus. The commitments to inclusion and participation, first established in the Interim Constitution of 2007 and carried forward into the 2015 Constitution, mark a significant shift in how the state understood its obligations. Rather than simply declaring equality on paper, the state began actively reshaping its political and social institutions to address patterns of exclusion that had persisted for generations. A central part of this effort was the transformation of Nepal's administration through the move to a federal system.

Federal Governance Structure

The federal governance structure established by the 2015 Constitution aims to reduce systemic inequality by decentralizing state authority and expanding representation across federal, provincial, and local tiers. Devolving decision-making powers from a historically centralized state apparatus to provincial and local bodies allows for a more equitable allocation of resources and localized self-governance. This decentralized practice reduces both the physical and administrative distance between marginalized or remote communities and decision-making centers. It also promotes grassroot participation and broadens access to local public services. In practice, this framework operates through local mechanisms such as judicial committees, programs targeting marginalized communities, and participatory planning processes. These are explicitly mandated under Sections 11, 24 to 25, and 102 to 104 of the Local Government Operation Act of 2017.

To complement the federal structure, Nepal's anti-discrimination statutes have been designed to actively dismantle deep-rooted social hierarchies based on caste, class, gender identity, sexual orientation, ethnicity, and religion. Key statutory mechanisms include the *Caste-Based Discrimination and Untouchability (Offence and Punishment) Act, 2011, the Act Relating to Rights of Persons with Disabilities, 2017, and the Gender Equality and Social Inclusion (GESI) Policy, 2021*. These legal instruments mandate non-

discrimination, physical and institutional accessibility, and equal entry into social, political, and economic decision-making spaces. These frameworks are reinforced by sector-specific equity measures. These include the Gender Equality and Empowerment Framework, the Education Sector Reform and Development Programs (2009–2015; 2016–2023), the Inclusive Education Policy for Children with Disabilities (2016), statutory free and compulsory basic education. To translate these frameworks into tangible gains, the state integrates equity principles directly into its multi-year development benchmarks.

National Development Plans

National plans use targeted socio-economic benchmarks to address systemic disparities and close historical development gaps. The 16th Development Plan of Nepal (2024/25–2028/29) outlines specific macroeconomic and social targets intended to mitigate structural inequalities by the conclusion of its planning cycle.

Table 5.1 Socio-economic targets

Socio-Economic Indicator	Baseline Metric	Target Metric (2028/29)
Economic Growth Rate	3.5%	7.3%
Per Capita Income	1,456 USD	2,351 USD
Absolute Poverty Rate	20.3%	12.0%
Consumer Inflation	7.7%	5.0%
Gender Development Index (GDI)	0.885	0.967
Human Development Index (HDI)	0.601	0.650

Source: 16th Development Plan of Nepal (2024/25–2028/29)

These indicators reflect a continuing post-conflict commitment to addressing historical structural injustices through targeted fiscal and human development initiatives. Economic growth alone, however, does not guarantee fair distribution. That is why the state relies heavily on mandatory inclusion quotas.

Inclusion Policies and Quotas

Statutory affirmative action and quota systems remain central to reducing horizontal inequalities by integrating marginalized populations into institutional spaces. Accelerated by the political transitions under the Interim Constitution of 2007 and the Constitution of Nepal 2015, these systems have significantly increased the representation of women, Dalits, Adivasi-Janajatis, and Madheshis within legislative bodies and the civil service as compared to past.

In the political sphere, current mandates require a minimum of 33% female representation in federal and provincial parliaments, alongside a 40% reservation tier within local government bodies. At the lowest administrative tier, ward offices must reserve at least two seats for women, with a strict sub-quota ensuring that one of these seats is filled by a Dalit woman. The mandates also require five female members within the Municipal Assembly and three members elected from Dalit or minority communities in the Municipal Executive (Bhattarai et al., 2025, p. 6).

Similar mandatory reservations apply to public sector employment, opening space within the bureaucracy to address systemic exclusion. For instance, the second amendment to the Civil Service Act of 1993, enacted in August 2007, introduced a mandatory reservation system allocating 45% of total vacant public service posts for competition exclusively among marginalized communities (Wagle, 2019). Within this reserved tier, positions are further distributed to guarantee targeted inclusion.

Table 5. 2 Inclusion quota

Target Groups	Statutory%age Allocation
Women	33%
Adivasi-Janajatis	27%
Madheshis	22%
Dalits	9%
Persons with Disabilities	5%
Backward Regions	4%

Sources: Bhul, 2025; Wagle, 2019

These quotas guarantee entry into the civil service and legislatures, but independent oversight is needed to ensure the provisions are honored in practice. Though the constitutional and legal provisions on inclusion exist, implementation across government institutions remains uneven (National Inclusion Commission's Fourth Annual Report, 2021/22). The Inclusion Commission's report has recommended stronger monitoring, and more effective implementation of inclusion-related laws, and measures to ensure meaningful participation of underrepresented communities in decision-making.

Key Commissions and Institutions

To ensure and institutionalize the inclusion of marginalized communities, Part 27 of the Constitution of Nepal has established a comprehensive network of independent constitutional commissions. These bodies are tasked with preserving, monitoring, and promoting the rights of specific minorities and historically excluded demographic groups. This specialized network includes (Constitution of Nepal, 2015, Part 27, Article 252–265).

- The National Women Commission
- The National Dalit Commission
- The National Inclusion Commission
- The Indigenous Nationalities Commission
- The Madheshi Commission
- The Tharu Commission
- The Muslim Commission

These autonomous entities were envisioned during the post-conflict restructuring process to systematically institutionalize social inclusion and prevent future conflict by addressing the root causes of exclusion. They operate alongside the National Human Rights Commission (NHRC), which holds a broad mandate to investigate systemic discrimination, evaluate public policy, and recommend formal corrective measures to safeguard marginalized populations. While these commissions safeguard political and human rights, identity, inclusion, participation, welfare, and development of their respective groups, the state has simultaneously expanded direct material safety nets to protect vulnerable populations from immediate economic survival risks.

Social Protection Programs

To alleviate local economic vulnerability and address the state's limited presence in remote regions, both historically identified as structural drivers of civil conflict, Nepal has substantially expanded its social safety nets. Article 43 of the 2015 Constitution established a fundamental right to social security for economically disadvantaged, helpless, and vulnerable citizens. These rights explicitly cover the impoverished, persons with disabilities, single women, senior citizens, children, and marginalized groups.

The contemporary social protection programs comprise both non-contributory welfare schemes and formalized contribution-based social security systems. Non-contributory initiatives include old-age allowances, targeted scholarships, and childhood development grants. Contribution-based schemes have been extended to private sector employees, government employees, and foreign migrant laborers. This protection architecture is further supported by structural employment programs, such as the Prime Minister's Employment Program, alongside subsidized public health insurance and targeted subsidies (Oxfam International & HAMI, 2019; Tiwari, 2010).

International Frameworks

Nepal aligns its domestic equity legislation with international development goals, primarily United Nations Sustainable Development Goal (SDG) 10, which aims to reduce intra-national inequalities by 2030. Domestic equity policy also draws on other interconnected global goals (United Nations, 2015).

- **SDG 5 (Gender Equality):** Mandates the eradication of systemic discrimination and violence against women while ensuring equal access to employment and public life.
- **SDG 1 (No Poverty):** Prioritizes poverty eradication among populations vulnerable to climate change and conflict.
- **SDG 4 (Quality Education):** Addresses equal educational access across class, gender, and physical disability lines as a key driver of long-term development.

In accordance with these development goals, Nepal's domestic labor regulations are bound by international legal obligations as ratification of the ILO Discrimination (Employment and Occupation) Convention, 1958 (No. 111). This convention promotes equal employment opportunities and fair wages while strictly prohibiting workplace and wage discrimination based on race, color, sex, religion, political opinion, national

extraction, or social origin. It mandates that member states formulate and execute national labor policies that guarantee equality of treatment and opportunity. It also requires the state to work actively working with employer federations and trade unions to systematically eliminate discriminatory labor practices.

5.3 Economic and Multidimensional Inequality: The Reality Behind the Data

Despite these constitutional protections, federal structures, and international commitments, the gap between what the law promises and what people actually experience on the ground remains wide. Nepal today presents a striking contrast. There is measurable economic progress on one hand, and stubborn, concentrated poverty on the other. The Nepal Living Standards Survey IV (2022/23) estimated that 20.27% of the population still lived below the revised national poverty line, with poverty rates remaining significantly higher in rural areas than in urban centers (National Statistics Office, 2024). Concurrently, the Global Multidimensional Poverty Index (MPI) 2025 suggests that 20.1% of the population experienced multidimensional poverty, defined as overlapping deprivations in health, education, and basic living standards. A further 20.2% of the population remained highly vulnerable to falling below this threshold at any moment (United Nations Development Programme & Oxford Poverty and Human Development Initiative, 2025).

This concentration of vulnerability carries serious political and conflict risks. Households hovering just above the poverty line are extremely vulnerable to minor external shocks. An acute illness, sudden job loss, failed migration loan, crop failure, or unexpected educational expense can quickly push a family back into deep deprivation. As poverty becomes concentrated along group lines, marginalized populations increasingly feel that national development initiatives have bypassed them entirely. Relative deprivation, in this context, becomes far more politically explosive than absolute poverty alone.

The Fourth Nepal Living Standards Survey (NLSS IV) documents these widening consumption gaps. The richest 20% of the population accounts for an annual nominal per-capita consumption of NPR 254,806, compared to just NPR 57,855 for the poorest 20% (National Statistics Office, 2024). With the national Gini index at 0.30, these deep consumption and asset disparities explain why positive macroeconomic figures regularly coexist with widespread social frustration and political instability. These economic divides become more dangerous because they are not randomly distributed. They map directly onto older, deeply entrenched identity groups.

Caste, Ethnicity, Identity, and Horizontal Inequality

Horizontal inequalities, meaning the disparities that form between distinct social groups rather than between individuals, remain a defining feature of Nepal's conflict dynamics. Early joint assessments by the World Bank and the Department for International Development identified a persistent pattern of social exclusion in which dominant social groups enjoyed disproportionate access to state institutions, while subordinate communities faced deep structural barriers to advancement (Department for International Development & World Bank, 2006).

The 2015 constitutional guarantees have created formal mechanisms for proportional inclusion, but written provisions have not automatically shifted local power dynamics or opened institutions that have long operated as gatekeepers. Horizontal inequalities matter to conflict analysis because they turn structural deprivation into a visible political issue. Individual poverty can be dismissed as personal misfortune, but when an entire community faces the same pattern of institutional exclusion, the experience becomes a shared public grievance. This kind of shared grievance is far easier to organize around, sustain, and ultimately mobilize. This sense of shared injustice becomes even sharper when looking at the structural position of women across the country.

Gender and Intergenerational Inequality

Gender inequality remains deeply embedded across Nepal despite notable gains in formal political representation. The 2021 census calculated the national literacy rate for individuals aged five and above at 83.6% for males, compared to just 69.4% for females, exposing a persistent gender gap (National Population and Housing Census, 2021). This educational deficit shapes women's life outcomes well beyond formal schooling, limiting their access to formal employment, digital spaces, safe migration pathways, legal awareness, and political voice.

While younger cohorts[1] display narrower educational gaps due to post-1990 school expansions and post-conflict inclusion quotas (Acharya, 2021), enrollment metrics do not equate to true structural equality. Substantial disparities persist regarding educational completion rates, instructional quality, safe physical mobility, disability-

1 "Younger cohort, in this chapter," refers to the generation of children and young adults in Nepal born or raised entirely after the democratic shift of 1990 and the post-conflict legal overhauls of 2008–2015. This group has grown up in an environment with vastly more schools, active enrollment campaigns, and institutional inclusion quotas compared to their parents' generation.

inclusive classrooms, and a widening public-private educational divide (Rowan et al., 2024).

Mandatory statutory quotas have brought female representatives into local governance, though this has largely manifested as systemic tokenism (Bhattarai et al., 2025). In practice, women are overwhelmingly relegated to secondary, deputy positions where they are routinely sidelined from key budget allocations and executive authority. In practice, true structural transformation remains blocked. Women continue to face unequal domestic care burdens and political gender-based violence (Bhattarai et al., 2025), alongside broader national challenges such as discriminatory citizenship transmission laws, occupational segregation (Das et al., 2019), and unsafe informal migration networks.

These gendered dimensions shape conflict dynamics by determining who has the resources to engage in public protest, who bears the household survival costs during political crises, and whose grievances make it onto the national reform agenda. These unresolved gender and identity grievances are compounding a volatile generational crisis among the country's youth.

Youth, Labor-Market Inequality, and Migration

Labor market conditions are a direct driver of contemporary youth frustration and mobilization. Nepal's labor force is overwhelmingly informal. The Nepal Labour Force Survey (NLFS) 2017/18 reported that 84.6% of all employed persons were engaged in informal employment, with informality peaking among youth aged 15 to 24 at 94.4%. The same baseline survey recorded a youth unemployment rate of 21.4% for the 15-24 demographic, with young women experiencing significantly higher rates of joblessness than young men (Central Bureau of Statistics, 2019). These figures suggest that youth frustration is driven by the precarity of available work, not simply by the absence of work.

Foreign labor migration has temporarily stabilized household consumption, but it is also a telling sign of the lack of opportunities at home. This generational pressure intensified sharply following the September 2025 Gen-Z protest. Official records from the Department of Foreign Employment (DoFE) show a significant surge in labor mobility, with a total of 741,297 labor approvals issued in the 2023/24 fiscal year alone, averaging more than 2,000 departures daily (Pudasaini, 2025).

The World Bank's April 2026 Nepal Development Update highlighted extreme external macro-vulnerability, noting that 77.3% of Nepali migrant laborers were concentrated in the Middle East. Saudi Arabia, Qatar, and the United Arab Emirates alone generated 37% of Nepal's total inbound remittance flows (World Bank Group, 2026). Relying this heavily on one region turns household survival into a national vulnerability. Two dynamics make this especially precarious.

- **Easy remittance inflows allow the state to rely on import tax revenues rather than doing the harder work of building domestic employment.** Easy remittance money allows the state to live off import taxes instead of doing the hard work of creating domestic jobs.
- **If a crisis strikes the Gulf, hundreds of thousands of young Nepalis would be forced home with no jobs waiting for them. That scenario would be a direct trigger for mass political and social unrest.** If a crisis hits the Gulf, hundreds of thousands of frustrated young people would be forced back home overnight. With zero jobs waiting for them, this creates a direct trigger for mass political and social unrest.

Regional, Service-Access, and Climate-Linked Inequality

Spatial and regional inequalities are among the primary drivers of governance conflicts during federal transitions (Wei, 2015). Uneven infrastructure development, complex geography, and a sharp rural-urban divide have produced severe disparities in access to roads, public healthcare, functional schools, safe drinking water, digital connectivity, administrative services, and commercial markets. While federalism was explicitly designed to mitigate these spatial divides by localizing state authority, the transition itself has introduced new structural contentions.

Friction persists wherever constitutional powers, fiscal equalization transfers, administrative staffing, natural resource ownership, policing authority, and statutory responsibilities remain poorly defined or unevenly carried out. Even, in Nepal, when citizens encounter local administrations lacking real devolutionary authority, provincial structures lacking institutional recognition, and federal bodies retaining decisive centralized control, constitutional dissatisfaction deepens (Bhattarai et al., 2023).

These spatial inequalities are accelerated by climate and disaster risks. The Nepal Country Inequality Report 2025 demonstrates that climate-induced disasters disproportionately impact communities facing historical marginalization, including women, children, Dalits, Janajatis, Madheshis, persons with disabilities, and LGBTIQ+

individuals within climate-vulnerable zones (NGO Federation of Nepal, 2025).

Climate shocks hit an already unequal landscape. Floods, droughts, landslides, forest fires, and extreme heat damage assets, health, and local livelihoods most severely in communities with minimal financial savings, weak land tenure security, limited institutional voice, and poor access to state recovery resources. Data from the 2025 Global Multidimensional Poverty Index confirms this link, explicitly connecting multidimensional poverty to acute climate hazards (MPPN, 2026). Climate-linked inequality must therefore be treated as a central poverty, service delivery, and conflict-prevention issue, not a separate environmental concern., therefore, be analyzed as a central poverty, service delivery, and conflict-prevention issue rather than a separate environmental concern.

Corruption, Elite Capture, and Institutional Inequality

Transparency International's Corruption Perceptions Index 2025 gave Nepal a score of 34 out of 100, reflecting persistent and deep-seated public sector corruption. The political consequence of this institutional decay extends far beyond reputational damage. When public contracts, civil service appointments, commercial licensing, basic service delivery, and judicial processes are dictated by partisan connections while ordinary citizens experience the state as inherently unfair.

Under this system of elite capture, impoverished and marginalized populations receive low-quality public services while losing all trust in institutional neutrality. This dynamic explains why the 2025 Gen-Z protest's intense anger towards corruption and nepotism functioned as a structural inequality grievance rather than a simple anti-corruption slogan. Youth mobilization was not a reaction to isolated political scandals. It was a rejection of an institutional structure where political access, bureaucratic responsiveness, public visibility, and commercial advantage appeared concentrated within interlocked partisan, familial, and high-caste elite networks.

Corruption produces conflict when it converts state bodies into instruments of private advantage. This interpretation is validated by post-protest political outcomes. The elections following the 2025 uprising were heavily shaped by anti-corruption, youth employment, and elite-accountability narratives, leading to a significant democratic political turnover (Sharma, 2026a, 2026b). In conflict-analysis terms, perceived corruption operated as a "bridge grievance", a node that brought together economic precarity, social media outrage, anti-elite resentment, public service dissatisfaction, and constitutional alienation into a single mobilizing frame (Snow et al., 1986).

5.4 Inequality, Historical Conflicts, and Social Movements in Nepal

Nepal's major historical conflicts and contemporary social movements are linked struggles over institutional recognition, resource redistribution, political representation, and human dignity. The tactical forms of mobilization have evolved over time, moving from armed rebellion and identity-based movements to mass street protests, legal challenges, and digital activism. But the underlying grievance structure remains remarkably consistent. Groups mobilize when they perceive that the state distributes power, land, public capital, justice, and identity status unequally, and when ordinary institutional channels appear unable or unwilling to correct those imbalances. Different movements have deployed distinct frames, whether class, caste, region, ethnicity, gender, citizenship, land tenure, corruption, or generation. Each has exposed a fundamental failure in Nepal's governance architecture.

The Maoist Armed Conflict (1996–2006)

The Maoist Armed Conflict represents the most violent historical expression of these structural contradictions. Ideological contestation, insurgent strategy, and state repression all shaped the insurgency, but empirical research consistently links its social base to deep spatial and horizontal inequalities, absolute poverty, widespread landlessness, and caste and ethnic marginalization by an absent or predatory state (Murshed & Gates, 2005; Thapa & Sijapati, 2003). The conflict expanded rapidly precisely where socio-economic deprivations overlapped with political exclusion and low confidence in central state institutions (Do & Iyer, 2010).

The Maoist movement successfully mobilized Dalits, Janajatis, women, and land-poor rural households by translating localized grievances into a unified political language of class, caste, gender, and regional justice. The resulting 2006 Comprehensive Peace Agreement and subsequent state-restructuring debates cannot be read simply as a military or security settlement. They were structural responses to long-standing inequalities that the centralized state had failed to address (World Bank, 2018). The continuity of these underlying disparities explains why post-conflict Nepal experiences recurring non-violent mobilization around inclusion, land rights, representation, and institutional accountability.

The Madhesh Movements

The Madhesh movements, spanning the foundational uprisings of 2007 to 2008 and the widespread unrest over the fast-tracked promulgation of the 2015 Constitution, illustrate how horizontal inequality drives regional conflict (Hutt, 2020; Jha, 2014). While the earlier movements laid the groundwork for federal mandates, the 2015 mobilization was conducted over provincial boundary demarcations that Madheshi and Tharu coalitions argued would structurally dilute their regional political weight (Strasheim, 2018). The resulting border blockade (nakabandi) and civil resistance demonstrated that territorial reform and constitutional design are not merely technical procedures. They determine whether regional populations experience the state as legitimate and inclusive (Bhattarai, 2018; Democracy Resource Center Nepal, 2024).

Janajati/Adivasi Movements

Janajati and Adivasi movements emerged directly from the gap between Nepal's multi-ethnic diversity and its historically centralized, monocultural political order. Between 1990 and 2006, Janajati activists mobilized to demand formal recognition, historical reparations, justice for caste- and ethnicity-based disparities, proportional representation, and institutional claims to self-determination (Lawoti, 2005). These movements succeeded in mainstreaming debates over indigenous identity, language rights, customary land tenure, traditional knowledge systems, and proportional representation into national politics and constitutional restructuring. Their trajectory shows that inequality is not solely an economic metric. Cultural misrecognition, language exclusion, and a lack of voice in constitutional design constitute conflict-producing conditions (Hachhethu, 2007). A governance system that delivers roads and schools while ignoring identity, language, and social dignity will still generate resentment if local communities feel excluded from decisions that affect their lives.

Dalit Rights Movements

Dalit movements and anti-caste struggles highlight the most durable form of social inequality in Nepal. The formal de jure abolition of caste-based legal hierarchies did not automatically eradicate de facto caste-based exclusion in everyday life. Dalit movements have therefore focused on ending local practices of untouchability, securing land rights, improving institutional representation, protecting bodily dignity, accessing the legal system, preventing caste-motivated violence, and enforcing existing anti-discrimination laws (Folmar, 2013).

While the 2015 Constitution explicitly recognizes Dalit rights, guaranteeing proportional inclusion and special compensatory provisions, the persistence of local caste-based violence, structural underrepresentation, and weak bureaucratic enforcement demonstrates that formal legal equality without social transformation and institutional accountability remains insufficient (Dalit CSOs Consortium, 2025; Constitution of Nepal, 2015, art. 40). This connects to broader governance concerns. When citizens cannot rely on state security and legal systems to protect their basic human dignity, localized social discrimination can rapidly escalate into a governance crisis. Caste-based discrimination is not a problem to be resolved through public awareness campaigns alone. It is a critical test of whether the state can enforce equal citizenship against long-standing local hierarchies.

Women's Movements

Women's movements in Nepal have systematically linked gender inequality to contested provisions regarding citizenship transmission, bodily autonomy, political representation quotas, property inheritance rights, labor protections, and systemic gender-based violence (Tamang, 2009). Nepal's post-conflict constitutional and electoral frameworks expanded women's formal political representation through mandatory quotas across federal, provincial, and local bodies. The persistence of a substantial literacy gap, an unequal domestic care burden, high rates of gender-based violence, discriminatory citizenship clauses, and a heavy concentration of female workers in insecure, informal labor (National Statistics Office, 2024) shows that legislative representation alone cannot dismantle structural gender inequality.

Women's movements remain central to conflict prevention because gender inequality drives both private domestic violence and public institutional exclusion. At the domestic level, gender inequality dictates unpaid labor, physical mobility, inheritance of assets, and safety. At the institutional level, it shapes whose knowledge is valued, whose security is prioritized, and whose public participation is treated as legitimate (Falch, 2010). A national reform agenda that addresses accountability without challenging gendered power dynamics remains incomplete.

Land, Informal Settlement, Natural-Resource, and Climate Movements

Localized mobilizations among Tharu, Muslim, and landless (sukumbasi) communities reveal how structural inequalities intersect to drive resistance over

immediate resource distribution in Nepal. These movements are rarely isolated protests. They are structural struggles for housing rights, urban equity, and social recognition within state planning frameworks. Mobilization typically occurs when top-down state decisions on infrastructure development, conservation zones, or urban planning are imposed without meaningful participation from affected communities (Guneratne, 2002).

These dynamics are now amplified by climate change, which acts as a compounding threat across Nepal's ecologically fragile landscapes (London et al., 2024). Because marginalized groups and informal settlements are disproportionately relegated to hazard-prone areas, such as on the riverbanks of the Kathmandu Valley or the floodplains of the Terai, residents face heightened exposure to severe climate risks like erratic monsoons and flash floods (Gomez-Tejera, 2024; UN-Habitat, 2026). For example, the Tharu indigenous communities in the Western Terai face severe livelihood disruption due to intensifying river flooding, directly linking their historical land struggles to modern climate vulnerability (Devkota et al., 2024). These movements are increasingly becoming localized climate and environmental justice struggles, fighting back against a landscape of climate-induced disasters.

5.5 Discussion and Conclusion

The 2025Gen-Z protest must be placed within this broader historical trajectory of inequality-driven mobilization rather than treated as an isolated phenomenon. It transformed latent, everyday structural inequalities into a national political rupture. The underlying grievances, namely systemic corruption, nepotism, high youth unemployment, forced economic migration, elite privilege, and exclusion from decision-making spaces, align closely with the historical patterns of inequality traced throughout this chapter.

Gen Z's core demand for aggressive anti-corruption measures is strongly supported by empirical evidence. Corruption operates as a primary inequality mechanism. When state contracts, public sector jobs, licensing, and judicial processes are dictated by political connections, lower-income and marginalized citizens are systematically underserved, and they lose faith in institutional neutrality. Nepal's consistently low corruption perceptions index score and repeated public service breakdowns provided a factual foundation for youth grievances like punishing the politicians.

However, anti-corruption interventions cannot be limited to punishing individual

politicians. Instead, they must target the structural systems that drive elite resource capture, including non-transparent campaign finance, procurement capture, entrenched party patronage networks, weak asset-disclosure enforcement, and politicized bureaucratic appointments. Anti-corruption reform must be linked to redistribution, public service equity, and institutional accountability. Without this, it risks becoming a symbolic political tool that leaves structural resource flows intact.

Nepotism and Elite Privilege

The generational anger directed at nepotism and elite privilege corresponds with documented governance conditions, but it calls for a deeper structural understanding. In Nepal's political economy, nepotism extends far beyond the simple appointment of family members, it operates through overlapping partisan networks, caste and class structures, corporate connections, media visibility, and bureaucratic influence. Youth frustration with elite lifestyles reflected the stark divide between young people's economic insecurity and the relative financial security of political and economic elites.

As the *Nepal Country Inequality Report 2025* emphasizes, inequality encompasses disparities in power, voice, representation, and institutional access alongside simple income gaps (NGO Federation of Nepal, 2025). The primary limitation of theGen-Z protest was a narrow focus on visible elite families without systematically naming the deeper structures that generate unfair advantage, including caste hierarchy, gender barriers, provincial isolation, disability exclusion, language barriers, unequal schooling models, and asymmetric digital access. A genuine reform agenda must move beyond anti-elite slogans toward a systematic analysis of elite capture and unequal opportunity.

Employment, Decent Work, and Migration

Youth grievances regarding domestic employment and migration are validated by labor statistics. It highlights a deepening crisis of structural underutilization of the country's youth bulge[2] (Sharma, 2025). The failure of the domestic market to absorb young workers creates a direct path to the international labor market, where migration functions as a forced survival mechanism rather than a free, aspirational choice (Kafle, 2026).

2 Youth bulge is a common demographic phenomenon in many developing countries, which often occurs due to a stage of development where a country achieves success in reducing infant mortality with a high birth rate, leading to a significant proportion of young population. Read (Lin, 2012) at https://blogs.worldbank.org/en/developmenttalk/youth-bulge-a-demographic-dividend-or-a-demographic-bomb-in-developing-countries#:~:text=The%20youth%20bulge%20is%20a,have%20a%20high%20fertility%20rate.

Inbound remittances reduce immediate household poverty and stabilize short-term consumption, but they carry steep intergenerational social costs. Families endure protracted separation, left-behind caregivers and children face documented stressors, and households are routinely trapped by high informal recruitment debts (Adhikari, 2026). Ultimately, Gen Z's employment demands reflect a stark structural failure of the government to convert expanded educational access, immense demographic potential, and federal restructuring promises into secure, dignified jobs within the country.

Digital Rights

The digital rights demand of the Gen-Z protest carries a distinct structural inequality dimension. In Nepal, major social media platforms function as essential infrastructure for information dissemination, local livelihoods, free expression, educational access, small-scale entrepreneurship, and political organizing outside traditional networks. Restricting digital access harmed youth networks, small entrepreneurs, migrant families, students, journalists, and rights defenders. The social media ban became explosive because it closed one of the few open public spaces where young citizens could bypass traditional institutional gatekeepers.

However, conflict analysis must also account for Nepal's digital divide. While digitally networked movements amplify public anger rapidly, they risk underrepresenting populations lacking reliable internet access, language adaptability, digital literacy, or protection from online harassment. Digital rights must, therefore, be framed alongside digital equality, robust data protection, platform accountability, media or digital literacy, independent oversight, and safeguards from misinformation.

As UNESCO's (2025) review of Nepal's Social Media Bill 2081 B.S. outlines, the challenge is to uphold freedom of expression while designing platform governance that is lawful, necessary, proportionate, transparent, and subject to independent oversight. Registration rules, content-removal orders, user-data requests, and misinformation controls must never be used as discretionary tools to silence political dissent.

Intersectional Youth Representation

The demand for accountable, participatory governance reflects what empirical data shows about political and bureaucratic inequality. While formal representation has expanded via constitutional quotas, real decision-making power remains concentrated among older, male, high-caste, urban, and senior party-connected networks. Youth

inclusion must be integrated into the broader, long-term inclusion agenda rather than treated as an isolated generational claim. Youth quotas or advisory councils remain insufficient if they merely reproduce a privileged, urban, and digitally connected youth elite. Therefore, it should be integrated into the broader, long-term inclusion agenda rather than treated as an isolated, generational claim. Youth inclusion mechanisms must be intersectional by design, intentionally bringing in Dalit youth, Madheshi youth, Janajati youth, young women, queer youth, youth with disabilities, migrant returnees, informal laborers, and rural youth. Without that intentional design, youth politics may change the faces in power while leaving the structural machinery of exclusion intact.

Constitutional and Federal Reform

TheGen-Z protest reopened national constitutional debates by exposing broad dissatisfaction with political leadership, institutional accountability, and representation. This dissatisfaction is structurally valid, but the path forward lies less in wholesale structural reform and more in systematically realizing the existing promises of the constitutional framework. The 2015 Constitution already contains progressive equality guarantees, fundamental rights, and proportional inclusion mandates for historically marginalized groups. The core governance breakdown is not the absence of constitutional text, but weak implementation, contested federal divisions of power, incomplete fiscal and administrative devolution, the politicization of neutral institutions, and low accountability for service delivery.

Broad demands to change the system must be translated into specific institutional reforms. Constitutional and legislative reform should focus on specific institutional failures, including campaign finance regulation, internal political party democratization, asset-disclosure enforcement, the independence of anti-corruption bodies, transparent public appointment processes, fiscal federalism, civil service inclusion, digital rights, and citizenship equality. Vague attacks on the constitutional framework risk weakening hard-won inclusion provisions.

A serious reform agenda must protect existing equality frameworks while repairing the governance systems that fail to implement them. Reforms should be sequenced around verifiable institutional credibility rather than rhetorical changes. Priority should be given to visible accountability measures, including transparent candidate selection, open budget and procurement information, independent investigations into protest violence, and public reporting on youth employment measures. This would turn the Gen Z moment from a volatile protest event into a measurable governance-reform pathway.

The post-election context highlights this urgency. Electoral turnover alone does not resolve a structural crisis. The new mandate remains fragile unless it produces enforceable institutional changes in campaign finance, party accountability, public appointments, decentralized service delivery, federal execution, and social inclusion.

Lastly, the core demands of the Gen-Z protest are broadly grounded in empirical evidence on unequal opportunity, high youth unemployment, elite capture, weak accountability, and exclusion from decision-making spaces. The movement was strongest when it highlighted the legitimacy crisis of a political order unable to deliver institutional fairness and dignified employment to young citizens, and when it recognised digital access as an essential civic and economic space. To form a viable governance pathway, these demands need to be developed in three structural directions. First, anti-corruption efforts must move beyond punishing individual political figures toward the comprehensive redesign of public procurement, party finance, and service delivery systems. Focus should not only be regarding the punishment of individual political figures, but the comprehensive redesign of public procurement, party finance, and distributive service systems. Second, expanding youth representation beyond urban, digitally connected networks to intentionally include marginalized sub-cohorts is equally important. Third, explicitly linking generational grievances to long-standing inequalities based on caste, gender, ethnicity, region, landlessness, disability, migration, and climate vulnerability. If these structural dimensions remain unaddressed, political change will only alter the faces in power without changing the unequal structures that drive recurring conflict.

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06

CONSTITUTIONAL DEBATES AND CONTESTATION

CHAPTER 6

CONSTITUTIONAL DEBATES AND CONTESTATION

Dipin Subedi

The chapter is organized across four analytical sections. The first covers constitutional debates that emerged during the deliberative processes of the first and second CAs between 2008 and 2015. The second examines constitutional contestations in the period before the Gen-Z protest, from 2015 to 2025. The third analyzes the constitutional dimensions of the 2025 Gen-Z protest and its aftermath. The fourth draws on a comparative review of major political parties' positions on constitutional issues as reflected in their manifestos ahead of the March 2026 elections. The chapter closes with analysis and practical suggestions for addressing the constitutional contestations that continue to define Nepali politics.

6.1. Introduction

After the first Constituent Assembly (CA) failed to deliver a constitution, a second CA was elected in 2013 and promulgated a new Constitution in September 2015, ending nearly eight years of deliberation and delay. The Constitution guaranteed several fundamental rights, addressed pressing social and economic concerns, and established new state structures and constitutional bodies intended to deliver peace and stability that had long eluded Nepal's governance system. For many, the new Constitution represented a historic milestone, the culmination of a long political transition, and a document somehow capable of resolving citizens' grievances that had accumulated over decades. Yet the promise of the 2015 Constitution has not been translated into settled politics.

A growing number of citizens, particularly among younger generations, share the perception that the Constitution has fallen well short of what it promised. This disillusionment found visible expression in the wave of protests led by Gen Z in September 2025, reflecting a widening gap between constitutional promises and lived reality. Rather than closing debates, the Constitution has, in many ways, kept them alive, not because the document itself is fatally flawed, but because reckless political conduct and the absence of principled governance have deepened a serious legitimacy deficit (The Kathmandu Post, 2015). It is within this contested and unresolved landscape that this chapter examines the constitutional debates and political contestation that continue to define Nepal today.

6.2. Historical Demands during Constitution Making (2008-2015)

The first CA elected in 2008 arrived with a clear and ambitious mandate. It was primarily tasked with instituting parliamentary democracy, ensuring representation through proportional principles, and establishing a federal system of governance. Each of these mandates carried decades of political aspiration behind it (The Asia Foundation, 2020). These guiding principles gave rise to deep contestations and complex constitutional debates. The Maoists, along with the (CPN (UML)) and parties from the Madheshh, endorsed the formation of around 15 provinces built around identity, where historical nativity, language, and ethnicity would form the basis of constituent units, with preferential rights accorded to the dominant group in each province. The Nepali Congress (NC), by contrast, argued for fewer provinces defined by territorial and economic considerations, arguing that this approach would better serve national unity (Nepali Times, 2009, 2010; myRepublica, 2009).

The question of the electoral system brought further debate. Excluded populations, including women and historically marginalized communities such as Dalits, Janajatis, and Madheshis, called for a proportional representation system that would ensure their inclusion in the constitutional design (UNDP, 2008). Numerous constitutional provisions were also sought to guarantee the representation of backward classes across political, cultural, social, and economic spheres. Women advanced a broad set of demands covering gender equality, equal opportunity, equal citizenship rights, free education, proportional participation, and sexual and reproductive health rights, along with mechanisms to ensure their implementation. They also demanded the right to pass citizenship to their children without disclosing the father's identity, and to be free from laws that contradicted the fundamental values and principles of the state (International IDEA, 2011; Inclusive Peace and Transition Initiative, 2016).

On the question of the system of government, the Maoists, the then Madheshi Janaadhikar Forum (MJF), and other smaller parties on the left found common ground. They argued in favor of a Presidential system in which voters would directly elect the head of government, with the Maoists pointing to the repeated failures of the Westminster model to deliver stable governance. The Maoists' manifesto drew inspiration particularly from the Fifth French Republic, proposing a popularly elected President who would cohabit with a Prime Minister elected by parliament. The MJF, however, did not support this arrangement. The CPN (UML) and Nepali Congress (NC) jointly opposed the Presidential system and backed a parliamentary model in which executive power would rest with the parliamentary majority, and the President would serve as a purely titular head. The CPN (UML) went further, proposing that the Prime Minister be directly elected by adult franchise while the President would be chosen through an electoral college made up of members of the federal and provincial parliaments (Khanal, 2009).

Although the first CA succeeded in identifying the core issues requiring constitutional recognition, political bargaining over boundary and naming disputes of the proposed provinces could not be resolved, leading to its dissolution. Elections held in late 2013 for the second CA revived the constitution-making process. Many of the disputes that had paralyzed the first CA were resolved in this assembly, though not without leaving citizens and interest groups dissatisfied. The Constitution that emerged created seven provinces, far fewer than originally proposed and not based on identity. A mixed electoral system was adopted, combining First Past the Post (FPTP) and proportional representation, and Nepal was formally established as a secular state. The Constitution also created a set of autonomous bodies with constitutional mandates to limit corruption, audit public finances, safeguard human rights, ensure free and fair elections, and protect the rights of marginalized groups, women, and Dalits.

6.3. Unfulfilled Promises: Constitutional Contestations After 2015

The Constitution of Nepal 2015 was a landmark document that guaranteed fundamental rights and laid the ground for inclusive and sustainable governance. Its implementation has fallen significantly short of its promise, revealing weaknesses and ambiguities that have fueled citizen dissatisfaction and institutional conflicts. The Constitution's limited inclusivity quickly generated public protests. The Tharu and Madheshi communities found their demands for stronger autonomy unmet. The Madhesi communities carried additional grievances rooted in specific constitutional provisions, including citizenship clauses requiring parental descent, discriminatory treatment of foreign women married to Nepali men, and a clear mismatch between the size of the Madhesi population and the number of electoral constituencies allocated to the region (Karki, 2018).

On the structure of government, the Constitution settled on a Westminster parliamentary model as a political compromise. That compromise has not delivered the stability it promised. Within a decade, six prime ministers were sworn into office. The electoral system proved equally contentious. Political parties bypassed the mandatory nomination of a female candidate through opportunistic coalitions during elections (Bhattarai et al., 2025a). The combination of FPTP with proportional representation has drawn sustained criticism, with political parties, experts, and scholars calling for a fully proportional system on the grounds that it would better serve the representation of marginalized communities (Bhusal, 2024; Shrestha & Mishra, 2024). Others have argued for a system based entirely on popular vote to prevent the misuse of proportional representation arrangements.

The federal structure was coherent in constitutional design but has struggled in practice. The division of responsibilities across three tiers of government remains unclear. Key areas such as natural resources, education, health, and taxation overlap across Schedules 5 to 9 of the Constitution, limiting independent legislation at each level. The central government continues to hold disproportionate power, and residual powers vested in it have generated legal uncertainties and jurisdictional disputes. The result has been poor service delivery and rising intergovernmental conflict. Provinces remain heavily dependent on the center for fiscal transfers, as policy formulation, key decisions, and resources continue to be concentrated at the center. Local governance has therefore been far from autonomous (Ayadi, 2025; The Kathmandu Post, 2024).

Constitutional amendments have been continually proposed as a remedy over the time, yet the procedure presents its own challenge. The Constitution requires that any amendment follow established parliamentary procedures, with a two-thirds majority

in both houses of the federal parliament. In practice, no single party or coalition has been able to meet this threshold consistently, making meaningful constitutional reform extremely difficult to achieve.

6.4. Constitutional Contestation Before the Gen-Z Protest (2022-2025)

Nepal saw four prime ministers in the three years preceding the Gen-Z Protest, a telling indicator of the chronic political instability that had come to define the period. Khadga Prasad Sharma Oli, leader of the CPN (UML), took office as prime minister for the fourth time in July 2024, following the collapse of the coalition led by Pushpa Kamal Dahal (Prachanda) of the Maoist Centre (Arora, 2025). Oli's rise marked the ninth change in government in the decade since Nepal's transition to federal republic. The new coalition between CPN (UML) and the NC, formalized through a seven-point agreement signed on 1 July 2024, was built on pledges of constitutional amendments, governance reform, and anti-corruption measures (Ekantipur, 2024). These promises quickly ran into political reality. The coalition government faced controversy from the start. Ministers in the Oli cabinet faced charges of corruption from the outset. The Minister for Federal Affairs and General Administration, Rajkumar Gupta, was caught negotiating a bribe over civil servant transfers and political appointments. The Minister for Land Management, Cooperatives and Poverty Alleviation, Balram Adhikari, was also implicated in leaked audio recordings of irregular land registration dealings (The Kathmandu Post, 2025a; Giri, 2025).

However, constitutional amendment remained the most consequential of the coalition's stated objectives, yet progress was negligible. It was acknowledged by both parties that achieving the required two-thirds majority in both houses was unlikely as long as the electoral system (a mix of direct and proportional elections) remains, effectively deferring to the issue indefinitely (Poudel, 2024). The NC argued for a cautious, multi-stakeholder approach. The gap between stated intent and political delivery deepened public cynicism (Poudel, 2024).

Street protests became the main outlet for public grievances during this period. Victims of cooperative scams, predatory lending demonstrated regularly, demanding justice, and the return of their savings (Baral, 2024). Teachers gathered in Kathmandu to demand job security and the passage of a new Education Bill. The royalist movement gained momentum across the country, until a crackdown on 28 March 2025 left two people dead and further inflamed public opinion (Ratcliffe, 2025).

Structural deficits in the federal system deepened political discontent. The National Natural Resources and Fiscal Commission (NNRFC) documented persistent institutional weaknesses, including partial implementation of fiscal equalization grant recommendations, inconsistent borrowing practices, deviations in revenue-sharing formulas, and delays in the transfer of natural resource royalties (NNRFC, 2025). Local-level failures compounded the picture. The disengagement of elected representatives during public hearings, poor service delivery, politicized bureaucracy, and the duplication of taxes had eroded trust in the federal architecture (Bhattarai et al., 2025b).

Social media had become a central platform for Nepali youth political engagement. With approximately 40% of the population under the age of 40, digital platforms enabled rapid political information sharing, collective identity formation, and mobilization (National Statistics Office, 2023; Gnawali, 2026). Groups such as *Nepal Unites* and *Occupy Baluwatar* were organized on Facebook and Twitter, connecting urban youth who were largely alienated from mainstream political parties (Acharya, 2017; Centre for Social Change, 2022). It was this generation, politically alert and connected, that ultimately brought the ruling government to an end.

6.5. Constitutional Dimensions of the 2025 Gen-Z Protest

The trigger for the September 2025 protests was the incumbent Oli government's decision to ban 26 social media platforms, a move the youth population interpreted as a direct assault on their primary means of political organization and expression. Yet sustained protests after the fall of the Oli government were about far more than digital rights (Sapkota, 2026). The anti-corruption agenda was the movement's most visible constitutional thread. On 7 October 2025, the Gen-Z protest Alliance protested at the Commission for the Investigation of Abuse of Authority (CIAA), calling for the resignation of Chief Commissioner Prem Kumar Rai and all co-commissioners, accusing the agency of political capture and institutional inertia (Ekantipur, 2025). This demand went to the heart of a long-standing constitutional concern. The autonomous bodies established under the new Constitution were being perceived as institutions subordinated to political interests.

The movement also engaged directly with questions of federalism and the unequal distribution of resources and decision-making power between Kathmandu and the provinces. Subsequent discussions framed provinces as potential buffers against centralized corruption, with calls for provincial parliaments to pass their own anti-corruption legislation. Local-level protest actions illustrated the depth of this concern. In

Saptari, activist Mohammad Mustakim Alam led a demonstration that locked the Rajbiraj branch of the Nepal Water Supply Corporation over irregular political appointments to staff positions (Naya Patrika, 2025). Regional voices underlined the movement's center-periphery dimension, with activists from provinces such as Sudurpaschim demanding meaningful inclusion in any reform agenda (Butwal Today, 2025).

Later in the year, the Gen-Z protest Alliance, along with the Council of Gen Z and Gen Z Front, engaged in negotiations with the interim government, resulting in the 10-Point Agreement on 10 December 2025 (Sah, 2025). The agreement included screening of detained protesters, the formation of a high-level corruption commission, and the establishment of task forces for constitutional reform and electoral system revision. Some leaders, including Miraj Dhungana, dismissed the agreement as insufficient and signed a separate four-point arrangement with ex-Maoist guerrilla commander Netra Bikram Chand Biplov. They agreed to strive for an all-party interim government, form a special judicial body to curb corruption, push for the progressive restructuring of the state, and, crucially, advocate for constitutional amendments (Ratopati, 2026). These divergent responses reflected both the internal complexity of the movement and the depth of its constitutional aspirations.

Youth groups pushed hard on the question of generational representation. Congress party youth wings called explicitly for greater inclusion in party decision-making and for quotas within party hierarchies ahead of the elections, warning that without leadership renewal the party would struggle to connect with an increasingly post-Gen Z electorate (The Kathmandu Post, 2025b; Setopati, 2025).

Table 6.1 Timeline of key constitutional debates in Nepal (2008–2026)

Period	Key Debates	Main Actors	Outcome
2008–2012 (First CA)	Form of federalism (identity-based vs. territorial provinces); form of government (presidential vs. parliamentary); electoral system; inclusion and representation of women and marginalized communities	Maoists, MJF (identity and presidential); NC, CPN (UML) (territorial and parliamentary)	First CA expired in 2012 without promulgating a constitution; core disputes remained unresolved

2013–2015 (Second CA)	Province boundaries and naming; citizenship provisions; secular versus Hindu state; electoral system design	All major parties; Madheshi and Tharu groups; civil society	Constitution promulgated September 2015; seven provinces established; mixed representation system adopted; Nepal declared a secular state
2015–2022 (Post-promulgation)	Madheshi and Tharu protests over autonomy and citizenship; overlapping federal jurisdictions; electoral reform debates	Madheshi parties, Tharu communities, NC, CPN (UML), Maoist Centre, civil society	Two constitutional amendments in 2016 and 2018 to address Madheshi concerns; structural ambiguities in federalism persist
2022–2025 (Pre-Gen Z)	Constitutional amendment (two-thirds threshold); federalism implementation and fiscal transfers; corruption and governance failure; royalist movement	NC-CPN (UML) coalition; CPN-Maoist Centre; NNRFC; royalist groups;	Constitutional amendment deferred; governance failures mount; legitimacy crisis deepens; social media ban triggers Gen-Z protest
September–December 2025 (Gen-Z protest)	Anti-corruption reform; independence of constitutional bodies (CIAA); the unequal distribution of resources and decision-making power between Kathmandu and the provinces in federalism; generational representation and meritocracy	Gen-Z protest Alliance, Council of Gen Z, Gen Z Front, interim government led by Sushila Karki	Ten-Point Agreement signed on 10 December 2025; task forces for constitutional reform and electoral revision; Oli government falls; caretaker administration installed
Early 2026 (March Elections)	Constitutional amendment modalities; federal structure reform; electoral system overhaul; anti-corruption mechanisms; generational renewal in politics	NC, CPN (UML), NCP, RPP, RSP, Shram Sanskriti Party; Gen Z constituency	RSP emerges as leading party; technocratic governance agenda shapes post-election politics; constitutional debates persist

Source: Compiled by the author from primary and secondary sources reviewed in this chapter.

6.6. Post 2025 Gen-Z Protest and the March 2026 Elections

By early 2026, the constitutional questions raised by the Gen-Z Protest had found their way into the election manifestos of the major political parties. Five parties are examined here in relation to their constitutional positions and proposed responses to Nepal's governance challenges.

The Nepali Congress manifesto reflects a reformist approach, with an inclination for a gradual and consensus-based continuity-oriented approach, firmly endorsing the federal democratic republican system established by the 2015 Constitution and treating the challenge as one of implementation rather than design. It calls for stronger fiscal federalism, targeted constitutional amendments to address governance gaps, and clearer functional assignments across government tiers while resisting wholesale revision. It emphasizes the independence of the constitutional bodies such as the Election Commission and the CIAA, and promotes transparency, e-governance, and merit-based bureaucracy as instruments of anti-corruption reform (Nepali Congress, 2026).

The CPN (UML) manifesto situates the party as a guardian of the 2015 Constitution. It frames current instability as a product of incomplete implementation and political misuse rather than structural failure. Its governance agenda centers on zero-tolerance for corruption, the depoliticization and impartiality of state bodies, and enhanced intergovernmental coordination, presenting good governance as both an end and a prerequisite for development. Calls for major constitutional amendments are altogether rejected in the party manifesto (CPN (UML), 2026).

The Nepali Communist Party (NCP) advances the most clearly reform-oriented agenda, acknowledging the progressive achievements of the 2015 Constitution while arguing that a decade of implementation experience warrants a comprehensive review and forward-looking amendments. Among the key proposals are the incorporation of the aspirations of the Gen-Z protest, restructuring of the system of government to strengthen checks and balances, an overhaul of the electoral system, and clarification of the federal power-sharing framework. A broader socialist transformation agenda could be fulfilled, according to the NCP, through constitutional amendments that will enable employment generation and strengthen anti-corruption outcomes (Nepali Communist Party, 2026).

The Rastriya Prajatantra Party (RPP) offers the most critical reading of the current constitutional order, arguing that the republican federal framework has failed to deliver stability, eroded national unity, and undermined cultural identity. Rather than piecemeal

amendments, the RPP calls for a new national consensus involving all stakeholders, including the former monarchy, to produce a fresh constitutional settlement, though what such a process would look like in practice remains unspecified. Its governance agenda prioritizes zero-tolerance on corruption and structural administrative reform, while its rhetorical framework invokes late Prithvi Narayan Shah's vision of national unity (Rastriya Prajatantra Party, 2026).

The Rastriya Swatantra Party (RSP) overlooks constitutional structure debates in favor of 100 practical policy proposals focused on e-governance, anti-corruption technology, efficient service delivery, and the depoliticization of bureaucracy. It operates within the existing federal republican framework but treats governance problems as failures of political will and implementation rather than constitutional design flaws. This technocratic, results-oriented positioning proved effective with voters, and the RSP emerged as the leading party in the March 2026 elections (Rastriya Swatantra Party, 2026).

The Shram Sanskriti Party (SSP) stands apart by largely setting aside constitutional and governance structure debates in favor of societal transformation through labor culture. The constitution is referenced only procedurally in its manifesto, and no critique of the 2072 framework is offered. Good governance and national strength, the party argues, will follow naturally from shifting citizens toward honesty, collective labor, and productive patriotism (Shram Sanskriti Party, 2026).

Table 6.2 Comparative political party positions on key constitutional issues (March 2026 elections)

Party	Constitutional Framework	Federalism	Anti-Corruption	Position on Amendment
Nepali Congress (NC)	Defend and consolidate the 2015 Constitution; challenge lies in implementation, not design	Deepen federalism; clearer functional assignments; stronger fiscal transfers to provinces and local governments	Strengthen CIAA and Election Commission; e-governance; merit-based bureaucracy; transparency measures	Cautious and incremental; targeted amendments through multi-stakeholder process; resist wholesale revision

CPN (UML)	Protect the 2072 Constitution as a hard-won achievement; instability stems from incomplete implementation, not structural flaws	Improve intergovernmental coordination and reduce duplication; no structural redesign intergovernmental coordination and reduce duplication; no structural redesign	Zero-tolerance on corruption; depoliticize state organs; merit-based civil service	No major amendment; strict adherence to constitutional supremacy and existing framework
Nepali Communist Party (NCP)	Progressive reform; constitution is a living document that must evolve with experience and incorporate Gen Z aspirations	Genuine autonomy; crystal-clear power delineation; equitable resource sharing so provinces are not dependent on the center	Zero-tolerance; full transparency; robust right-to-information laws; e-governance; depoliticization of public institutions	Comprehensive review and forward-looking amendments; restructure checks and balances; overhaul electoral system; youth-inclusive reform process
Rastriya Prajatantra Party (RPP)	Critical of republican federal model; argues it has failed to deliver stability, eroded national unity, and weakened cultural identity	Federalism has diluted national cohesion; calls for structural administrative reform and greater center-province coordination	Zero-tolerance on corruption; structural reform; rejection of foreign interference in internal affairs	New national consensus involving all stakeholders including the former monarchy; fresh constitutional settlement rather than piecemeal amendment
Rastriya Swatantra Party (RSP)	No explicit constitutional position; works within existing federal republican framework; treats governance as a question of execution	Local empowerment and reduced central overreach; no structural redesign proposed	100 practical policy proposals; e-governance; digital anti-corruption technology; performance-based bureaucracy; streamlined service delivery	No amendment proposed; governance problems are failures of political will and implementation, not constitutional design

Shram Sanskriti Party (SSP)	Constitution referenced only procedurally; no critique of the 2015 framework and no debate on its architecture	No federalism position; focus is on societal behavioral change rather than state restructuring	Indirect: anti-corruption and good governance will follow from transforming citizens into honest, hardworking, productive members of society through labor culture	No amendment proposed; systemic change is secondary to cultural revolution through compulsory labor and collective nation-building

Source: Compiled by the author from party manifestos for the March 2026 elections.

6.7. Discussion and Conclusion

The constitutional debates that have shaped Nepal from 2008 to the present reveal a persistent tension between the aspirations embedded in formal documents and the political realities that govern their implementation. During the constitution-making period, the dominant fault lines concerned the design of federalism, the form of government, and the principles of inclusion. The 2015 Constitution represented a hard-won compromise that satisfied no single bloc entirely, and it carried within it the seeds of the contestations that followed.

The years after 2015 exposed the structural limits of that compromise. Political instability, jurisdictional ambiguity in the federal structure, the failure of constitutional bodies to operate independently, and the persistent exclusion of marginalized communities from meaningful governance created, what Dix et al. (2012) identify as, a legitimacy deficit, the gap between what institutions promise and what they deliver. The NNRFC's documentation of partial implementation of fiscal transfer recommendations and resource sharing arrangements provides one concrete measure of this gap (National Natural Resources and Fiscal Commission, 2025). The CPN (UML) - NC coalition, formed in July 2024 around a seven-point agreement that made constitutional amendment its stated centerpiece, could not deliver on that declared goal. Its failure exemplified the self-defeating logic of elite bargaining divorced from public accountability.

The Gen-Z Protest of September 2025 was the most dramatic manifestation of this legitimacy deficit to date. It was not simply a protest against a social media ban, but a generational demand for constitutional accountability, anti-corruption, meritocracy, and inclusive governance. The movement forced constitutional debates out of the parliamentary arena and into the streets, shaping the agenda of every major party contesting the March 2026 elections.

A comparative reading of the party manifestos shows a broad spectrum of constitutional positions. The NC and CPN (UML) advocate for consolidation and deeper implementation of the existing framework. The NCP occupies a reformist middle ground, calling for a comprehensive review and amendment. The RPP questions the republican federal model itself, while the RSP and SSP redirect the conversation toward practical governance delivery and societal transformation respectively. The election outcome, in which the RSP's technocratic platform resonated most strongly with Gen Z voters, suggests that citizens are increasingly less interested in grand constitutional architecture than in governance that delivers tangible results. Yet the limits of technocracy without structural reform are real. Unless overlapping jurisdictions in the federal structure are resolved, the independence of constitutional bodies secured, and the amendment threshold made practically achievable, constitutional debates will continue to shadow Nepali politics for years to come.

Constitutional debates in Nepal can only move toward resolution through a credible reform process that commands broad legitimacy. The evidence reviewed in this chapter points to five priority actions that are grounded in the evidence reviewed in this chapter.

First, an inclusive and time-bound constitutional review commission should be established, bringing together representatives of major political parties, marginalized communities, women, youth, civil society, and independent experts. The commission should conduct structured public consultations on contested issues, including identity, citizenship, inclusion, federalism, and power-sharing, with a clear timeline for producing amendment proposals. While the current government demonstrates an intention to operationalize this idea, it should further reassure the public of the structured process for constitutional amendments, specification of substantive constitutional issues, and the formal facilitation of stakeholder participation beyond political parties (Office of the Prime Minister and Council of Ministers, 2026).

Second, the federal structure requires legislative clarification. The overlapping provisions across Schedules 5 to 9 of the Constitution must be amended to establish clear exclusive, concurrent, and residual powers for each tier of government. Natural resources and taxation, in particular, demand careful delineation. Residual powers should default to the federal government only where provincial or local governments explicitly opt out.

Third, constitutional bodies including the CIAA, the Election Commission, and the NNRFC must be insulated against political interference. Appointment processes should be reformed to ensure that commissioners are selected on the basis of merit through transparent, publicly accountable procedures with parliamentary oversight.

Fourth, the current constitutional amendment threshold warrant reconsideration. A two-thirds majority in both houses remain effectively unattainable under the current party configuration. A mechanism that allows targeted amendments through a structured process, perhaps through a nationally mandated referendum or a special constitutional convention with a defined supermajority, with a meaningful but achievable threshold deserves serious consideration.

Fifth, the aspirations of the Gen-Z protest must be institutionally recognized. Youth quotas in party decision-making structures, meaningful representation in constitutional review bodies, and youth-responsive governance indicators would signal a genuine commitment to generational renewal rather than rhetorical accommodation.

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07

CONCLUSION AND RECOMMENDATIONS

Chapter 7
CONCLUSION AND RECOMMENDATIONS

Prakash Bhattarai, PhD

Way Forward: Quality Governance for a Post-Protest Nepal

The central argument of this report is that theGen-Z protest of September 2025 was not a sudden eruption but the most visible peak of governance deficits that had been accumulating over a long period. This chapter draws out the core findings from the evidence presented in the preceding chapters, which cover a year of systematically documented governance conflicts, a close reading of theGen-Z protest and its aftermath, and structural analyses of corruption, inequality, and constitutional contestation. That evidence describes a state that produces laws, plans, and institutions in abundance while failing to turn them into outcomes that citizens can feel in their daily lives.

This final chapter shows that the existing discourse on strengthening governance in Nepal has its own limits, and it offers Quality Governance as a way forward. It then sets out a reform agenda and an implementation architecture that the government, oversight bodies, civil society, and development partners can act on. In doing so, this report moves beyond episodic description toward an evidence-backed pathway for reform that can restore public trust and reduce the risk of another violent upheaval.

7.1 One Crisis with Five Faces

Read separately, the report's chapters describe five major problems. Read together, they describe one. Across every chapter, the same pattern recurs. On paper, the formal architecture of the state is sound, even progressive, while on the ground citizens experience something very different. The distance between the two is where conflict is generated. This shows at the level of everyday events. Citizens turned to the streets, to sit-ins, memorandums, and writ petitions because the channels meant to register and resolve their grievances were not working. TheGen-Z protest fused a generation's economic despair, it's anger at corruption and elite privilege, and its experience of a state that had stopped delivering, then concentrated all of it into a few days of demonstrations, violence, and destruction. It toppled a government, but the conditions that produced it remained in place.

Chapters 4, 5, and 6 explain why those conditions are so durable. Corruption in Nepal is not a series of isolated scandals but a structural feature of how power and resources negotiated, and federalism has decentralized rather than reduced it. Inequality follows the same logic. An impressive body of constitutional guarantees, inclusion quotas, and commissions coexists with a wide gap between those protections and the lived realities of Dalit, Madheshi, Janajati, Muslim, Tharu, women, people with disability, and rural citizens. The Constitution sits beneath both. The 2015 Constitution guaranteed rights, inclusion, and a three-tier federal structure, but a decade of weak implementation, overlapping jurisdictions, fiscal centralization, and politicized constitutional bodies has produced a legitimacy deficit.

That gap is the single thread running through the report. The conflict data, the protest, the corruption, the inequality, and the constitutional contestation are all measurements of the same distance between promise and delivery. This matters for what follows. If the problem were a shortage of laws, more legislation would solve it; if it were a shortage of institutions, more commissions and offices would solve it. The evidence points elsewhere. Nepal's governance crisis is a crisis of delivery, trust, and accountability, and the reforms that follow must be judged by whether they close the gap that citizens actually experience.

7.2 Measuring Governance

One reason the gap has persisted is that Nepal has been measuring governance in a way that hides it. Government performance is conventionally reported in terms of inputs and activities, such as how many laws were passed, how much budget was

spent, how many projects were launched, and how many offices were formed. These numbers are easy to count and easy to present as progress. They say almost nothing about whether governance is actually working for citizens.

GMC Nepal's four years of continuous monitoring, covering more than 3,000 documented governance events since June 2022, show why this matters. Federalism was introduced on four broad promises. Authority would move closer to citizens, marginalized groups would be included, local communities would exercise genuine stewardship over their resources, and development would match local needs. In practice each has been pulled in the opposite direction. Authority has become a site of jurisdictional competition among the three tiers rather than a transfer of power downward. Inclusion has delivered legal recognition without a matching redistribution of resources. Local stewardship has been limited by the center's continued control over key decisions and finances. And development has too often meant contractor-driven and inauguration-oriented projects rather than reliable services. None of these deficits shows up in a count of laws passed or budgets spent. All of them show up in citizens' daily experience of the state, and in the conflict data that GMC Nepal documented over the years.

The implication is clear. If Nepal continues to define success by what it puts into governance, it will keep mistaking activity for results. What is needed is a shift in the unit of measurement, from the inputs the state controls to the outcomes citizens receive.

This report proposes 'Quality Governance' as that shift. Quality Governance defines and assesses government performance from the citizen's experience rather than the state's activity. It asks not how much the state did, but whether what it did reached people, treated them fairly, and earned their trust. The conventional questions are reframed accordingly: not how many laws were passed, but whether services actually reach citizens; not how much was budgeted, but whether benefits are shared fairly; not how many offices were opened, but whether those institutions are trusted.

These six indicators turn the idea of quality governance into questions that anyone can ask of any institution. The first is whether public services actually reach the people they are meant for. The second is whether the grievances that citizens raise are genuinely resolved, since a complaint that goes nowhere is its own kind of failure. The third is whether citizens trust public institutions to act in their interest, because trust is what holds the relationship between the state and its people together. The fourth is whether the benefits of development and public resources are shared fairly across groups and regions, rather than flowing to those already close to power. The fifth is whether citizens have a real say in the decisions that affect their lives, and not merely a formal seat that

carries no weight. The sixth is whether institutions are open about what they do and answerable for it, so that power can be seen and questioned. Read together, these six questions move the test of governance away from how much the state produces and toward what citizens actually receive.

Table 7.1 The six indicators of Quality Governance

Questions to ask of every institution, sector, and tier of government

No.	Indicator	The question it asks
1	Service delivery	Do public services actually reach the people they are meant for?
2	Grievance redress	When citizens raise problems, do those problems actually get resolved?
3	Public trust	Do citizens trust public institutions to act in their interest?
4	Fair distribution	Are the benefits of development shared fairly across groups and regions?
5	Citizen voice	Do citizens have a real say in the decisions that affect their lives?
6	Transparency and accountability	Are institutions open about what they do and answerable for it?

7.4 Four Partnerships

Quality Governance cannot be delivered by the state alone, or by any single tier of government. It depends on a working relationship among the three tiers of the federal system, between the state and its citizens, and with the private sector. The following four partnerships can carry that shared responsibility.

The first is an intergovernmental partnership. Jurisdictional competition, especially over resources, land, and the environment, is the predictable result of overlapping authority and weak coordination. The remedy is to make the three tiers cooperate rather than compete. That means activating the National and Provincial Coordination Council and other coordination bodies that exist mostly on paper, unbundling functions across Schedules 5 to 9 so that exclusive, concurrent, and residual powers are clear, and operating transparent fiscal transfers.

The second is a state-citizen partnership. Citizens reach for protest because routine grievance channels do not respond, and the task that follows is to convert one-directional protest into two-directional dialogue. Citizen forums and public hearings should be institutionalized rather than performed, local and indigenous knowledge should inform decisions, and the right to information should be made usable in practice rather than only available on paper.

The third is a digital governance partnership. Digital systems can extend both services and accountability, but the digital divide is a caution, since counting online systems is another input metric that can conceal exclusion. Nepal needs a hybrid model pairing digital services with physical service points, sustained investment in digital literacy, and evaluation based on whether citizens can actually reach and use services, not on how many platforms exist.

The fourth is an open government partnership. The thread connecting corruption, distrust, and unequal benefit sharing is opacity. Making information genuinely useful and accessible, opening budget and contracting processes, and giving legal protection to citizen monitors, investigative journalists, and whistleblowers would attack that opacity directly.

These partnerships rest on a clear division of responsibility. The state must clarify the responsibilities of the three tiers, make grievance redress effective, and apply open and impartial rules to procurement and investment. Citizens and civil society must sustain structured engagement, use the right to information, and hold institutions accountable through public scrutiny. The private sector must compete fairly, invest in productive capacity and job creation, and meet environmental and social standards. Quality Governance is the outcome these three sets of actors produce together.

Concluding Insights

This report set out to examine Nepal's governance and conflict landscape through the lens of the 2025Gen-Z protest, in a way meant to serve action and not only analysis. Its findings converge on one conclusion. Nepal does not lack laws, institutions, or constitutional ambition. It lacks the delivery, trust, and accountability that would make those laws and institutions matter to ordinary people. Quality Governance is offered as the way to close that gap. It changes the question people ask of their governments, from how much they did to whether what they did reached people, treated them fairly, and earned their trust. The success of Nepal's federalism will not be decided by how many new laws or structures are added, but by whether a governance culture grounded

in transparency, participation, and accountability takes hold. The task is to move from discontent to meaningful dialogue, and from formal federalism to functional federalism.

The window for this is open but not indefinite. The March 2026 election showed that Nepalese will use democratic means to demand change, and it produced a government carrying both an electoral and a moral mandate. Whether that mandate becomes durable reform or dissolves into another cycle of disappointment depends on choices being made now: to implement the commitments already on record without political selectivity, to rebuild what was destroyed, to protect civic space, to acknowledge the trauma the protest left behind, and to deliver the dignified opportunities a young generation has waited too long to receive. The evidence in this report is, finally, an argument for treating this moment as the beginning of governance reform rather than its conclusion. Public trust in Nepal is fragile, but it is also renewable, and Quality Governance is how it can be renewed.

ABBREVIATIONS AND ACRONYMS

ACLED	Armed Conflict Location and Event Data Project
ADB	Asian Development Bank
BS	Bikram Sambat
CA	Constituent Assembly
CDO	Chief District Officer
CIAA	Commission for the Investigation of Abuse of Authority
CPI	Corruption Perceptions Index
CPN (Maoist Centre)	Communist Party of Nepal (Maoist Centre)
CPN (UML)	Communist Party of Nepal (Unified Marxist–Leninist)
CPN (Unified Socialist)	Communist Party of Nepal (Unified Socialist)
CSOs	Civil Society Organizations
DoFE	Department of Foreign Employment
FATF	Financial Action Task Force
FECOFUN	Federation of community Forestry Users Nepal
FIU	Financial Intelligence Unit
FNCCI	Federation of Nepalese Chambers of Commerce and Industry
FNNTE	Federation of Nepalese National Transport Entrepreneurs
FPTP	First Past the Post
FY	Fiscal Year
GDI	Gender Development Index
GDP	Gross domestic product
Gen Z	Generation Z
GESI	Gender Equality and Social Inclusion
GMC Nepal	Governance Monitoring Centre Nepal
GPS	Global Positioning System
HAMI	Humanitarian Accountability Monitoring Initiative
HDI	Human Development Index
ILO	International Labour Organization

INGO	International Non-Governmental Organization
IPPAN	The Independent Power Producers' Association, Nepal
LDC	Least Developed Country
LGBTIQ+	Lesbian, Gay, Bisexual, Transgender, Intersex, Queer/Questioning, plus others
MJF	Madheshi Janaadhikar Forum
MP	Member of Parliament
MPI	Multidimensional Poverty Index
MPPN	Multidimensional Poverty Peer Network
MW	Megawatt
NAN	Nursing Association of Nepal
NPABSON	National Private and Boarding School's Organization in Nepal
NC	Nepali Congress
NCP	Nepali Communist Party
NEFIN	Nepal Federation of Indigenous Nationalities
NGO	Non-Governmental Organization
NHRC	National Human Rights Commission
NLFS	Nepal Labour Force Survey
NLSS	Nepal Living Standards Survey
NMA	Nepal Medical Association
NNRFC	National Natural Resources and Fiscal Commission
No.	Number
NPR	Nepalese Rupee
NRB	Nepal Rastra Bank
NSO	National Statistics Office
NVC	National Vigilance Centre
OAG	Office of the Auditor General
PABSON	Private and Boarding School's Organization in Nepal
PTSD	Post-Traumatic Stress Disorder
RPP	Rastriya Prajatantra Party
RSP	Rastriya Swatantra Party
SC	Special Court

SDG	Sustainable Development Goal
SSP	Shram Sanskrti Party
TI	Transparency International
TI Nepal	Transparency International–Nepal Chapter
UNCAC	United Nations Convention Against Corruption
UNESCO	United Nations Educational, Scientific and Cultural Organization
USD	United States Dollar

ABOUT THE CONTRIBUTORS

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ABOUT CENTRE FOR SOCIAL CHANGE

Centre for Social Change (CSC) is a non-profit making social think-tank based in Kathmandu, Nepal. Since its establishment in 2015, CSC has been actively working to bring positive transformation in the socio-political dynamics of Nepali society through involvements in the fields of research, development practice, education, advocacy, and community mobilization. CSC's current works are focused on issues surround conflict transformation, peacebuilding, democracy and governance, migration, labor and employment, civic space, civil society development, public policy, climate change, and social development.

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