

NEPAL RISK OUTLOOK

Issue #1 January 2021

    riskoutlook

www.riskoutlook.org



POLICY BRIEF

IIDS | Institute for Integrated
Development Studies • 1979

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List of Abbreviations

BFIs	Bank and Financial Institutions	MoHP	Ministry of Health and Population
BJP	Bharatiya Janata Party	MoEST	Ministry of Education, Science and Technology
ADB	Asian Development Bank	MSMEs	Micro, Small and Medium Enterprises
CBS	Central Bureau of Statistics	NCP	Nepal Communist Party
CFY	Current Financial Year	NEC	National Economic Census
CCMC	Covid-19 Crisis Management Centre	NEPSE	Nepal Stock Exchange
CICT	Case Investigation and Contact Tracing	NHEICC	National Health Education, Information and Communication Center
CPC	Communist Party of China	NITI	National Institution of Transforming India
CPN-UML	Communist Party of Nepal Unified Marxist–Leninist	NPHL	National Public Health Laboratory
CRBT	Caller Ring Back Tone	NPL	Non-Performing Loan
DoE	Department of Education	NPR	Nepali Rupee
EU	European Union	NRB	Nepal Rastra Bank
FDI	Foreign Direct Investment	NT	Nepal Telecom
FPI	Foreign Portfolio Investment	NWC	National Women Commission
FWLD	Forum for Women, Law, and Development	ODA	Official Development Assistance
GBV	Gender-based Violence	PCR	Polymerase Chain Reaction
GDP	Gross Domestic Product	PPE	Personal Protective Equipment
GEP	Global Economic Prospects	RAW	Research and Analysis Wing
GHSI	Global Health Security Index	RPP	Rastriya Prajatantra Party
GNI	Gross National Income	RT-PCR	Reverse Transcription Polymerase Chain Reaction
GoN	Government of Nepal	SAARC	South Asian Association of Regional Cooperation
G20	Group of Twenty	SDGs	Sustainable Development Goals
HEOC	Health Emergency Operation Center	SDMC	SAARC Disaster Management Centre
HLCC	High-level Coordination Committee for Covid-19 Prevention and Control	SMEs	Small and Medium Enterprises
ICS	Incident Command System	STIDH	Sukraraj Tropical and Infectious Disease Hospital
IMF	International Monetary Fund	USD	US Dollar
IPGBVPR	Integrated Platform for Gender-Based Violence Prevention and Response Center for Systems Science and Engineering at Johns Hopkins University	WB	World Bank
JHU CCSE	Center for Systems Science and Engineering at Johns Hopkins University	WEO	World Economic Outlook
LDC	Least Developed Countries	WHO	World Health Organization
LFY	Last Financial Year	WOREC	Women Rehabilitation Centre
LIDCs	Low Income Developing Countries		
MEA	Ministry of External Affairs, India		

Summary

Covid-19 has been one of the worst public health crises of the modern time. First reported in the Chinese city of Wuhan in end-December 2019 and declared a pandemic by WHO in mid-March 2020, it has gone on to severely affect countries around the world. Nepal is no exception. In the period we are evaluating, the pandemic not only challenged public health systems of the individual countries and that of the regional and global institutions but also stalled activities across the key sectors and industries, including those in the public service, trade, manufacturing, aviation, education, entertainment, arts and culture. Nepal reported its first confirmed case of Covid-19, which also was the first confirmed case in all of South Asia, on 23 Jan 2020. And, like most other countries in the Global South, Nepal has been severely hit by the pandemic, and, by all accounts, will be a while before the country's various sectors start functioning at pre-pandemic levels. On Jan 27, 2021, a year after it confirmed its first Covid-19 case, Nepal started its inoculation drive after it received one million doses of Covishield vaccine from India as a grant, thanks to 'vaccine diplomacy.' China has similarly pledged a half million doses. Additionally, through the COVAX initiative, Nepal is set to receive another 2.25 million doses, which will cover 3.3 percent of the national population. With all this, Nepal will still be far short of the government target to vaccinate 72 percent of its population. (COVAX, co-led by WHO, aims at accelerating fair and equitable access of vaccine for every country in the world).

First in the series, this issue of Policy Brief attempts to summarize key events related to Covid-19 in Nepal but avoids any generic recommendations. However, the current document sets a strong background for the Risk Outlook researchers to work on follow-up issues where they will work on high-priority thematic areas to undertake further research works and will also provide actionable policy recommendations.

Introduction

The first human case of Covid-19 was detected on 31 Dec 2019 in Wuhan, China¹. As per the data compiled by WHO², as of 19 Jan 2021 (23:29 Nepal Time), the virus had spread to 223 countries, areas and territories. To draw global attention as well as to encourage countries around the world to take the pandemic seriously, the WHO declared³ the disease a public health emergency of international concern on 12 Feb 2020. The following month, the WHO declared⁴ it as a pandemic. However, even after more than a year since the first case was identified in Wuhan, the zoonotic source - the mechanism by which the virus was transmitted to humans from animals - is still unknown. In addition to the epidemiological and public health implications, the Covid-19 and ongoing debates about the origin of the virus have further strained⁵ relations between the world's two largest economies - the US and China - and their allies. Many European countries found the Chinese products they received in the early phase of the pandemic substandard and Chinese approach to score political points over their success to battle Covid-19 grating.

Nepal reported the first confirmed case (imported case) of Covid-19, also the first confirmed case in South Asia⁶, on 23 Jan 2020 in a Nepali student who had just returned home from Wuhan. The country reported⁷ the first confirmed case of a local transmission (local case) on 04 April 2020 in a 34-year-old woman from Kailali district in Sudurpashchim Province with no recent travel history to foreign countries. On 16 May 2020⁸, Nepal reported the first death (a 29-year-old woman) from the disease. On 18 Jan 2021⁹ Nepal confirmed three cases of Covid-19 patients infected with a new variant of the virus, believed to be 70 percent more infectious than the original coronavirus, with its origin in the UK. All of them had returned to Nepal from the UK earlier in Jan 2021¹⁰.

As of 20 Jan, 2021¹¹ (18:00 Nepal time), Nepal had conducted a total of 2,026,726 PCR tests across the country, reporting 268,310 confirmed cases. Of them, 262,642 had recovered from the illness (97.9% recovery rate) while 1,975 had lost their lives (0.74 mortality rate). Province-wise, Province 2 had suffered most from the virus-related deaths as it lost 1,219 people from the disease followed by Bagmati Province (978), Lumbini Province (261), Province 1 (225), Gandaki Province (200), Sudurpaschim Province (65) and Karnali Province (27). As per Nepal's 2011 National Population and Housing Census, these provinces have population of 5,404,145; 5,529,452; 4,499,272; 4,534,943; 2,403,757; 2,552,517 and 1,570,418 respectively.

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12,038,072
Cases

11,473,942
Recovered

176,303
Death

Impacts of Pandemic

Governance Implications

The Covid-19 had not only affected Nepal's healthcare sector but also various other sectors. Beginning late March 2020, the GoN had provisioned civil servants from non-essential services to work from home and had asked those from essential services (e.g. district administration offices) to work on rotational basis to avoid crowding at the offices. This affected day-to-day works of the major public service offices as well as prevented GoN to meet revenue mobilization targets (details under the economic implication section).

Similarly, after the government imposed a nationwide lockdown on 24 March 2020, all of Nepal's educational institutions were shut down. In the following weeks, some of them began running online classes, a practice that was later followed by most academic institutions, private and public, to run their classes at all levels¹². Likewise, Covid-19 changed the way Nepal celebrated major annual festivals¹³, as they were either cancelled or postponed considering the overall pandemic risks. Moreover, the pandemic also forced Nepal to cancel major entertainment and sports events¹⁴.

Additionally, rampant corruption continued to plague Nepal's overall response to Covid-19. As an article highlights¹⁵, the incidents of corruption and favoring politically linked individuals and firms in procurement of Covid-19 related items continued amidst the crisis. The Corruption Perception Index 2020¹⁶, published by the Transparency International, ranked Nepal in the 117th position (against last

year's 113th position) among the 180 countries and territories, thus reflecting a very high level of corruption afflicting governance.

Economic Implications

The Covid-19 pandemic has inflicted a devastating blow to the global economy affecting both the lives and the livelihoods around the world. The IMF in its latest World Economic Outlook (WEO) published in Oct

2020 has predicted the

global economy to shrink by 4.4 percent, the deepest recession since the Great Depression of 1929-32 when the global economy shrank by 10 percent.

Growth Rate

For the Last Financial Year (LFY) 2019-20 that ended in mid-July 2020, GoN had set a goal of achieving an annual economic growth rate of 8.5 percent, creating new jobs for 500,000 people and containing inflation within 6 percent. The Covid-19 and the subsequent measures had severely affected Nepal's growth targets as GoN, IMF and the World Bank had projected economic growth during the LFY to remain just 2.28 percent, 0 percent and 0.2 percent, respectively. However, in addition to the pandemic, other factors - declining credit growth investment, remittance inflows and tourist inflows during the first three quarters of the LFY itself (well ahead of the beginning of the pandemic) - had also been the key behind Nepal's slowed growth during the LFY.

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Most affected sectors in Nepal

While the pandemic has left no sector untouched, the extent of the impact across the sectors has been uneven. The high-contact service sectors are particularly the most adversely affected. For better contextualization and also for the ease of understanding, using available data from the Central Bureau of Statistics (CBS), we have categorized Covid-19 impacts on Nepal's key sectors into following three groups

- **High Impact (-ve growth from Covid-19):** Industries and activities in this group collectively account for 40.4 percent of Nepal's employed workforce and contribute 20.7 percent towards national GDP.
- **Medium Impact (Noticeable decline from Covid-19):** Industries and activities in this group collectively account for 52.7 percent of Nepal's employed workforce and contribute 72.3 percent towards national GDP.
- **Low Impacts (+ve growth during pandemic):** Industries and activities in this group collectively account for just 6.9 percent of Nepal's employed workforce and contribute only 7 percent towards national GDP.

Table 2.1. Sectoral Impacts of Covid-19 Pandemic in the LFY 2019-20

HIGH Impact – 20.7% of GDP Employment: 40.4%

Hotel & Accommodation

From 7.33 (2018/19) to 16.3 -ve (2019/20)

Contribution to GDP: 1.41

Contribution to Employment: 5.2

Transport, Storage and Communication

From 5.9 to 2.45 -ve

Contribution to GDP: 6.42

Employment: 5.4

Manufacturing

From 6.82 to 2.27 -ve

Contribution to GDP: 5.09

Employment: 15.1

Mining & quarrying

From 8.91 to 0.69 -ve

Contribution to GDP: 0.55

Employment: 0.8

Construction

From 8.05 to 0.31 -ve

Contribution to GDP: 7.23

Employment: 13.8

[Source: GDP figure from CBS April 2020; Employment figure from Nepal Labour Survey 2017/18]

MEDIUM Impact – 72.3% of GDP Employment: 52.7%

Wholesale and retail Trade

From 11.06 to 2.11

Contribution to GDP: 13.89

Employment: 17.5

Real estate, renting and business activities

From 6.12 to 3.25

Contribution to GDP: 11.85

Employment: 0.2

Agriculture and Forestry

From 5.05 to 2.48

Contribution to GDP: 27.08

Employment: 21.5

Financial Intermediation

From 6.18 to 5.15

Contribution to GDP: 6.62

Employment: 1.7

Education

From 5.11 to 4.8

Contribution to GDP: 7.67

Employment: 7.9

Other community, social and services

From 5.73 to 4.70

Contribution to GDP: 5.18

Employment: 3.9 (0.5 Entertainment)

LOW Impact – 7% of GDP Employment: 6.9%

Electricity, gas, water

From 9.15 to 28.75

Contribution to GDP: 1.41

Employment: 1.1

Fishing

From 5.60 to 7.17

Contribution to GDP: 0.57

Employment: (included in Agriculture)

Public Administration and defense

From 5.54 to 6.91

Contribution to GDP: 3.17

Employment: 3.4

Health and Social work

From 6.75 to 7.07

Contribution to GDP: 1.86

Employment: 2.4

Official development assistance

The official development assistance (ODA) - mixture of grants and concessional loans - plays an instrumental role in financing capital expenditure in Nepal. While the regular public expenditure is wholly financed by the government's revenues, around 76 percent of the total capital expenditure is financed by ODA considering the average of the last 10 years. The available data from GoN show that for the FY 2077/78, as of mid-Dec 2020, various bilateral and multilateral agencies had committed a total of NPR 94.66 billion - an increase of 30.9 percent for the same period from LFY comprising NPR 16.94 billion (17.9 percent) as grant and remaining NPR 77.72 billion (82.1 percent) as loan. Of the committed ODA so far, the GoN had received NPR 27.24 billion of the total committed ODA amount - comprising NPR 6.32 billion grant and NPR 20.92 billion loan.

Funding
Commitments

17.9%
GRANT
82.1%
LOAN

Sovereign Debt

Prior to the pandemic, Nepal's public debt was 30.3 percent of the GDP, one of the lowest in South Asia. In the LFY, the public debt increased to 37.7 percent of GDP, the highest in the decade on account of a very large fiscal deficit. Though Nepal's current debt level does not pose serious risks, if the sovereign debt portfolio continues to rise in the future, accompanied by prolong periods of political instability, could yield Nepal some of the unintended implications including default risk of the bonds, hyperinflation and difficulty in securing loans in the future, among others.

The available data from GoN show that for the FY 2077/78, as of mid-Dec 2020, various bilateral and multilateral agencies had committed a total of NPR 94.66 billion - an increase of 30.9 percent for the same period from LFY comprising NPR 16.94 billion (17.9 percent) as grant and remaining NPR 77.72 billion (82.1 percent) as loan.

As of now, Nepal enjoys a low level of public debt on account of four important factors. Firstly, the government revenues are reasonably high and are sufficient to meet regular public expenditure. Secondly, due to very poor public and private sector capacity to implement development projects, the capital expenditure has been consistently suboptimal. Thirdly, the interest rate on government bonds and treasuries are much lower than the market rates. The real interest rate on treasuries is negative on account of treasury yield being lower than the rate of inflation. Lastly, the rate of nominal GDP growth is high – above 13 percent due to high inflation.

Banking and Financial Market

Prior to the enforcement of the lockdown, the Nepal Stock Exchange (NEPSE) Index was at 1251 with a market capitalization of its listed stocks equivalent to 43 percent of GDP. But with the introduction of economic stimulus and expansionary monetary policies, i.e., excess liquidity and

lowered interest rates, aimed at managing Covid-19's implications, the NEPSE Index crossed 2,100 at the beginning of Jan 2021 and has been setting new records every day surpassing 2,300 into the third week of the month with a market capitalization of the listed stocks equivalent crossing 80 percent of GDP. This clearly shows the divergence between the real economy and the financial sector as the easy monetary policy conditions helped fuel financial asset prices while the real sector is struggling to rebound from its lows. This development has further exacerbated the income and wealth gap between the rich and the poor given that the poor don't have access to financial assets.

External Sector

All the countries that are part of the global supply chain are affected by external shocks through various transmission channels. External shocks are transmitted into Nepal through the channels of trade, remittance, ODA, tourism and FDI in that order of their significance. In addition, Nepal also faces a unique challenge of maintaining a more than 1700-kilometer open border with India besides China border points only accepting one way of goods thus Nepali goods in the border had been stuck at the borders. Though the economic openness of the country measured by total trade as a percentage of GDP is less than the global average, Nepal imports heavily account for more than 40 percent of GDP. The import dropped drastically in the last four months of the LFY causing the total annual imports to decline by 15.6 percent compared to the total imports in 2018-19. Similarly, in the first four months of the CFY 2020-21, the imports have dropped by 10.6 percent compared to the same period in the LFY. Exports that account for only 3 percent of GDP have increased marginally in the last eight months since the lockdown. The significant drop in import and marginal increase in export have helped in narrowing trade deficit considerably.

Likewise, remittance plummeted in the first two months of the lockdown in April and May 2020 by as much as 44 percent, raising concerns over the likely adverse impacts on the socio-economic fabrics of the country and its political outcome.

Among all the developments, the abrupt slowdown in the remittance inflows and a fear of mass repatriation of Nepali migrants weighed heavily on the overall sentiment of the country. Fortunately, the remittance inflows recovered considerably from the month of June by setting new records and have sustained since. While the LFY 2019-20

ended with a decline of 3.3 percent in the total annual remittance inflows, the first 4 months of the current FY 2020-21 registered a robust growth of 6.4 percent compared to 1.9 percent decline in the remittance inflows in the same period of the LFY.

External shocks are transmitted into Nepal through the channels of trade, remittance, ODA, tourism and FDI in that order of their significance.

The ODA is the third important source of foreign currency for Nepal. ODA in the LFY remained strong as it increased by 41 percent. However, the first four months of the CFY saw declines in both grants and loans by 38 percent. The FDI inflows, on the other hand, saw a robust growth during the LFY by more than 46 percent but the first four months of the CFY have seen a drop of 27.5 percent.

Among all the sectors, tourism was the worst hit as the pandemic forced Nepal to suspend the much-anticipated Visit Nepal 2020 Campaign. The tourism receipts dried up completely since the enforcement of lockdown in late March. So were the tourism outflows, making the net effect of tourism flows on the external balance only marginal. However, the resumption of international flights from the beginning of Sept 2020 has led to an increased outflow of foreign currency in the CFY on account of a growing

number of Nepali travelers against only a handful of foreign travelers.

The net effect of a low trade deficit, a quick recovery of remittance inflows, and a marginal effect on net tourism flows have made the country achieve an account surplus during the first four months of the CFY, the first time after a few years. The LFY recorded the highest balance of payment surplus in a single year pushing the foreign exchange (Forex) reserve to an all-time high. The trend has continued into the first four months of the CFY and the forex reserve has posted a new record of USD 12.6 billion, equivalent to 40 percent of the GDP and 116 percent of the total annual imports. Similarly, the external balance is one of the most important aspects of a prudential macroeconomic management of an economy. Thus, the low level of external liabilities combined with the high level of forex reserves put Nepal's external sector on a strong footing.

Vulnerable groups and Micro, Small and Medium Enterprises (MSMEs)

The unprecedented pandemic has severely affected the lives and the livelihoods of a large section of the population, particularly women, persons with disabilities, laborers and people from disadvantaged groups who have no formal social safety net. They are disproportionately affected during the crisis. In a country where 18.7 percent of the total population is living below the poverty line, the impact of the current pandemic will be enduring. More than 2.8 million people have been part of the various social benefit schemes of the government.

More than 500,000 youths enter the job market every year. The rate of unemployment before the pandemic was 11.4 percent, one of the highest in the region despite the fact that a large number of youths leave the country for foreign employment. The alternative sources

of income for laid off workers are limited. The government is handicapped by dwindling revenues amid decelerated economic activities. The progress towards Sustainable Development Goals (SDGs) will be seriously derailed if external assistance is not available on a scale that is needed to fight the virus and its impacts.

In Nepal, the MSMEs are the worst hit among all the businesses in the country. The safeguard measures announced so far against major shocks are hardly available to MSMEs, thereby making them more vulnerable. They are largely dependent on informal sources of financing. They play an important role in weaving different sectors of the economy. Estimates show that their contribution to GDP is about 22 percent. According to NEC 2018, trade representing 56.2 percent and accommodation and food services representing 14.5 percent of the total enterprises in the country are the two sectors with the largest number of micro enterprises and both are the worst hit by the crisis. Of the total 3.5 million people engaged in all the enterprises in the country, 59 percent are engaged in micro enterprises (that employ up to nine persons) and twenty-one percent are engaged in small enterprises (that employ 10 to 49 persons) - together accounting for 80 percent of the total engaged in enterprises. The monetary policy for FY2020/21 has provisioned refinance facility of NPR 100 billion availing at very concessional rate, i.e., 1 percent for export, 2 percent for MSMEs and 3 percent for others. In addition, the policy had also set provisions to ensure that, by mid-July 2024, credit to MSMEs (NPR 10 million and less) should be 15 percent of total portfolio of the commercial banks.

Health Care Implications

According to the 2019 GHS Index, Nepal falls under the 'more prepared' category to maintain health security, though it lags

behind in all six categories used by the GHS Index¹⁷. Despite the ranking, Nepal lacks robust laboratory systems, real-time surveillance and reporting, a workforce to work on epidemiology, and data integration among the human, animal, and environmental health sectors. By June 2020¹⁸, GoN had designated 30 hospitals across the country as Covid-19 hospitals with a total of 1,926 beds. Only 20 of them had ICU facilities with a total of 235 ICU beds – four hospitals with provision of negative pressure ICU as well. Of total, 17 hospitals had a total of 98 functional ICU ventilator. Likewise, 29 hospitals had essential emergency medicines and 28 had recommended drugs for Covid-19. Similarly, 27 hospitals had ambulance service for the patients at the time of discharge and 28 had the provision of contact and follow-up of the thus discharged patients for medical as well as counselling services for proper home isolation. While a total of 29 hospitals were equipped with facilities to conduct special blood test, there were only 70 trained medical professionals to conduct RT-PCR at 19 hospitals. However, these arrangements were not enough for Nepal to better manage the crisis.

Trade and travel restrictions and communications with healthcare workers during a public health emergency are the two indicators where Nepal scored full points. It also faced major challenges in managing quarantines, limited laboratories for rapid testing, contact tracing, acquiring medical supplies including PPE. It is now facing another major hurdle, in acquiring enough Covid-19 vaccines. Still, Nepal's overall Covid-19 response was the mismanagement of available, but limited, resources and corruption that drew the public's attention most. For example, MoHP awarded a contract to Omni Group, a private company that also has some linkages to high profile political families in the country, to procure medical supplies from China without any competitive public bidding quoting a rate that was three times the existing market rate¹⁹.

Gender-Based Violence during Pandemic

There has been a rise in the reporting of gender-based violence during the lockdown. Restricted movement, fear of contracting Covid-19, and reduced availability of public services during lockdown left women and girls isolated at home with abusers. The Women's Rehabilitation Centre in Nepal, a non-governmental organization, reported 465 cases of GBV between 24 March 2020 and 29 May 2020²⁰. A 24-hour toll-free helpline run by Nepal's National Women Commission (NWS) received 885 calls related to domestic violence from April to June 2020, which is over twice the number of calls received within the same period before the lockdown (Dec 2019 – Feb 2020)²¹. During the first 83 days of lockdown in Nepal, a total of 648 women are reported to have committed suicide, which can be linked partly to GBV¹⁶.

Mental Health

Covid-19 has been a major mental health pandemic as well. Restrictive social measures adopted by the government to control the transmission of the disease, fear of contracting Covid-19, economic hardship, hate speech for infected individuals and their family members, fake news, stigma, and rumors related to the disease are causing mental trauma, psychological stress, and anxiety. This has been acute among health workers - 9 out of 10 nurses experienced some stress, with a third of nurses reported a high level of stress, according to a study. The study published in the Journal of Chitwan Medical College, a significant number of nurses working in different wards of tertiary care hospitals in Nepal during Covid-19 experienced some degrees of stress and anxiety during the Covid-19 pandemic²². Another research has found that 4 in 10 health workers had anxiety, 1 in 3 suffered from depression and one in three suffered from insomnia²³. Among the general public, 1 in 10 suffered from mild to moderate distress, with higher rates in women and those below 45 years of age²⁴.

Nepal's Response to the Pandemic

Governing Public Health and Economic Crises

Underestimating the pandemic risks during early days

When Nepal reported the first confirmed case of Covid-19 in late January 2020, the country's leadership still was ignoring the overall threats posed by the virus. As a columnist had highlighted in *Nepali Times*²⁵, even until mid-Feb 2020, not only the then Tourism Minister Yogesh Bhattarai but also Prime Minister Oli had been in a total denial about the pandemic's threats. They were instead

busy planning fresh development works and promoting Nepal as a Coronavirus Free Zone to bring more foreign tourists to Nepal and make Visit Nepal Year 2020 – the government's flagship project for the year – a success. The government's insouciance was roundly mocked by the enraged public, especially in their social media posts, which has lately been the best platform to gauge the early popular mood.

Formation of high-level coordination committee

It was only on 1 March 2020, more than five weeks after confirmation of the first case in the country, that the GoN formed an 11-member High-Level Coordination Committee for Covid-19 Prevention and Control (HLCC) under the leadership of the Deputy Prime Minister Ishwor Pokhrel with an aim to better coordinate all pandemic-related issues²⁶. To further strengthen government response to the pandemic, on 29 March²⁷, the

GoN formed yet another Covid-19 response entity under the supervision of HLCC, also under the oversight of the Deputy Prime Minister - Covid-19 Crisis Management Centre (CCMC). [After complaints of duplication of responsibilities of these two entities, HLCC was disbanded on 10 June 2020²⁸.]

Covid-19 Testing

In addition, as Nepal continued to see a surge in the new cases after the national lockdown was lifted in late July, the government

expanded testing facilities from zero to 82 within months²⁹. However, on daily average³⁰, most of the tests were done during 9 – 16 Oct 2020 were conducted at laboratories in Gandaki Province. Province 2 and Karnali Province, on the other hand, reported

least numbers of average daily tests during this time period. In addition, it also established specialized infectious disease hospitals to allow the existing private hospitals to conduct Covid-19 tests but put a ceiling on the charges of such tests to NPR 5,500. Later, in September 2020, HEOC issued a directive to all the laboratories conducting PCR tests, asking them not to charge more than NPR 2,000 for a test. When the Supreme Court directed GoN to provide free diagnosis to all who wanted such a test, citing constitutional provisions of right to free basic and emergency healthcare,³¹ the government appealed against the decision on the ground that it lacks resources for free tests and treatments but the court dismissed the appeal. To many, this reflected a long-term implication of an idealistic constitution, which didn't consider the available resources and capabilities. To others, the court order

Government expanded testing facilities to specialized infectious disease hospitals to allow the existing private hospitals to conduct Covid-19 tests but put a ceiling on the charges of such tests to NPR 5,500.

had come as a relief, for it had asked the State to take care of its needy citizens.

Disseminating Correct Information and Fighting Misinformation

The Covid-19 pandemic yielded overwhelming information, including too much misinformation. Too much Covid-19 related misinformation - disinformation infodemic, accompanied by conspiracy theories on major social media platforms further challenged governments' efforts worldwide to better communicate pandemic-related accurate information with their citizens³². Some of the major consequences of these misinformation drives include panic buying of PPEs and toilet papers³³. In Nepal, the National Health Education, Information and Communication Center (NHEICC) developed the standardized message for awareness about Covid-19, its symptoms, and preventive measures and disseminated using available major communications platforms including mobile phones, social media, newspapers, radio, television and websites³⁴. Nepal Telecom (NT), a government-run telecommunications company, disseminated the 'standard message' sent by MoHP by changing its usual caller ring back tone (CRBT) with a Covid-19 related message from 19 March 2020 onwards. The NT had been changing the message of the CRBT as the situation demanded. In addition, NT also started the 'NT Suchana ko Sansar or NT World of Information' services to provide the subscribers get credible details on the diseases by dialing 32100. Similarly, the leading private sector mobile service provider in Nepal, Ncell used CRBT, text messages, engagement promos, and outbound dialing calls to spread awareness on Covid-19 prevention. Ncell, in collaboration with Health at Home - a private-sector healthcare start-up that specializes in telemedicine - operated a hotline to provide free consultations with doctors over the telephone. Nepal Telecom and Ncell also launched a self-assessment

survey in collaboration with the CCMC for effective contact tracing of the patients and their contacts³⁵.

Similarly, the provincial and local governments adopted the 'standard message' developed by MoHP in local languages and disseminated the information through locally available audio, video and multimedia platforms³⁶. The Gandaki Province had also established a separate body, the Information and Communication Management Committee (ICMC), to fight fake news. At the local level, the elected representatives in collaboration with hospital officials participated personally to inform people about the disease and to offer them authentic information on the relief packages. Despite the commendable efforts from GoN,

Nepal Telecom (NT), a government-run telecommunications company, disseminated the 'standard message' sent by MoHP by changing its usual caller ring back tone (CRBT) with a Covid-19 related message from 19 March 2020 onwards.

private sector and the development partners, people from poor and vulnerable communities still suffered from misinformation as they had little or no means to access credible details on pandemic and related government relief packages.

However, some of Nepal's efforts have been criticized for their poorly defined provisions that are likely to curtail the press freedom and the citizens' rights to free speech in the country. For example³⁷, there has been serious concerns on some of the loosely defined and draconian measures in Nepal's Special Service Bill (that allows phone tapping without court order), Media Council Bill (that aims to give the Council more authority to regulate country's media sector thus curtailing press freedom),

and the Information Technology Bill (that aims to curtail citizens' rights to express their opinions online).

Managing incidents of Gender-based violence

Several government and non-government institutions adopted different mechanisms to help the victims of gender-based violence. The GoN facilitated the online registration of gender-based violence cases with the police and the online court proceedings during the lockdown. Forum for Women, Law, and Development (FWLD) in Nepal ran the project called 'Provision of Emergency Legal Assistance to Survivors of Gender-Based Violence in the Covid-19 Context,' which helped 218 gender-based violence survivors by providing free of charge services, such as legal consultations, assistance with filing police and court cases, and also representing survivors in the court. The UN Women has supported the project as a part of its emergency response to the coronavirus crisis³⁸. The helpline, Khabar Garaun (Inform Us), a project supported by the World Bank under the Integrated Platform for Gender-Based Violence Prevention and Response (IPGBVPR) project, became instrumental in providing support to survivors of GBV during the lockdown³⁹.

Vaccine Procurement

Vaccine procurement is one important area in which Nepal is seeking collaboration with India, the largest producer of vaccines in the world. The vaccines developed by Moderna and Pfizer-BioNTech have been pre-purchased primarily by the US and the EU, forcing the rest of the world to look for other available alternatives. The WHO's COVAX program aims to help developing countries like Nepal secure vaccines, but only for the most vulnerable population. Hence, many countries in the Global South are looking at India and China to fill the gap.

In recent months, Nepal has been actively

looking to India to acquire affordable vaccines. During his visit to Nepal in Nov 2020, the Indian Foreign Secretary Harsh Vardhan Shringla stated that meeting Nepal's vaccine requirement would be a priority for India⁴¹. In his Delhi visit in Jan 2021, Nepal's Foreign Minister Gyawali had put vaccine acquisition as one of his top agenda. On 21 Jan 2021, Nepal received one million doses of vaccines developed jointly by the University of Oxford and the pharmaceutical giant AstraZeneca from India as a part of the latter's 'Vaccine Maitri' initiative - thanks to 'vaccine diplomacy'. Other countries in the region who benefited include Bangladesh, Bhutan, Maldives. Nepal's newspaper Nagarik Daily thanked India on its front-page news report, pointing out that India had come to Nepal's aid once again while China, with a successful campaign against the pandemic itself, had lagged behind. The Kathmandu Post wrote: "Some observers see India's reach out to the region and beyond through the Covid-19 vaccine meaning to counter Chinese clout". China subsequently pledged a half million doses. In an interview with Kantipur Daily⁴², the Chinese Ambassador to Nepal, Hou Yanqi, had also highlighted China's friendly ties with Nepal, including those related to managing Covid-19 crisis. She mentioned that Nepal, along with other 13 developing nations, are some of the first beneficiaries of China's gifted vaccination efforts. GoN's recent approval of Covishield also paves way for the country's private sector players to contribute in the overall vaccination drive.

Globally, the rush to develop an effective Covid-19 vaccine has led to competition among the major developers, and with it vaccine diplomacy. President Xi Jinping has announced that vaccines developed by China would be a 'public good'⁴³, while pledging USD 2 billion over two years to help developing countries with Covid-19 response⁴⁴. Broadly, there is a competition among major powers in framing the post-Covid narrative and some even see it as a major turning point in the emerging world order.

Economic Measures

Fiscal Stimulus

As the Covid-19 continued to prolong and affect Nepal's major sectors, including the country's much anticipated Visit Nepal 2020 Campaign, the GoN also came up with several stimulus packages. Some of the key objectives of those packages included increased spending on medical response to provide insurance coverage to the healthcare workers on the frontline, set up quarantine centers and temporary hospitals, purchase of emergency medical supplies and equipment, and generating mass employment opportunities through collaboration between three-layers of the governments as well as with the private sector. In addition, a mixture of financial and non-financial incentives was also announced for the production and supply of medical provisions related to Covid-19. The measures also include government contributions to the social security fund of private sector employees for a month - which was later extended for the entire period of the lockdown, extension of the deadline for tax payment, a 25 percent subsidy on transportation costs of agro-based products, measures to create 40,000 jobs through a small farmers' credit program and announcement of a scheme to provide employment in public works projects to informal sector workers who had lost their jobs from the pandemic. In addition, to better address immediate and the long-term healthcare issues, GoN had also increased this sector's budget by almost one-third from LFY in addition to increasing conditional grants to the local governments by 30 percent and giving major responsibilities to the local governments for management of health and education sectors.

To draw global attention as well as to encourage countries around the world to take the pandemic seriously, the WHO declared the disease a public health emergency of international concern on 12 Feb 2020. The following month, the WHO declared it as a pandemic.

Monetary measures and stimulus

The Nepal Rastra Bank (NRB), the central bank, acted swiftly to limit the impact of the pandemic in the banking sector and the broader economy by introducing hosts of monetary policy measures. Through a new monetary policy released on 16 July 2020, it cut its interest rate by 1.5 percent to 3.5 percent and Cash Reserve Ratio (CRR) by 1 percent to 3 percent to ease monetary conditions. Forbearance and capital restructuring were introduced and 10 percent rebate on interest was mandated for those making loan repayments on time. Provisions relating to counter cyclical capital buffers were suspended. Refinancing facility was increased by NPR 10 billion to NPR 60 billion at a subsidized interest rate of 5 percent for MSMEs and those eligible for priority lending. This has been further increased to NPR 100 billion by the government.

To better address the economic as well as financial troubles due to the Covid-19, Nepal's monetary policy needed an overhaul to ease the monetary conditions and relax regulatory norms relating to the banking sector. For meeting these objectives, the capital adequacy framework was further eased by lowering risk weightages and relaxing loan classification norms. Similarly, forbearance was extended and capital restructuring was permitted depending upon the severity of the impact of the pandemic on different sectors. Refinancing fund too was increased by five times to facilitate credit to the most affected professions, enterprises and businesses. Furthermore, the CCD ratio was increased from 80 percent to 85 percent. This is one of the most significant monetary policy measures intended to considerably augment the availability of the loanable fund, reduce interest rate and stimulate borrowing by the private sector.

The lending interest rate has dropped by at least 200 basis points since the lockdown, essentially due to low demand for credit from the private sector and the availability of the excess loanable fund in the banking sector. Inflation has also come down from above 6 percent in the Pre-Covid-19 period to 4.1 percent in Nov 2020. This gave more room for the central bank to keep the policy rate low for some time. The banking sector has been well capitalized with capital adequacy ratio at around 14 percent and the non-performing loan at 1.73 percent. These conditions underpin a solid ground for the credit to take off as soon as the situation normalizes and the economy starts to recover.

Public debt and financing

The low level of public debt together with low interest rate provides the GoN with sufficient fiscal space in implementing economic stimulus in order to contain the impact of the pandemic on the lives and livelihoods of the people. Nepal has benefited immensely from the concessional loans from both the

multilateral institutions such as the IMF, the World Bank and the Asian Development Bank and bilateral donor agencies. The IMF and the World Bank have suspended debt repayment for the low-income developing countries in 2020, and this might be extended to 2021. The G20 has also adopted similar policies. These forbearances on debt repayment provide Nepal and other developing countries much needed fiscal support to step up public spending on vital sectors to limit the damage of the pandemic and stimulate the economy. Such measures can provide Nepal with significant additional spending power of NPR 23.6 billion in the LFY and NPR 26.8 billion in the CFY.

Healthcare Measure

Some of the other key steps taken by GoN⁴⁵ to manage the evolving crisis include activation of MoHP's Incident Command System - a cooperative emergency response mechanism that allows GoN and outside relevant agencies to better organize and coordinate response efforts; imposition of a nation-wide lockdown from 24 March to 21 July 2020; establishment of toll-free Covid-19 hotlines (a 24-hour access, dialing 1133; and 6am-11pm on 1115); preparations of a clinical management protocol; designation of a number of hospitals across the country as either Covid-19 clinics, or categorizing them into three levels of hospitals for treating mild confirmed cases, moderate to severe cases and specialized surgical services, in addition to multi-specialty care; publication of SitReps by the Health Emergency Operations Center (HEOC) and presenting Covid-19 updates at a daily press briefing conducted by the MoHP spokesperson.

Covid-19 in South Asia & the Regional Efforts

The eight Saarc member countries - Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka - comprise about 21 percent of the world's population⁴⁶. As per the data compiled by Saarc Covid-19 Portal⁴⁷ and JHU CSSE⁴⁸ South Asian countries have a lower death rate against the global average - 1.5 percent vs 2.13 percent - and a higher recovery rate, 95.3 percent vs 71.7 percent. The median age of South Asian countries is among the lowest in the world (27.6 years).

The following table outlines overall status of Covid-19 in the SAARC Region:

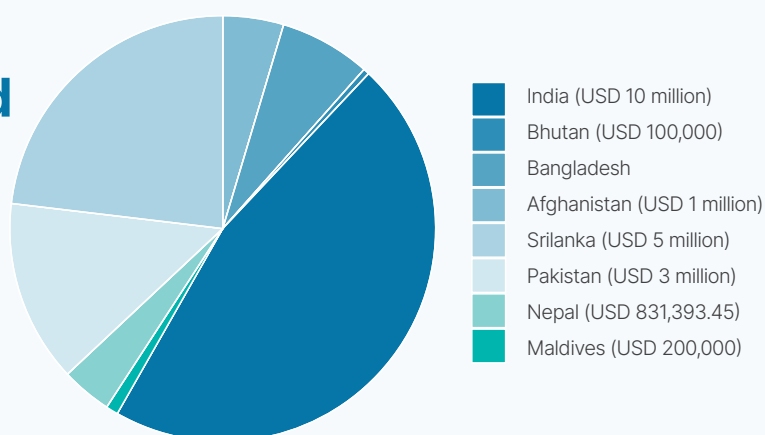
Country	First Case	Total Cases	Deaths	Recovered	Incidence Rate/10000	Case-Fatality Rate (%)
Afghanistan	24 Feb 2020 ⁴⁹	54,141	2,346	46,759	139.08	4.33
Bangladesh	7 Mar 2020 ⁵⁰	529,687	7,950	474,472	321.63	1.5
Bhutan	6 Mar 2020 ⁵¹	850	1	631	110.16	0.12
India	30 Jan 2020 ⁵²	10,595,660	152,718	10,245,741	781	1.4
Maldives	7 Mar 2020 ⁵³	14,633	49	13,615	2,707.1	0.33
Nepal	23 Jan 2020 ⁵⁴	268,310	1,975	262,642	920.86	0.74
Pakistan	26 Feb 2020 ⁵⁵	524,783	11,103	478,517	247	2.1
Sri Lanka	27 Jan 2020 ⁵⁶	54,789	273	47,215	255.91	0.5

[Updates as of 20 Jan 2021, 23:00 Nepal Time⁵⁷]

As the pandemic began taking a serious turn in the region, Indian Prime Minister Narendra Modi invited⁵⁸ all leaders of Saarc countries for a video conference on 15 March 2020, the first high-level meeting among Saarc leaders since 2014. The conference was attended by heads of government of the member countries, except that of Pakistan from where Prime Minister Imran Khan appointed his Special Adviser on Health Zafar Mirza. Often, the incidents of interstate conflicts in South Asia have long been hindering Saarc from functioning properly⁵⁹ and since the video conference was called on by Mr. Modi, Mr. Khan was hesitant to attend the meeting himself. Notably, the 15 March initiative took place outside Saarc's official framework.

During the meeting, Mr. Modi proposed a Covid-19 Emergency Fund that would be made up of voluntary contributions from the member countries. The main purpose of the fund, Mr. Modi explained, was to allow any Saarc nation to avail of the fund to meet immediate pandemic-related expenses. Though the fund was set up outside the Saarc framework, the move highlighted the importance of a regional grouping, and the lack of any viable alternative to Saarc in the region. To date, Nepal, Sri Lanka and Bangladesh have benefited most from the fund⁶⁰. As of 14 April, 2020⁶¹, the fund had secured USD 21,631,393.45, with Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka contributing USD 1 million, USD 1.5 million, USD 100,000, USD 10 million, USD 200,000, USD 831,393.45 (NPR 100 million), USD 3 million and USD 5 million respectively. Pakistan donated on condition that the facility be administered within the Saarc framework – a position that points at sharp differences between India and Pakistan over how they view the Saarc cooperation and the corresponding stalemate on the regional initiative. Nepal's Prime Minister Oli, who is also the current Chair of Saarc, appreciated the efforts made by Prime Minister

SAARC Covid Fund



Modi and other leaders from South Asia for creating a regional mechanism to fight a common public health threat.

The conference was followed by yet another high-level virtual conference on 26 March 2020⁶² among the top public health officials from the region, which was chaired by the Director General of Health Services of India. The forum offered a timely platform to discuss plans, priorities and issues identified by the Saarc leaders' conference in mid-March and also to better understand Covid-19 conditions and related government efforts across South Asian economies. To better manage the level of pandemic preparedness in the region, India proposed to develop a common online platform [<http://www.covid19-sdmc.org>] that would not only help the member countries to exchange information on Covid-19 but also to help concerned government departments to collaborate with one another for sharing their knowledge, expertise and best practices related to the pandemic and also to work on further boosting the region's emergency response system while also expanding countries' lab facilities⁶³.

Strategic Affairs

Nepal's evolving status amid changing global and regional orders

Nepal has attracted increased interest from regional and global actors in recent years. To many, this is reminiscent of the time when Nepal once enjoyed a comparatively more significant presence in global politics. It was twice elected as the non-permanent member of the United Nations Security Council in 1969-70 and 1988-89⁶⁴ and Nepal's exchanged high-level visits with such countries as China, the Soviet Union and the US, for example. However, Nepal's global profile has arguably declined post-1990. Internally, this was accelerated by the Maoist insurgency, when the focus was entirely on domestic security. Later, Nepal was preoccupied with writing a new constitution. The promulgation of the Constitution of Nepal in 2015, and the subsequent election to three tiers of government in 2017 led to political stability and clear constitutional direction on the conduct of foreign affairs of Nepal⁶⁵. In the following years, Nepal actively engaged with the world.

Externally, the regional and global order had changed significantly. The rise of China, India and other Asia-Pacific countries vis-à-vis the West means the locus of global politics has shifted from the Atlantic to the Indo-Pacific. This became pronounced especially after the 2008 Global Financial Crisis. Western economies, including the US and Western European democracies, suffered significant economic downturn but India and China remained relatively unscathed, and the latter is credited with helping pull the global economy out of recession. Following the 2008 crisis, nationalist movements held sway in Europe and the US. In 2016, Donald Trump was elected President in the US riding the wave of populist and nationalist sentiments. He unveiled protectionist policies and turned his back on multilateral institutions.

Chinese President Xi Jinping, on the to the other hand, staunchly defended globalization at World Economic Forum in 2017⁶⁶. This marked a remarkable shift in global leadership. By 2019, India had become the fifth largest economy in the world⁶⁷. Many strategic affairs analysts now like to say the future is Asian.

Indian role and engagement

Nepal's Foreign Policy, 2077 (2020) acknowledges the rapid change in global and regional power balance⁶⁸. Sino-Indian competition in the South

To draw global attention as well as to encourage countries around the world to take the pandemic seriously, the WHO declared the disease a public health emergency of international concern on 12 Feb 2020. The following month, the WHO declared it as a pandemic.

Asian subcontinent and Sino-US competition at the global arena has brought the spotlight back to Nepal in recent years. This has resulted in increased engagement of New Delhi and Beijing with Kathmandu. Prime Minister Narendra Modi has already made three visits to Nepal, his first in 2014 was also a first by an Indian Prime Minister in 17 years. Notably, he addressed the parliament during the historic visit, and stressed that he was not here to 'dictate' Nepal but to allay fears of continued Indian interference in Nepali political affairs, a clear indication that New Delhi is aware of distrust created by actual and perceived Indian interference in Nepal. To many, the visit marked a 'paradigm shift' and 'reset' in Nepal-India ties. Besides Mr. Modi's visits, several high-ranking Indian officials have visited Nepal in recent times despite the two low points in the bilateral ties – first, due to the Indian border blockade in 2015-016 and second, due to the boundary dispute in 2019-020. This underscores both the inherent difficulties and the imperative of the bilateral ties.

Nepal and India share 'special'⁶⁹ a multi-dimensional relationship. India enjoys a privileged position in Nepal's foreign policy, and maintains significant influence because of the power and trade asymmetry and geo-political reasons. Yet Nepal signed the BRI despite reservations from India, which reflects Nepal's need for strategic independence in balancing its foreign policy vis-à-vis its two larger neighbors. New Delhi perceives that Chinese influence in Nepal has increased at its expense, especially since the nationalist Leftist coalition⁷⁰ won a momentous majority in 2017 elections⁷¹.

After projecting a strong China tilt for most of his time in office, Prime Minister Oli in recent months have made strong overtures towards India. This could have two reasons: he is unhappy with Beijing's reportedly clear position that it would prioritize the Nepal Communist Party's unity over Mr. Oli's leadership either as the party chief or head

of the government; he reckons that he needs to take New Delhi into confidence, rather than allay it, to manage Nepal's internal political dynamics.

In late 2020, Kathmandu saw a flurry of diplomatic engagement with New Delhi. Research and Analysis Wing (India's external intelligence agency) chief, Samant Kumar Goel, made a surprise visit to Nepal in late October. This was soon followed by visits by Indian Army Chief Manoj Mukund Naravane and Foreign Secretary Harsh Vardhan Shringla. The visits a month prior to the dissolution of the parliament by Prime Minister Oli and the muted response of New Delhi⁷² has led many to perceive that India was aware of, if not supported, the dissolution⁷³. The story is that

Nepal Telecom (NT), a government-run telecommunications company, disseminated the 'standard message' sent by MoHP by changing its usual caller ring back tone (CRBT) with a Covid-19 related message from 19 March 2020 onwards.

the end of the large unified left with strong ties with Beijing and a weaker government would give New Delhi greater leverage in Kathmandu, and hence Delhi supports the dissolution, mid-term elections and the NCP split. This could also mean the Nepali Congress's possible emergence as the largest party in Parliament – also to New Delhi's liking, rather than the communist parties. There is also a school of thought that the Hindu nationalist BJP government in India would like to see the revival of 'cultural monarchy,' as against active monarchy, in Nepal and recent political symbolism caters to both the BJP's expectations and a section of the Nepali population that wants to see Nepal reinstated as a Hindu state. Towards that end, Oli made a much-publicized visit to Pashupatinath

temple and addressed a massive public rally in Kathmandu with Narayanhiti Palace, home to the deposed monarchy, as the backdrop.

Chinese role and engagement

President Xi made a two-day visit to Nepal in October 2019 on the way back from his visit to India where he had met Prime Minister Modi. Again, this was the first visit by a Chinese President in 23 years. Nepal and China signed 18 Memorandums of Understanding (and two letters of intent), primarily focusing on connectivity. The President of Nepal and almost every senior leader from NCP have visited China in recent years while the visits by senior CCP leaders to Nepal have also come thick and fast. In 2018, fresh from his landslide, Prime Minister Oli visited Beijing where the need for a strong connectivity dominated the proceedings. This reflects increased Chinese engagement in Nepal following increased investment, signing of the Belt and Road Initiative framework agreement in 2017, and increased presence south of the Himalayas.

China consistently encouraged the merger of two major communist parties - CPN (UML) and CPN (Maoist Center) - before and after the 2017 elections and now has called the NCP factions to remain united. Chinese Ambassador Hou Yanqi has maintained an active presence in Kathmandu and some credit her role for preventing the split of NCP early in the summer of 2020⁷⁴. This stems primarily from Beijing's interest to have a stable political force in Nepal and its high comfort level in dealing with a single communist party. The CPC and NPC's party-to-party ties have deepened in the last couple of years through high-level exchanges, including orientation by the CPC officials to their Nepali counterparts on Xi Jinping School of Thought (check details). After the dissolution of Parliament in December 2020, Beijing advised NCP to 'consider national interest... and appropriately handle inner divergences' for stability and development⁷⁵. As the NCP factions were on verge of a split, it dispatched Vice-Minister of International Department of CPC, Guo Yezhou, to Kathmandu "to understand the political situation of Nepal". However, many analysts understand it as Beijing's last-minute attempt to keep the NCP unified⁷⁶.

American role and engagement

Besides the two big immediate neighbors, the interest of the US in Nepal has also increased, though Nepal remains on the periphery of the US foreign policy⁷⁷. Foreign Minister Pradeep Kumar Gyawali visited the US in December 2018, the first official visit to the US of Nepal's foreign minister in 17 years⁷⁸. The meeting focused on two important issues: USD 500 million Millennium Challenge Corporation (MCC) compact and Nepal's 'central role in a free, open, and prosperous Indo-Pacific'⁷⁹— to many, a clear indication that the US is keen to have Nepal on board the Indo-Pacific Strategy. However, Mr. Gyawali refuted reports that Nepal supported the IPS, the United States' Asia strategy⁸⁰ after controversy erupted at home and in his own party over the meaning of Nepal's 'central role' in the IPS. Many communist

and non-communist leaders believe that the IPS is a move aimed at countering China's rising influence in the region and that it is a security architecture and Nepal should stay out of the US initiative. This school of thought finds reflection among numerous opinion articles in Nepali newspapers – an impression that was further bolstered by the Trump administration's strongly confrontational approach towards China, declaration of India's centrality in the IPS and its strong perceived security dimensions. Like many countries in the Asia-Pacific, Nepal has been pushed to an unenviable position to choose between the two world powers.

The Economist argues⁸¹ that America, like China, is not the perfect ally in the eyes of many Asian countries but the countries of the region have no choice but to deal with both. Asians have grown used to American engagement as a counterweight to an overweening China, but fear being dragged into a fight. It would be better if

Asian countries wanted to work with America in its own right, because they are drawn to American innovation, economic vitality, openness and moral coherence. America should aspire to be more than a security hedge against China. Asia would be a safer and more prosperous place for it.

The inauguration of President Joseph R. Biden has opened new avenues of cooperation between the US and Nepal, and a presidency that is seen globally as far more respecting of established international norms and, in Nepal's case, appreciates Nepal's own geopolitical reality. US Ambassador Randy Berry shared that President Biden will work

to reinvigorate and strengthen democracies at home and around the world, and focus on the rights of women⁸², indicating the focus back on democratization and human rights, a recognition that democracies are facing a challenge globally. Biden's decision to rejoin Paris Climate Agreement and re-engage with the World Health Organization increases avenues for cooperation and both these news have found prominence in Nepal's media and resonated with Nepal's intelligentsia. Hence, the Sino-Indian and Sino-US competitions, along with changes in the US administration, have provided a unique window of strategic opportunity for Nepal. This has arguably

increased the geo-strategic importance of Nepal. As seen from Nepal, the regional competition is increasingly crystallized into a race for influence between a powerful China on one hand and the Indo-US alliance on the other. It is not only a Quad member, India, with the US, also has 2+2 dialogue, a clear sign of deepening engagement with an eye on China⁸³. Broadly, it remains to be

seen how the Biden administration balances its promise for democratic strengthening and human rights with strategic interests around the world, in the region and in Nepal where four issues are likely to stand out in the medium and long term:

- **Debates over the IPS and its perception by the Nepali elite**
- **Similar debate over the MCC**
- **Tibet and attendant human rights issues**
- **Overall efforts on protection of democratic values and their messaging and balancing them with strategic interests in South Asia and in Nepal**



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Nepal: Challenges and opportunities

It need not be a 'zero-sum' game for Nepal, whoever is/are in the government. NCP's own interests to achieve 'prosperous Nepal, happy Nepal' require political stability, and a long-term focus on democratic values and human rights. Even the MCC⁸⁴ and BRI, which are often pitted in either/or framing in popular discourse in Nepal aren't mutually exclusive from Nepal's perspective. The focus of the two projects is different and could add to complementarity. BRI focuses on connectivity: infrastructure (transport, technology etc.), trade, and people-to-people connectivity. MCC focuses on economic development by helping build power lines and roads. BRI projects help link the vast market in northern India with China through Nepal. But there could be some tension on the way these goals are achieved. China focuses on stability, and precedence of development works ahead of the political system and human rights while the American focus could concurrently be on democracy and human rights. Nepal of course will have to engage in a lot of 'balancing' act itself. This will test the 'independent and balanced' foreign policy goal of Nepal⁸⁵.

First of all, this requires a domestic stability, and a consensus among different parties and stakeholders regarding key elements of foreign policy⁸⁶. Ironically, as the external environment of Nepal seems to be stabilizing (which Foreign Policy, 2077 listed as a challenge), the domestic instability is cause of major concern (which Foreign Policy, 2077 lists as an opportunity). This could lead to Nepal's failure to cash in on the window of strategic opportunity.

Therefore, the next few months and years will be crucial in terms of internal and external developments. The regional and global competition has spilled over to Nepal and increased its strategic significance for now. The global scenario is expected to stabilize, though the Sino-US rivalry will be a permanent feature for the foreseeable future. The change in administration in the US, and its focus on the 'traditional' role in global affairs means that US-China relations will be marked by cooperation on issues of mutual interest (such as Climate change) and competition in others. The US focus on democracy and democratic values, and coordinated approach to the China challenge lends at least to more predictable global affairs. Thus, the onus is on Nepal to keep its house in order, and make most of the strategic window.

Timeline of Key Event and Policy Actions

Key Covid-19 Events

23 Jan 2020	First case reported in Nepal (first confirmed case in South Asia)
27 Jan 2020	Nepal begins limited testing for Covid-19
16 Feb 2020	Nepal evacuating 175 citizens (mostly students) from Wuhan, China after Covid-19 outbreak takes serious form in China
16 Mar 2020	GoN announces that it will provide all healthcare professionals working in the Covid-19 response free health insurance and an increased allowance
29 Mar 2020	GoN announces to open Covid-19 testing centres in each of the seven regional hospitals in addition to the Kathmandu-based National Public Health Laboratory
30 Mar 2020	GoN announces that it will provide all healthcare workers with the PPE
4 Apr 2020	Confirmation of the first locally transmitted case (in a 34-year old female from Kailai District in Sudurpashchim Province)
8 Apr 2020	MoHP mobilises 11 health professionals across the country to improve the testing process
10 Apr 2020	GoN asks retired healthcare workers and some medical students to assist with the response to Covid-19
14 May 2020	First Covid-19 related death (a women from Sindhupalchowk)
28 May 2020	Confirmed cases surpass 1,000
8 Jun 2020	Number of RT-PCR tests surpass 100,000
23 Jun 2020	Confirmed cases surpass 10,000
15 Aug 2020	Covid-19 related deaths exceed 100
3 Nov 2020	Covid-19 related deaths exceed 1000
18 Jan 2021	Nepal confirms UK variant of the Covid-19
21 Jan 2021	Nepal receives 1million doses of vaccines developed jointly by the University of Oxford and the pharmaceutical giant AstraZeneca from India [The company that produced the vaccine in India has named it Covishield]

Government Actions

27 Feb 2020	Nepal halts all labor migrations to South Korea as Covid-19 takes serious form in the latter
29 Feb 2020	GoN announces to suspend all promotional activities relating to the Visit Nepal 2020 Campaign
1 Mar 2020	Cabinet Meeting decides to cancel Sagarmatha Sambaad (A global dialogue forum initiated by the Government of Nepal) and Visit Nepal 2020 (a year-long campaign to boost Nepal's tourism industry) and establishes a special high-level committee, to be chaired by the Deputy Prime Minister and Minister of Defense, to coordinate the government's response to the pandemic
2 Mar 2020	Visit Nepal 2020 (a year-long campaign to boost Nepal's tourism industry) and establishes a special high-level committee, to be chaired by the Deputy Prime Minister and Minister of Defense, to coordinate the government's response to the pandemic
9 Mar 2020	Nepal stops issuing on-arrival visas to foreign nationals travelling from high risk countries - China, South Korea, Iran, Japan and Italy - and also advising Nepalis not to travel to these countries Nepal extends suspension of on-arrival visas to nationals of France, Germany and Spain
14 Mar 2020	GoN suspends all permits for mountaineering expeditions and stops issuing on-arrival visas to all foreign nationals. GoN makes it mandatory for all international arrivals to self-isolate for 14 days
15 Mar 2020	Nepal sits for the 15 March 2020 Video Conference between SaarcHeads of States
16 Mar 2020	GoN orders all schools, colleges, cinema halls, gyms, clubs, swimming pools, and museums to close until April 30
22 Mar 2020	Suspension of international flights to and from Tribhuvan International Airport, Nepal's only international airport as of now Nepal contributes NPR 100 million (Approx USD 831,393.45) to the Saarc Covid-19 Fund
23 Mar 2020	Nepal closes its international borders with China and India
24 Mar 2020	Beginning of a nation-wide lockdown
29 Mar 2020	NRB lowers its cash reserve ratio from 4 to 3 percent as well as reducing the standing liquidity facility interest rate from 6 to 5 percent to provide liquidity to the financial system. Allowing BFIs to meet their regulatory and supervisory requirements until 15 Apr 2020 without any punishments. With an aim to reduce the economic impact of the pandemic, NRB announces an interest subsidy for lenders and reschedule loan payments for Covid-19 affected businesses. GoN Requests all landlords to waive rent for tenants for the nation-wide lockdown period. GoN announces to provide discounts of 25 percent on all electricity bills for households that use more than 250 units/month

30 Mar 2020	GoN announces to increase health spending and also to provide social assistance to the needy people. The key objectives of these measures included providing additional insurance benefits to the front-line workers, providing daily food rations to the most vulnerables, subsidizing utility-bills for lower income consumers, importing additional medical supplies, constructing quarantine centers and temporary Covid-19 hospitals and extending deadlines for filing tax
1 Apr 2020	Imposing of temporary ban on imports of luxury goods (gold over 10 kg and vehicles worth over USD 50,000)
4 Apr 2020	GoN suspending leave for all healthcare workers
26 Apr 2020	GoN announcement saying that the workers from the informal sector, if lost their jobs, would be provided opportunities to either work in the public-work projects for GoN defined subsistence wage or get 25 percent of local daily wage.
29 Apr 2020	NRB announcing Nepali banks deferring their loan repayment deadlines from Apr and May until mid-Jul 2020 (it was later extended to Jan 2021 or later) and directing banks to apply lower interest rates (up to 2 percentage points) for the borrowers from the affected sectors when calculating the interest due for the period of mid-Apr to mid-Jul 2020
28 May 2020	The Finance Minister delivers the budget speech for FY 2020/21 that included many measures aimed at managing Covid-19 and the related issues in the country, including further strengthening Nepal's healthcare system, special business support for cottage and SMEs plus those in the tourism sector and creation of more local jobs to provide jobs to migrants returnees
17 Jul 2020	NRB lowers policy rate from 3.5 percent to 3 percent with some backup plans to provide additional support, if needed
22 Jul 2020	Lifting of nation-wide lockdown
2 Sep 2020	International flights resume
17 Sep 2020	Domestic flights and long-haul public transport services resume
13 Nov 2020	Relaxation of restrictions at tourist sites
3 Dec 2020	Announcement by NRB announced the collateral auction process will be deferred for some time for borrowers impacted by the Covid-19 pandemic who have outstanding interest payment of less than six months. The NRB also announced that provisions will be made to allow repayment of foreign currency loans in local currency.
23 Dec 2020	Ban on entry of passengers originating or traveling from the United Kingdom




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