

Nepal



Debt summary

Nepal has been heavily dependent on foreign assistance since its first budget in 1952. From the 1970's, aid was given primarily in loans, resulting in a huge and growing debt stock. The debt stock in Nepal amounts to over US\$3.77 billion with annual repayments of over US\$186.9 million. Although the national economy is growing and Nepal's debt sustainability is considered to have improved over recent years, this consideration is entirely based on economics as opposed to the position of Nepali people. Nepal qualified for the **Heavily Indebted Poor Countries** initiative (HIPC) and began making the required changes until the government pulled out in 2009. This decision is largely attributed to an unwillingness to accept the conditionalities and terms attached to the cancellation which have been seen to have harmful impacts elsewhere in the world. Under the UK's own Multilateral Debt Relief Initiative, 10% of Nepal's debt to the World Bank is paid by the UK and although this is beneficial, the impacts are limited by the scale of the large debts which continue to weigh down the Nepali economy.

Debt history

Foreign economic assistance has shaped the Nepalese economy, a nation where development projects are almost always financed by external bodies. This situation makes Nepal highly dependent on the whims of external donors, and has heavily contributed to the situation of the insurmountable debt stocks. The accumulated debt has been spent on various projects, with large amounts diverted to security during the decade long civil war which ended in 2006. Economic development was stagnant over the conflict period and Nepal has remained as one of the poorest countries in the world.

The total debt stock is currently around 36% of the countries Gross Domestic Product, having been reduced from 60% over the past decade. The IMF assessment confirms Nepal has a moderate risk of default, largely due to the vulnerabilities in the financial sector. However, this assessment is one dimensional, not taking into account the political tensions, high poverty rates and struggles of the Nepali people whilst they continue to pay millions each year in debt service.

Current situation

Although the economic outlook is relatively positive and the debt stock looks more sustainable, Nepali people continue to suffer from high levels of poverty. The country is shaped by the engrained caste system which results in pervasive inequality. Disadvantaged castes such as *Dalit*, traditionally regarded to be 'untouchable' are economically deprived and often lack access to development opportunities. Women are disadvantaged in Nepal and still largely confined to roles within the home and family, particularly in lower castes or rural areas. Additional challenges in Nepal include the sanitation coverage which is only 27% in the country and malnutrition with the World Health Organisation estimating that 4 in 10 children under 5 are underweight.

Climate debt

Nepal contributes only 0.025% of the world green house gases but is considered to be the fourth most vulnerable country to the impacts of climate change. A World Bank scheme providing funding to mitigate this vulnerability would have included a US\$60 million loan adding to Nepal's large debt stocks. This led to scepticism amongst Nepalese civil society who rejected the accumulation of further debt for a problem they did not cause. They have asked the Government to consider the unfair nature of the debt burden when the associated risks of climate change are vastly disproportionate to their emissions and consequent contributions to the problem. Calling for fairness and a prioritisation of people illustrates the power of the people to effect change and shape a more sustainable global financial system.

Factfile

Population
29.89 million

Life expectancy
66.51 years

25.2%
of the population live below the poverty line

60.3%
Total adult literacy rate

50 out of 1000
children die before the age of 5

Human Development Index rated
157
out of 187 countries

46%
unemployment



To find out more about the Asia Pacific Movement on Debt and Development, a coalition of NGOs and grassroots organisations see apmdd.org