

Nepal: Rare chaos across the country forces government to resign | Credendo

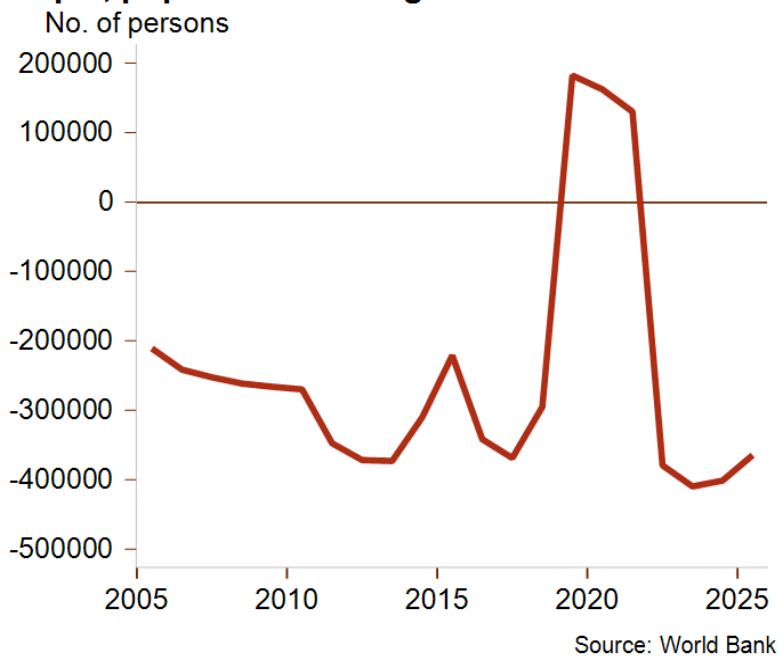
Event

Early September, two days of rare chaos across the country saw attacks against government targets and public institutions, including the burning of Parliament and ministers' houses. Violent mass unrest led by "Generation Z" protesters was triggered by the government's announced ban on accessing social media platforms, which was seen as an attempt to censor free speech. In those extreme circumstances, the social media ban was quickly lifted, PM Oli and his government resigned, and a military curfew was temporarily put in place to restore law and order. Former Chief of Justice Sushila Karki will lead a transition government until snap elections are held – a wish expressed by the protests' leaders.

Impact

After Sri Lanka (2022) and Bangladesh (2024), Nepal is the third country in South Asia to experience mass popular discontent and have leaders and governments be ousted from power in a few years' time. Besides domestic realities, they share some other similarities, such as the fact that leaders and an enduring elite occupied the reins of power for over a decade and that their rule was characterised by high perceived corruption, decreasing public freedom and a failure to improve the population's daily lives. Indeed, Nepal's bloodiest protests in decades have been fuelled by corruption scandals, nepotism, inequalities, poverty, the persisting absence of domestic prospects for the youth and a lack of real change over the past twenty years. As a result, emigration to India, the Gulf countries or some South Eastern Asian countries continues to be the main option for young people to have economic prospects. That is reflected in Nepal's figures, which show it is one of the world's most dependent countries on its diaspora's remittances as a share of GDP (more than 25%) and current account receipts (nearly 75%).

Nepal, population net migration



Violent repression during the unrest – leaving more than 50 people dead – and the rising crackdown on human rights over time have only increased the population’s anger and determination to demand a real change in political direction with new political faces and commitments. Indeed, under the new constitution of 2015, Nepal has seen recurrent political instability and eight coalition governments, often led by the same political figures from the Nepali Congress, Maoist party and Communist party. Looking ahead, while calm has temporarily returned, the fragile political transition period until snap elections are held will keep political uncertainty and tensions elevated, weighing on economic forecasts and reforms. In the short term, the political elite will be under high pressure from the population to deliver changes and meet (some of) their expectations to prevent mass unrest from occurring again. Time will tell whether the latest extraordinary protests were a turning point in Nepal’s recent political history.

At this stage of political uncertainty, no risk rating changes are planned.

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