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THE PRACTICAL POLITICS OF

Civil service reform in Nepal

Nepal's civil service serves political parties more than the people – and it is a drag on growth and development. The new government has a once-in-a-generation chance to depoliticise the civil service and catalyse progressive change. Missing it risks keeping Nepal stuck in a low-growth, low-development, high-migration loop. Many civil servants are skilled, honest and motivated, but the system punishes those traits. For change to happen, the political dimensions of the civil service need to be explicitly addressed.

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Practical insights

- **Nepal's politicised and underperforming civil service is a feature of the country's elite bargain, not a bug.** Political interference in appointments and transfers has turned the bureaucracy into an extension of party machines. Politicisation also hampers the effectiveness of skilled and motivated civil servants, who fear retaliation if they resist politicians.
- **Politicians and civil servants are mutually dependent.** Politicians use the bureaucracy to distribute patronage and government contracts, while civil servants use discretion and political connections to secure postings and post-retirement appointments. All are rational actors in a system that rewards them for preserving the status quo.
- **Party-affiliated civil service unions sustain dysfunction.** Unions resist efforts to break party-bureaucracy links, while actively shaping the transfer and promotion market that drives politicisation throughout the public service.
- **A fragile coalition for reform may be emerging.** The new RSP-led government, Gen-Z and civil society, new leaders in older parties, and small businesses frustrated by red tape and corruption have created rare political momentum for change. But the government is sending mixed signals. Genuinely improved service delivery and lower tolerance of corruption sit alongside centralised and non-consultative decision-making.
- **Despite decades of engagement, aid partners have rarely used their leverage to shift the incentives driving politicisation.** In the small-aid era, that leverage is fading. Yet the way aid partners disburse funds still risks reinforcing bureaucratic underperformance.

Practical propositions

Stakeholders have long discussed the need to depoliticise Nepal's civil service, but now there is an opportunity for action. Nepal's reformers have momentum, demographics and the government on their side. But transformational change requires a politically feasible, long-term approach that understands why previous reforms failed. We offer three key propositions to enable this change:

1. **Put the politics of civil service reform firmly on the policy table.** Learn from past failures, separate unions from parties, and push for reforms to political parties.
2. **Build a civil service that reflects Nepal's demographics, so it is trusted to serve all citizens.** Create a new code of conduct and implement the Federal Civil Service Act.
3. **Make civil service reform socially, politically and electorally salient.** Create a reform coalition for long-term change and communicate reforms publicly to rebuild trust.

BLAVATNIK SCHOOL OF GOVERNMENT

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I. What is the problem?

Nepal's growth and development have long been held back by weak state capability. Its highly politicised civil service is a core reason why budgets and policies have not translated into delivery.

Nepal's growth problem is increasingly one of implementation, not policy design. Plans, budgets and laws largely exist, but the administrative machinery converting them into roads, power, services and revenue does not reliably work. This makes civil service reform an economic agenda, not just an administrative one. A capable, merit-based and predictable administration raises growth through several connected channels. It executes public investment and procurement faster and better, so infrastructure is delivered on time and earns its expected returns. It consistently enforces regulation, licensing and contracts, lowering the uncertainty and transaction costs that deter private investment. It strengthens revenue collection, creating fiscal space for infrastructure and human capital. And it delivers the basic health and education services on which a productive workforce depends.

Comparative evidence makes clear that this is causal, not incidental. Bureaucracies that recruit and promote on merit and offer predictable careers produce materially higher growth, largely independent of the specific policies they pursue, than bureaucracies organised around political patronage (appointments, transfers and contracts traded for loyalty).[1] The latter is the pattern behind Nepal's chronic under-execution of capital budgets and faltering service delivery. The IMF identifies limited administrative capacity, coordination failures and frequent bureaucratic turnover in Nepal as causes of delayed project execution, reduced public-investment efficiency and increased uncertainty for private investors. Its 2026 modelling suggests that governance reforms such as raising public-investment efficiency, strengthening VAT collection and reducing distortions to private investment could raise Nepal's real GDP by around 13% over ten years, while stimulating private investment, creating jobs, reducing inequality and improving public debt dynamics.[2]

Nepal's civil service cannot reliably turn budgets and policies into results, and that is a first-order constraint on Nepal's growth. Nepal remains one of South Asia’s poorer economies: GDP per capita was only $1,447 in 2024 (around half the South Asian average), and real GDP growth was 3.7% that same year (below the ~6% regional average). This is far below what is needed to absorb its young labour force at home.[3] Poverty has fallen substantially, but that progress has been driven more by remittances from migrant labour abroad than domestic job creation. Although Nepal achieved dramatic reductions in multidimensional poverty over the 2010s (from 39% in 2011 to 17.5% by 2019), UNDP’s 2022 data revealed that around 20% of Nepalis remained multidimensionally poor, with a further fifth vulnerable to poverty.[4]

Remittances are the central stabiliser of the economy. They totalled around a quarter of GDP in recent years, but were nearly 29% of GDP in the first ten months of FY 2025/26 (approximately $13bn).[5] Aid remains significant – official development assistance totalled $1.61bn in 2024/25 – but is dwarfed by remittance inflows more than eight times its size and cannot compensate for weak state capability.[6] The result is a development model by default, in which households have little choice but to sustain themselves and the economy by sending family members to work abroad, while the state struggles to convert its own budgets into reliable services, infrastructure and jobs.

For decades, the incentives governing the bureaucracy have pulled it away from serving Nepal. It has instead been an extension of political parties, used by politicians to influence budgets, contracts and procurement. In turn, senior bureaucrats rely on party-political links to secure promotions (especially at the top ranks), transfers and post-retirement appointments.[7] Ministers from all parties frequently ignore merit- or seniority-based processes to install loyalists in key posts, while sidelining impartial and professional civil servants who uphold the rules. This dysfunction drives low-quality public services and infrastructure while impeding growth and development. Delayed roads and irrigation schemes, poorly maintained schools and hospitals, medicine shortages and endless queues at government offices are the result.[8]

The fiscal picture reinforces the point. Around 61% of Nepal's budget was allocated to recurrent expenditure in 2024/25. This is high relative to peer economies, where recurrent spending usually accounts for around 45-55% of the total budget. Included within this are employee remuneration (14% of the total budget) and civil service pensions (5% of the total budget).[9] In comparison, around 19% was allocated for capital expenditure.[10] Capital budgets are furthermore persistently underspent: only about 63% was spent in FY2023/24, and previous years were similar.[11]

Under-execution due to politicisation is not only a story of capacity or rent-seeking. Some officials avoid or delay signing off on capital spending because they fear accusations of procurement irregularities, or investigation by Nepal's highly politicised anti-corruption body (the CIAA). Files stall while officials seek political cover from above.[12] The World Bank estimated that under-execution of capital budgets reduced public investment by an average of around 5% of GDP during 2021–2024.[13]

These figures matter because the civil service and the capital budget are two of the state's main engines for delivery. Nepal has a large state apparatus and a sizeable development budget. But the machinery linking plans, personnel, procurement, project management and implementation does not reliably produce results.[14]

Turning this situation around requires the civil service to shift to serving Nepal's people, not its political parties. This cannot happen in isolation: civil servants cannot resist political pressure alone, so bureaucratic reform and political reform must move in tandem. The new government appears to acknowledge this. Before he became Nepal's youngest prime minister in 2026, Balen Shah rapped against politicians ('thieves'), corruption and the endless paperwork dragging the country down.

The development hopes of Nepalis, new leaders' abilities to meet voters' expectations, the demands of Gen-Z protestors in 2025, and those of the first and second Jana Andolan (the people's movements of 1990 and 2006) all rest on making the civil service work.[15] So does the dream of many Nepali migrant workers to return, live with their families and earn a decent living at home.

Thanks to social trends and the emergence of a growing coalition in favour of change, there is a once-in-a-generation chance to reform the political economy of the civil service, not just tinker with technical capacity. Recent protests and the election showed that there is strong public support for reform and a more delivery-oriented state. Newer parties and younger leaders also seem ready to challenge the status quo. There are risks – particularly the danger of democratic backsliding if due process and consultation are disregarded during the pursuit of reform. But this remains an opportunity to positively reshape Nepal. Whether it is taken depends on how well would-be reformers negotiate the political forces still benefitting from a lack of change.

Nepal's civil service: form over function

Nepal's civil service has 85,000–95,000 full-time permanent civil servants, or around 300 civil servants per 100,000 Nepalis. This is a relatively lean ratio and in line with South Asian peers, which suggests the problem is not bureaucratic overstaffing.[16] A permanent job in the Nepali civil service is highly prized for its stability, pension and perks in a country with widespread underemployment and unemployment (which was 10.5% in 2025, high in comparison to 3–6% across most of South Asia).[17]

Nepal's civil service does not look like Nepal's population, a mismatch that erodes public confidence and undermines its legitimacy. Although there are reservations for marginalised communities at entry (which effectively also apply to open-competition senior-level vacancies too), the civil service is dominated by men from high-caste hill-origin communities (Brahmin and Chhetri).[18] Madhesis, indigenous communities and Dalits are all underrepresented.[19]

The imbalance increases with seniority: upper-caste groups (under the Khas-Arya category) hold 88% of positions at undersecretary level and above, despite comprising only 31% of the total population.[20] Women are grossly under-represented; they make up 25-30% of the total civil service workforce, with far lower representation in senior ranks. The reservation system introduced in 2007 has nonetheless begun to slowly change the service's composition. The share of women rose from 8% in 2003 to around 23% in 2018, with Dalit, Janajati and Madhesi entry also growing. It will take time for reserved-entry cohorts to reach senior levels.

Dysfunctional by design

The civil service is officially a merit-based system, but it is characterised by frequent transfers, limited specialisation and weak performance incentives.[21] The chronic underspending of the scarce capital budget is a particularly visible symptom of institutional weakness. A substantial share of allocated development funds remains unspent each year because of slow procurement, weak project management and administrative bottlenecks. This directly undermines service delivery and growth.

In 2024/25, only around 63% of the capital budget was spent, with no obvious penalty for ministries that failed to deliver.[22] The underspend was around $1–1.5bn, larger than annual bilateral aid ($400–800m) and a similar volume to external borrowing ($1.5-2.5bn). Remittances ($14–28bn, depending on definitions used) rival or exceed the entire government budget of $12–14bn.[23]

In other words, households sustain the economy through remittance inflows (which are highly vulnerable to instability in West Asia) and the state is unable to spend the resources it is allocated.[24] A major constraint to growth and development is not the availability of finance, but the ability of the civil service to spend it, and the hurdles it faces in doing so.[25]

Despite the clear need, many (especially within the senior civil service itself) have weathered external shocks and resisted previous efforts at reform. Change has largely been incremental and technical; it has not substantively altered incentives or tackled the narrow benefits accruing from the status quo. Because of this, the civil service has remained relatively unchanged throughout three national people’s movements in 1990, 2006 and 2025; a civil war (1996–2006); a comprehensive peace agreement (2006); the end of the monarchy and formation of a federal republic (2006); two constitutions (1990 and 2015); and a major earthquake (2015). It is an extraordinarily resilient institution.[26] Reforming it will be no easy task, but doing so appears essential if Nepal is to break out of its low-growth equilibrium.

II. Who are the players?

Civil service reform in Nepal involves actors with clear incentives to maintain a system that serves them well. Understanding who those actors are, what they want and what leverage they hold is a prerequisite for any realistic reform strategy.

Political elites

Nepal’s political elite has been stable and relatively homogenous: male, upper caste, older and linked to one of the major political parties. This group dominates the civil service, political parties and business, deriving power from the connections between these parts.[27] Their power is reinforced by geographic, kinship and generational ties. Despite radical political changes in 2026, the leadership of the ruling RSP party and key government positions are still dominated by upper-caste groups, albeit from a much younger age group.[28]

Middlemen

In Nepal, ‘middlemen’ (pejoratively: *dalals*) are typically men from upper-caste groups who act as brokers between citizens or businesses and the state. They navigate bureaucratic and political systems on behalf of clients for a fee or favour. Access to effective middlemen who can rapidly mobilise resources is crucial to maintaining elite power.

Middlemen can make things happen or speed things up, such as buying property, sourcing raw materials, arranging licences and permits, or hiring labourers. At the elite end, middlemen can also arrange introductions, smooth regulatory decisions or ensure that contracts move in the right direction. Having a wide circle of effective middlemen, paid or otherwise, increases one’s political power. Traditionally, the CPN-UML party has been more effective at mobilising middleman capacity inside NGOs and the development sector. The Nepali Congress party had been more effective inside the civil service.

Political parties

Nepal has three longstanding major parties, as well as new entrants. Ideology is not a significant factor, but Nepali Congress, formed in 1950, is broadly social-democratic. The CPN-UML – in full, the Communist Party of Nepal (Unified Marxist–Leninist) – formed in 1991 and is ostensibly Marxist-Leninist. The Maoists are now part of the Nepal Communist Party, formed in 2025. Many politicians in these parties campaigned for democracy against the party-less Panchayat regime and against royal rule during the royal takeover of 2001–2006. Leaders of both Nepali Congress and CPN-UML have spent lengthy periods in prison.

Nepal's multi-party democracy began in 1990. From 1990 to 2002, power alternated between Nepali Congress, the CPN-UML and the smaller but influential RPP (Rastriya Prajatantra Party, largely comprising former Panchayat-era politicians). Royal rule intervened from 2002 to 2006, during the latter half of the 10-year Maoist conflict (1996–2006). From 2006 to 2026 the Maoists were added to the mix, making politics still more unstable.

There were 32 different governments in 35 years, and the three most recent leaders of these parties have been prime minister a combined 12 times. No prime minister has ever completed a full five-year term. Since 1990, Nepal's major parties have operated less as programmatic political organisations and more as access-brokering machines. Parties have prioritised their own internal cohesion, funding their operations and rewarding the networks that generate their votes. These have taken priority over effective governance.

Nepal's new parties position themselves as opposed to this political culture. They have had electoral success by campaigning for change. The Rastriya Swatantra Party (RSP) won a majority in the 2026 elections with a platform that promised better governance and economic growth, including the depoliticisation of the bureaucracy, merit-based recruitment to government posts and an end to endemic corruption.[29] The smaller Shram Sanskriti Party, led by an activist mayor from a marginalised community, has also won seats in eastern Nepal.

The RSP was founded and is chaired by Rabi Lamichhane. The government it leads is headed by Balen Shah. A rapper critical of corruption and state dysfunction, Shah was elected as Kathmandu's independent mayor over candidates from the established parties in 2022. The 2025 Gen-Z protests turned his anti-establishment appeal into a national political opening. After the protests forced the government to resign, Shah joined the RSP and became its prime ministerial candidate. Shah also defeated KP Oli (CPN-UML) in Jhapa-5 constituency in eastern Nepal, symbolically unseating the last prime minister and one of the central figures of the old party order.

Many new RSP MPs were previously urban activists involved in youth movements, with track records of coalition building and issue-based campaigning (eg promoting cycle paths, car-sharing and ending party-enforced strikes known as '*bandhs*'). But the RSP has no prior national governing experience. Lamichhane also faces unresolved legal troubles relating to a complex fraud case from before he entered politics. In the absence of a coherent strategy and broad coalition, there is a real risk that patronage networks will reassert their power.

The civil service

Nepal's civil service has reflected the country's governance structure (federal, provincial and local) since the 2015 constitution. Federal civil servants are involved in a vast range of activities, from business registration and utilities to health, education and disaster relief.

But, instead of being a driver of economic growth and an effective public service, the federal government is often perceived as an obstacle to progress and a causal factor in the post-conflict malaise.[30] Important decisions are delayed or never made, budgets remain unspent and civil servants are regularly implicated in corruption allegations. At times, it appears that the main function of the civil service is its self-perpetuation. This is not due to low capacity, but rather constrained capacity and dysfunction by design.

This perception has deepened since 1990. Despite successive democratic transitions, Nepal has remained one of South Asia's poorest and least economically dynamic countries. The bureaucracy's role in that underperformance is well-documented. The World Bank's enterprise surveys consistently show that regulatory unpredictability and informal payments are among the most cited constraints on doing business in Nepal. The Office of the Auditor General reports financial irregularities running into the tens of billions of rupees each year.[31]

Nepal's senior civil servants have been largely untouched by the political, social and structural changes since 2006, indicating the scale of the challenge facing would-be reformers.[32] Senior civil servants actively develop political connections as a strategy for self-protection, and these have helped them to resist multiple attempts at reform.[33]

Political networks also enable self-advancement. In a well-publicised case, Dr Sangeeta Mishra, a top-ranked internal candidate for health secretary in 2025, lost out to a junior, less-qualified officer supported by the health minister.[34] Many retired ex-secretaries are appointed as ambassadors, commissioners or advisors, with such roles regarded as a reward for their alignment with a political party over the years.

The civil service should not be stereotyped as uniformly corrupt, incapable or self-interested. Many civil servants are skilled, honest and motivated by public service. They would benefit from greater autonomy.[35] The problem is that the system punishes precisely these traits. Officials who resist political pressure, refuse informal payments, protect procurement rules or try to innovate can be transferred, isolated, denied promotion or bypassed by politically connected colleagues. Women and members of underrepresented caste, ethnic and regional groups face further barriers, especially at senior levels. That is where informal networks and patronage ties are strongest.

Other central government bodies

Three further institutions are central to reform. As the new government centralises decision-making and administrative restructuring, the Office of the Prime Minister and Council of Ministers (OPMCM) has become increasingly important in bureaucratic management. It serves the cabinet and prime minister, manages the cabinet's agenda, and coordinates and monitors implementation across ministries. It also houses the government's governance-reform and restructuring agenda, and processes senior appointments and transfers decided at cabinet level.

Alongside this, the Ministry of Land Management, Cooperatives, Federal Affairs and General Administration (formerly MoFAGA) maintains oversight of the civil service. It is responsible for personnel administration (including transfers and postings below the most senior levels, civil service records and career management). Finally, the Public Service Commission (PSC) administers the civil service exam and is the main gateway for recruitment into the service.

Civil service trade unions

Fully 90% (135,000 of 150,000) of civil servants reportedly belong to a party-affiliated civil service trade union.[36] The largest is the CPN-UML-affiliated Nepal Government Employees' Organisation; other unions are affiliated with Maoists, Nepali Congress and other parties.[37] These unions campaign for better working conditions. They also wield significant power over decisions in what is known as the 'staff transfer market'.[38]

The transfer market refers to the system by which civil servants are posted, rotated and reassigned across positions and locations. In Nepal, these transfers are supposed to follow legal criteria and fixed timelines, but in practice they are heavily influenced by political connections, union affiliations and informal payments.

Unions have fiercely defended their right to be affiliated with political parties, and they have successfully opposed multiple attempts to sever the party-bureaucracy link.[39] In late 2025, a group of Gen-Z civil servants demanded the abolition of party-based unions, blaming them for 'distorted transfers, promotions and [poor] service delivery'. In 2026 the new government moved to ban party-based unions outright. The Supreme Court has since issued an interim order staying the move, leaving their legal status unresolved.[40]

Commission for the Investigation of Abuse of Authority (CIAA)

The Commission for the Investigation of Abuse of Authority (CIAA) is Nepal's constitutional anti-corruption watchdog. Established in 1992 with one of the broadest mandates of any anti-corruption agency in Asia, covering abuse of authority, corruption and financial misconduct across all public bodies, the CIAA has singularly failed due to political capture. It has often been led by former bureaucrats with political party connections, and, with some high-profile exceptions, it has been mostly ineffective in tackling large-scale corruption.[41] CIAA cases filed at the Special Court saw an 88% conviction rate in 2018/19. This had fallen to 33% by 2022/23, a decline that aligns with increased political interference in case selection and prosecution. Cases pursued have usually been against lower-level staff, or to settle political scores for the party in power.[42]

Businesses

In Nepal, major companies and their leaders are closely allied to political parties and networked with the civil service. Large industrialists and cartels in transport, health and education have benefited from a stable status quo. They rely on close political connections to win government contracts and influence legislation.[43] Recent examples include a business group reportedly using its political influence to reduce a particular steel tariff to their advantage, and reports that years of 'load-shedding' (power cuts) were the direct result of civil service corruption in collusion with business.[44]

Not all businesses, however, enjoy such influence. Many small- and medium-sized enterprises are pro-reform as they have been limited by red tape, delayed approvals, cartelised procurement, unpredictably enforced regulations and demands for bribes. According to a 2018 ILO report, as many as 79% of medium-sized firms have had to pay to secure a government contract, compared to 0% of large firms. SMEs also took more than 70 days to obtain an electricity connection, compared to around 14 days for large firms. Only about 8% of small firms got bank financing compared to 40% of large firms.[45] Unlike large businesses, which have the Federation of Nepalese Chambers of Commerce and Industry and the Confederation of Nepalese Industries, many SMEs lack the organisational power to influence politicians.[46]

The Gen-Z movement

The Gen-Z movement is a broad alliance of interests. Unlike the Jana Andolan people's movements of 1990 and 2006, which centred on regime change, the Gen-Z movement has focused squarely on corruption, governance failures and youth unemployment.[47] Its most prominent members are students and young people in urban areas, but groups representing rural and marginalised indigenous communities, sympathisers from all age groups and supporters in the diaspora are also involved.[48] It has become a key voice within Nepali politics. In late 2025, the movement's 10-point agreement with the interim Karki government included commitments to depoliticise the bureaucracy, probe officeholder assets and ensure youth participation in governance.

Some Gen-Z supporters and leaders affiliated themselves with the RSP party ahead of the 2026 elections, and some went on to become MPs and ministers in the new government. This increases the movement's potential influence on policy (especially in the absence of a large opposition). But it should be noted that although the movement largely supported the RSP in the elections, the two do not completely overlap. The movement remains critical of the RSP in several areas, including: whether it genuinely embodies the movement's values, particularly on inclusion (the RSP has no prominent female leaders and few women were selected to contest first-past-the-post seats); the legal case hanging over RSP Chair Lamichhane; fears over the prime minister's commitment to democracy; and fears that the RSP will reproduce old patronage patterns under a new banner.[49]

Nepali citizens

Most Nepalis have direct experience of petty corruption and the symptoms of government dysfunction. Thanks to the media, Gen-Z and civil society pressure, many are now more aware of the systemic problems undermining growth, development and opportunity.[50]

Over 40% of Nepalis are 16–40 years old.[51] The voting age remains 18 (Gen-Z demands that it be lowered to 16), but voter registration is now possible at 16. This makes it easier for more young people to eventually vote, since voter lists are typically frozen after an election is called. Not all will prioritise civil service reform, but most will want the state to work better for ordinary citizens. They can pressure politicians to tackle corruption and shift how the state handles everyday interactions.

Nepal's diaspora is also a significant player inside Nepali politics. The 2.5 to 3.5m Nepalis working abroad are a key source of funds for Nepali households in general, but also for political parties. Many in the diaspora traditionally supported the Nepali Congress or CPN-UML. Diaspora associations and representatives of the Non-Resident Nepali Association (NRNA) are also divided along party lines.

The NRNA, primarily for the long-term settled diaspora, traditionally focused on gaining greater rights for the diaspora inside Nepal. However, more recent migrants to West Asia and Malaysia have a different profile. They are typically younger, on shorter-term contracts away from their families, and see RSP's proposed reforms as helping them potentially return to work in Nepal. The diaspora cannot yet vote in elections. But a 2018 Supreme Court judgement and a 2025 directive have both mandated that this should happen.[52]

NGOs and civil society organisations

Nepal's NGOs, media and civil society organisations help keep issues such as corruption, inclusion, federalism, gender equality, public service delivery and accountability in the public eye. Civil society and journalists also monitored previous reform attempts. They informed citizens, supported whistleblowers and created pressure against backsliding. However, Nepal's NGO and civil society sector is not above party politics. Many organisations are closely linked to party networks, donor incentives and Kathmandu-based elites.

International organisations

International aid agencies have long shaped Nepal's reform agenda through loans, grants, technical assistance and policy advice. Their influence was strongest in the 1990s, when foreign aid financed an estimated 60–80% of Nepal's annual development budget and accounted for more than 10% of GDP.[53] That influence is now more limited. Aid remains significant, but it is smaller than both the state budget and remittance flows, which have become Nepal's main external stabiliser.[54]

Western bilateral donors and international financial institutions have long pushed for changes to some aspects of the civil service, such as increasing inclusion and merit-based recruitment. Representation of women is arguably seen as a synonym for inclusion, with caste and ethnicity usually ignored.[55] Technical assistance, overseas visits, grants and loans have all been used to pursue reform agendas. Recently, donors have focused on the implementation of federalism and the digitisation of services. For international organisations in Nepal, public discussion of corruption is limited, and the politicisation of the civil service more so.

Bilateral donors have had some success with targeted, well-sustained engagement. For example, UK support to the Nepal Administrative Staff College (NASC) produced some durable results, including strengthening NASC as the main institutional home for in-service training and management development. But donors have struggled with broader structural reform. Key institutions, like the PSC, are independent and home-grown.[56]

Ironically, the 'big aid' era may have made the challenge harder. When IFIs and bilateral donors financed 60–80% of Nepal's development budget, successive governments had little fiscal pressure to discipline the bureaucracy. New administrations would typically constitute a commission, draft a plan and seek technical assistance, while going slow on actions that threatened the patronage value of civil service appointments. This was also enabled by limited donor coordination and donors' incentives to seek visibility and access through projects and other support.[57]

The result, repeated across 30 years, is a civil service that has accumulated numerous donor-designed procedures and accountability frameworks that it has little incentive to use. The underlying patronage economy, meanwhile, continued undisturbed. With some irony, Nepal's failure to spend annual aid was a symptom of the failure of aid to improve public sector function.

Now, in the era of small aid, donors are far less influential than they used to be. Donor funding has fallen drastically and is now tiny in comparison to remittances. The composition of aid has also shifted, with loans accounting for 66% of aid in 2024/25 and technical assistance and grants much reduced in comparison to earlier years.[58]

External partners still matter as financiers, advisers and conveners, but they are less decisive political actors than they used to be. The largest bilateral donors are now Nepal's neighbours: India, followed closely by China. Both countries do not conform with traditional (western) donors' initiatives for aid transparency, and are not obviously focused on civil service reform either.[59]

III. What are the rules of the game?

Formal rules

On paper, Nepal's civil service is governed by an extensive set of formal rules and institutions, overseen by the 2015 constitution. The 1993 Civil Service Act and multiple amendments and regulations specify rules and procedures for recruitment, promotion and discipline. There are also rule-enforcing bodies, such as the PSC and the anti-corruption CIAA.

Section 44 of Civil Service Act (1993) and Section 12 of the Civil Service Code of Conduct (2009) ban civil servants from participating in politics. In practice, this conflicts with the right to form trade unions, guaranteed under Article 34(3) of the constitution. Civil servants have successfully used the latter article to defend their right to belong to political party-affiliated civil service unions.

The Federal Civil Service Bill (2025) aims to restructure the bureaucracy and strengthen sub-national government, devolving power away from the national centre in Kathmandu.[60]

Informal rules

Informal rules shape how the civil service functions in reality. These include wide-ranging discretion based on established norms, behaviours, precedents and expectations.

Rule 1: Playing politics is the only way up

A key part of Nepali party politics is controlling who gets which position in the apparatus of the state. Nepal's parties are not internally unified. They are coalitions of factions, and all need to be kept satisfied to prevent defections or leadership challenges. A wave of civil service transfers and appointments happens with each change of government, as new ministers demonstrate their power by installing loyalists into key posts.

Entry into Nepal's civil service is relatively fair: the PSC administers competitive written examinations for entry-level positions (the *Loksewa*). These are widely seen as merit-based, albeit surrounded by a huge private market in coaching centres that is not accessible to every applicant.[61]

In contrast, transfers between posts are primarily determined by a civil servant's political links. This includes appointments in the senior ranks of the civil service, but also extends to teachers, health workers, the staff of public enterprises, constitutional commission members, ambassadors and the boards of state-owned entities. Key appointments are often perceived as based solely on party affiliation, membership with a party-affiliated union, or payments, transforming public institutions into tools of extraction and patronage.[62] There is an active, and lucrative, transfer market at work within the Nepali civil service.[63]

Promotions are more mixed. For most grades they follow points-based criteria made up of exams, seniority and supervisor evaluations under PSC-chaired committees. Political influence is concentrated on appointments at the most senior levels, and is most direct in post-retirement appointments to public bodies.[64]

Parties need this machinery because they use jobs to reward loyalty down the party hierarchy: ward committee members, local organisers and mid-level cadres all expect access to state employment as a return on their party work. It is important to note that this transfer market also creates losers: many civil servants would welcome relief from its impact.[65]

Politically connected civil servants have little reason to fear formal sanctions as long as their party is in power. The CIAA or law enforcement bodies are unlikely to pursue them unless a senior official directs them to do so. It is therefore in a civil servant's self-interest to help keep their party in power. This helps perpetuate politicisation of what should be a politically neutral structure.

Rule 2: Large business thrives when the civil service is on its side

Similarly, decisions within the civil service are often determined by political considerations. Party machines need funds. In the absence of publicly funded campaign finance, this comes primarily from businesses seeking preferential access to government contracts, beneficial regulatory decisions and access to public procurement budgets. Civil servants manage public procurement and can use discretion to slow, accelerate or shape contract awards. A politically loyal civil servant with a decision-making role in public procurement is an important asset with direct monetary value to a party and its business networks.[66]

Politicians also manipulate the civil service to direct projects to their constituencies and distribute other forms of patronage. Companies with political links often win contracts over those without. Contracting in Nepal is characterised by limited competition, contractor cartels, political influence and chronic cost/time overruns. Market concentration is striking: in one study, more than 45% of 562 high-priced construction projects were won by just 16 contractors.[67]

Surveys indicate that firms often expect to use informal payments or connections to win bids. Despite reforms like e-procurement and a formal legal framework, implementation remains weak.[68] This produces a system where surface-level procedural compliance often exists, delays and deviations are common, and development outcomes generally disappoint. It may also help explain underspending; incentives reflect political calculus, not government performance.

Rule 3: Local governments are often more effective than the centre

National-level politicians and bureaucrats have generally been against decentralising power away from Kathmandu. Their opposition includes attempts to dilute the Federal Civil Service Bill (2025) and slow its passage through parliament. It is also found in imbalanced staffing. Estimates suggest around 40,000 of 53,000 sanctioned posts (76%) are filled at federal level, but only 43,807 of 67,719 sanctioned posts (65%) are filled at local level.[69] Units in rural and remote areas are often short-staffed, and urban-based civil servants transferred to rural posts may never actually move.

As a result, subnational governments are still short of personnel and resources, and uncertain of their powers over both, after more than 10 years of federalism. This constrains all seven provincial and 753 local governments. But despite myriad problems, including low morale and low pay, many civil servants in federal and local units continue to deliver exceptional results in areas such as frontline community health delivery and election administration.[70] Effective civil servants, however, struggle with the national political churn and instability. Many leave to pursue higher paid roles in the NGO or private sector.

Rule 4: The civil service remains heavily shaped by pre-democratic norms

Citizens have long made small informal payments for civil servants to deliver or speed up services such as land transactions, customs clearance or moving files through government systems. This deep-rooted practice derives from pre-democratic times when state functionaries were not salaried, but were given rights to extract income from their post. The bureaucracy has, for much of its history, served ruling elites rather than the public.

This legacy was never wholly replaced with market salaries and professional norms, despite Nepal's democratic openings: first in 1951, with a free election in 1959, and again from 1990.[71] This increases the challenge for reformers, as they cannot argue for a return to former periods of democratic governance. In Nepal, there was no golden era of bureaucratic neutrality to restore.

IV. The state of play

Politicians, political parties, civil servants and businesses in Nepal are part of a dynamic, mutually dependent system. All derive some benefit from the low-performance status quo, which means all have strong and rational incentives to undermine reform and deprioritise service delivery.

Politicians control civil service jobs and budgets. They use these to sustain patronage networks, while receiving payments and protection from loyal civil servants. Senior civil servants trade political loyalty for promotion and lucrative, post-retirement jobs. And businesses pay for regulatory protection and access to government contracts. In such a system, serving Nepal's citizens and government performance are of little relevance. Migrant labourers are the real heroes keeping the country afloat.

Many problems can be tracked back to specific incentives in this system. For example, well-connected contractors may prefer rushed, end-of-year spending (*asare bikas*) because it comes with reduced scrutiny. This also benefits politicians, who can blame civil servants for non-delivery while privately controlling which projects are prioritised. And senior civil servants, who use budget discretion to extract rents, reward political patrons or secure favourable postings.

The consequence is a civil service in which dysfunction is a feature, not a bug. It is not a servant of the people, but a weapon for competing political factions. Other consequences include an entrenched culture of 'wait and see' within the bureaucracy, which hampers innovation and risk-taking. Innovative and hard-working civil servants often end up demoralised and passed over for promotion. In many cases, they ultimately leave the civil service for better-paid jobs elsewhere.[72]

External donors have at times helped protect this status quo by interacting with, but not challenging, the elite bargain. Donors may have a deep commitment to helping tackle Nepal's deep poverty and inequality, but they generally diagnose Nepal's problems as capacity deficits. As such, they tend to avoid direct engagement with political constraints.

Established leaders have given little sign that they are serious about civil service reform. Sher Bahadur Deuba (Nepali Congress), Pushpa Kamal Dahal (Maoists), KP Oli (CPN-UML) and others have all actively encouraged politically aligned civil servants and the growth of party-affiliated unions.[73]

Encouraging signs, but too early to tell

Public intolerance for civil service dysfunction appears to have crossed a threshold. The political cost of continued failure is plain for all to see in the 2025 Gen-Z protests and the 2026 election results. Unpicking the network between civil servants, politicians and business is the next challenge.

The new RSP-led government has made several moves in the right direction, albeit often in a high-handed, non-consultative manner that has sparked a backlash.[74] Many of these moves link directly to the demands of Gen-Z protestors and election campaigning. They include:

- Attempting to end party-affiliated unions in the civil service.[75]
- Piloting reforms of the civil service transfer process in the Ministry of Finance.

- Introducing performance measurement and goal-setting for ministries and civil servants.
- Advertising key ambassadorial appointments for open competition.[76]
- Promising to pass the Federal Civil Service Bill, which would devolve more power to sub-national tiers and introduce a two-year cooling-off period before retired civil servants could accept government appointments, such as ambassadorships.[77]
- Removing hundreds of political appointments across multiple state bodies.[78]
- Creating a commission to investigate the assets of politicians and senior officials since 1990.
- Sacking a junior minister for perceived nepotism during their first two weeks in power.

At the same time, the government has floated restructuring proposals that would weaken provincial governments, including the possible removal of provincial assemblies. The government has also centralised power within the OPMCM and shown a general willingness to prioritise speed over consultation and due process.

The new RSP government is also committed to creating a smaller, more streamlined government that would limit the engine of politicisation and nepotism. It has appointed just 15 cabinet ministers, and decided to reduce the number of federal ministries from 25 to 18. It has shown some willingness to include other national parties in the civil service reform process, as indicated by passages inside the National Commitment draft (a synthesis document of all national parties 2026 election manifestos with the aim of agreeing on national priorities).[79]

Besides pro-reform RSP cabinet members and MPs, a broader potential coalition for change exists. This includes Nepali Congress leader and former health minister Gagan Thapa and his party allies, Harka Sampang of the Shram Samskriti Party (particularly on federalism implementation and devolution of civil service recruitment) and some former senior civil servants.[80] It also includes many Gen-Z civil servants, members of the National Planning Commission and a growing number of small and medium-sized businesses.[81]

There is also a 'status quo' coalition that has already opposed many of the government' changes. This includes: political appointees removed from their posts by the RSP government, some senior politicians in older parties and the National Assembly (or Upper House) of Parliament, which is appointed from the provincial assemblies and still controlled by older parties. It also includes civil servants who owe their positions to political connections, party-affiliated civil service trade unions, ruling politicians in provincial and local units from older parties (the RSP only controls the federal government, local elections are planned for 2027), politically connected businesses and middlemen.

The scale of the challenges facing reformers has prompted some actors to focus narrowly on improving service delivery by, for example, digitising government services and empowering sub-national government units. While important, these are institutional rather than political solutions. They do not address the root causes of problems that keep Nepal in a low-performing equilibrium.

Nepal needs focused reform of the civil service itself. Until politicisation is addressed, all other policy objectives risk being captured or watered down by the actors benefitting from the status quo. The continuing ties between political parties and the bureaucracy make depoliticisation of the civil service an immediate and high priority.

V. Propositions

The current opportunity for civil service reform in Nepal will not succeed through more technical fixes alone. Reformers will need to show sustained commitment and patience to navigate tangled power politics and build long-lasting coalitions among a wide range of actors, including with opposition political parties and businesses.

Their goal should be to shift the current elite bargain in ways that separate the civil service from the political grip of whoever is currently in government. This means formulating politically credible 'win-

wins' that can deliver for elites and citizens alike. It also means accepting that long-term gains in growth and development may require some short-term transitional pain for the elite groups that are still likely to dominate Nepal in the future.

We offer several propositions that could help propel this process forward. Changing the technical rules is necessary. Changing the political game is essential.

Proposition 1. Put the politics of civil service reform on the policy table

The power dynamics that constrain Nepal are well known, but they are rarely written down in policy products. Open PEA exists to get such political economy out in public and on the policy table. This product details the interests and incentives of key categories of actor, the rules of the game, and potential coalitions for and against change. Any reformer who ignores these is highly likely to fail. They may even end up inadvertently boosting anti-change coalitions.

Learn from past failures and successes

Reformers can learn from previous attempts at change. For example, Kulman Ghising's effort to end 'loadshedding' (power cuts) at the Nepal Electricity Authority overcame powerful political coalitions to tackle the kickbacks paid for illegally diverting electricity to industries, while citizens were left in darkness. Other successes include the anti-*bandh* (public strikes) campaigns, which are why it is now almost impossible for political parties to unilaterally shut the country down.[82]

End party-affiliated civil service unions

Depoliticising the civil service will not work with party-affiliated unions still in place. Their outright abolition is constitutionally impossible, and heavy-handed action risks a backlash, as occurred in 2026. But removing their grip should still be pursued by politically feasible means.

Building a pro-reform coalition, strengthening the PSC, decreasing politicisation via greater professionalisation, and phased depoliticisation are all options. Requiring unions to end formal and informal party affiliations, while still protecting civil servants' right to organise around professional interests, is also possible. The RSP-led government reportedly plans to support the formation of a single official (non-party) civil service union. This approach has some merit and is supported by some retired civil servants. But the right to form independent unions should still be maintained.[83]

Change the rules (formal and informal) of political party competition

Better political parties make for a better civil service. Parties that fund themselves through membership and transparent donations, rather than through kickbacks from business, have less incentive to place loyalists in key civil service positions. The transfer market only has value if people are willing to pay to play.

Global best practice for democratising political parties often works better on paper than in practice. Parties *should* be more transparent about party financing, hold party conventions according to election commission laws, bring in younger leaders and professionalise candidate selection processes. But it is hard to see why they would want to.[84] Some change could perhaps be achieved through new legislation without waiting for parties to comply; legal reforms could make party finances more transparent and better keep them within spending limits. However, the informal rules of the game would likely adapt in turn.

A more politically feasible path to change would be for the RSP and Nepali Congress to demonstrate a new form of political competition. In 2026 they adopted or began measures to strengthen some parts of internal party democracy. They could do more, especially around financing transparency and the involvement of rank-and-file members in decision-making. This leaves the CPN-UML and the Nepal Communist Party looking stuck in the past and could create electoral pressure to follow suit. If all national parties democratise, then they all are more likely to value a competent, neutral bureaucracy with weaker links between ministers and civil servants.

Proposition 2. Build a civil service that looks like Nepal

A civil service that reflects overall demographics would better serve Nepalis and rebuild trust in the state. The end destination is clear: gender parity and underrepresented caste and ethnic groups represented at all levels, including senior positions. An ideal civil service would also reflect diversity of experience by including people from different provinces, districts and socio-economic backgrounds. Experienced professionals with relevant skills from outside the civil service, including from the private sector and the diaspora, could also be hired in greater numbers as direct entrants to more senior levels.[85] Areas that could particularly benefit from external expertise include procurement, digital government, infrastructure, public finance and climate change.

The practical route is phased change. The government should set five-year representation targets by grade, publish annual progress data, and link inclusion to promotions as well as recruitment. Entry-level reservations alone will not change senior leadership fast enough. Promotion, training, lateral entry and senior appointments need the same attention.

Develop a civil service fit for the future and end the transfer market

The same logic applies to the transfer market. Politicians should retain control over policy, but lose routine control over who gets which post. The PSC should be given stronger authority over mid-level and senior recruitment, promotion and transfer rules.

Promotions to joint secretary and secretary level should be based on clear criteria, seniority, performance and independent assessment. Transfers should be published, justified and appealable. Well-performing officials need protection from retaliatory transfers. This would not end political interference, but it would raise the cost of it.

The government should start where success is visible. The Ministry of Finance transfer pilot is a useful beginning. If it works, the same model should be tested in public-facing ministries such as health and education, with clear service delivery targets published in advance. The argument to citizens is simple: fewer political transfers means better schools, faster roads, more reliable medicines and less time wasted in government offices.

Implement the Federal Civil Service Act and build a new civil service code

Implementing the Federal Civil Service Act is central to this agenda. Federalism will not work while Kathmandu keeps personnel, resources and authority to itself. Provincial and local governments need the staff, budgets and legal clarity to do the jobs citizens expect from them. Devolution should therefore be treated as a civil service reform measure, not a constitutional afterthought.

Finally, reform needs an ethical reset. A new civil service code could set out clear standards on corruption, political bias, discrimination, harassment and service delivery. It should be drafted with civil servants, unions, retired officials and civil society, then launched publicly as a new bargain between the state and citizens. A civil service ethics committee could oversee implementation, review major complaints and protect whistleblowers. This would give honest civil servants protection and citizens a route for complaint, while allowing reformers to demonstrate that depoliticisation is about better public service, not revenge against officials.

Proposition 3. Make reform socially, politically and electorally salient

Create a reform coalition for long-term change

Civil service reform will fail if it remains a Kathmandu policy discussion. The people who benefit from the transfer market, party unions, discretionary procurement and political appointments are organised. Reformers need to be organised too. That means building a coalition that is wider than the RSP government and strong enough to survive backlash.

This coalition should include reform-minded civil servants, Gen-Z activists, women's groups, Dalit and indigenous (*janajati*) organisations, small businesses, provincial and local leaders, journalists, civil society groups, former senior officials and leaders from older parties who see the benefits of reform. Reformers should not treat all civil servants as opponents. Many are victims of arbitrary transfers and would gain from professionalisation. They should not treat all businesses alike either. Large firms with political access may prefer the current system. But many small- and medium-sized firms would benefit from predictable rules, faster approvals and cleaner procurement.

Communicate reforms publicly

Citizens do not experience the civil service in the abstract. They experience delayed roads, missing medicines, late textbooks, bribe demands, and stuck files that send them from desk to desk. The benefits of reform must be made just as concrete, by communicating everyday failures and showing visible improvements. Publish transfer data, performance targets, capital budget expenditure, procurement delays and more. Show where services are improving and where ministries are failing.

Early wins matter, but so does honesty. The government should announce quick changes loudly, especially in high-contact services, but it should also explain which reforms will take longer. Public expectations are high after the Gen-Z protests and the 2026 election. Overpromising benefits the status quo coalition when implementation inevitably hits roadblocks.

A strategic communications campaign should be part of the reform programme from the start. It should use media, town halls, civil society partners and local governments to explain what is changing, why it matters and who is blocking progress. It could also profile civil service 'heroes' who deliver despite the system. This matters politically. If citizens see honest officials as allies and political interference as the problem, the space for reform expands.

The goal is to make civil service reform electorally valuable. Parties should gain votes by promising a professional state and lose votes when they defend politicised transfers, party unions and patronage appointments. That is how reform outlasts individual governments. Technical fixes can be reversed. A public constituency for a better state is much harder to ignore.

VI. Further reading

1. Gyawali, K. (2025) 'Professional tendencies and attitudes of the Nepali bureaucracy', *Samaj Adhyayan*, 20, Kathmandu: Martin Chautari, 273–304. (*in Nepali*).
2. Shakya, R.K. (2010) 'Why civil service reforms fail? – a case of Nepal', *Administration and Management Review*, *21*(2), 40–63.
3. Niraula, S. and S. Neupane (2026) 'Power, Authority, and Decision-Making in Nepal's Public Administration', *Policy Entrepreneurs, Inc*.

VII. References

[1] Evans, P.B. and J.E. Rauch (1999) 'Bureaucracy and growth: a cross-national analysis of the effects of "Weberian" state structures on economic growth', *American Sociological Review,* 64(5), 748–765. For the contrast between merit-based 'developmental' bureaucracies and patronage-based ones, see Evans, P.B. (1995) *Embedded autonomy: states and industrial transformation,* Princeton University Press.

[2] IMF (2026) 'Nepal: 2026 Article IV consultation, staff country report'.

[3] World Bank, 'Nepal data, 2024 GDP per capita and GDP growth indicators'.

[4] GoN National Statistics Office (2023) 'Nepal living standards survey IV 2022/23'; UNDP (2024) 'Multidimensional poverty index 2024 – Nepal briefing note'.

[5] Nepal Rastra Bank (2026) 'Macroeconomic report: analysis and outlook – July 2026'; World Bank (2026) 'Nepal development update, April'; World Bank WDI, 'Personal remittances, received (% of GDP) – Nepal'.

[6] GoN Ministry of Finance (2025) 'Development cooperation report FY 2024/25'.

[7] On politicisation of transfers and promotions, see: Global Survey of Public Servants (2018) 'Civil service management in Nepal'. This finds political and personal connections to be the dominant non-merit factors in advancement, with politicisation 'most notable in relation to involuntary transfers'; See also Niraula, S. (2024) 'Nepali bureaucracy: the powerful establishment', *RevDem*, for bureaucrats leveraging political links for promotions, transfers and extended service. On the spoils-system dynamic in senior appointments, see the comments of Umesh Mainali, former chair of the Public Service Commission: Dawadi, B.K. (2026) 'Q&A: Nepal wants a politics-free bureaucracy. Its methods are deeply political', *Kathmandu Post*.

[8] On medicines, see Adhikari et al (2024) 'Procurement process and shortages of essential medicines in public health facilities: a qualitative study from Nepal', *PLOS Glob Public Health* 4(5), e0003128 and the *Nepal Health Facility Survey 2021*, which found minimum quality-of-care standards in under 1% of facilities. On hospitals and queues, see Dahal, P. (2026) 'Two decades without new health staff; patients suffer in public hospitals', *Kathmandu Post*. On digital service breakdowns at government offices, see Baral, S. (2026) 'Widespread server crashes point to Nepal's digital state failure', *Kathmandu Post*.

[9] This is not an exact proxy for civil service salaries, as employee remuneration also includes teachers, health workers, army personnel etc. See: UNICEF (2024) 'Highlights and analysis of the FY 2024/25 budget – Nepal'.

[10] UNICEF (2024) 'Highlights and analysis of the FY 2024/25 budget – Nepal'.

[11] Aryal, S. (2026) 'Nepal's capital budget expenditure significantly lower than India's', *Ratopati*.

[12] It is difficult to identify what percentage of the capital budget is procurement from public data, but the capital budget is the main budgetary space where procurement bottlenecks, discretion and political influence directly shape delivery. See: Kafle, L. (2025) 'Budget implementation review: low performance in capital spending, improvement in revenue mobilisation', *The Rising Nepal*.

[13] World Bank (2025) 'Nepal capital expenditure bottlenecks analysis'.

[14] See: Sapkota, C. (2015) 'Accelerating public capital investment to reduce Nepal's infrastructure deficit', *Asian Development Blog*.

[15] Gen-Z in Nepal refers to mainly young protestors who marched in urban areas against corruption in September 2025, 75 of whom were killed by state forces. This led to mass riots, the fall of the government and fresh elections in 2026. See: Dahal, G. (2026) 'Gen Z protest and its prospects in strengthening democracy in Nepal', *Journal of Political Science*, 26(1), 203–216.

[16] These figures do not include teachers, the police, army or health workers. The overall number is around 135,000 if non-permanent contracted and temporary staff are included. Nepal's population is around 30m.

[17] Unemployment figures from Statista.

[18] Nepal is geographically divided for some purposes into the Tarai, Hill, Mountain and Remote districts. The Khas-Arya designation includes the Brahmins, Chettri, Thakuri and Sanyasi groups.

[19] Affirmative action in the civil service was introduced in 2007. By law, 45% of vacancies are reserved for women, indigenous groups, Madhesis, Dalits, people with disabilities and people from remote regions.

[20] The upper-caste Khas-Arya include Brahmins. Confusingly, they have their own reservation quota in Nepal's constitution for affirmative action purposes.

[21] Comparatively low salaries are offset by an incentive system focused on service longevity and a (comparatively high) post-retirement pension. The pension scheme has only been contributory for new entrants from 2019.

[22] There is some evidence that 63% is a particularly high figure boosted by spending in the last fiscal month. This is known as *asare bikas* (Asar development), after the name of the last Nepali month (Asar). See: Kathmandu Post (2025) 'World Bank calls for sweeping reforms to fix Nepal's chronic capital spending problem'.

[23] Data from World Bank – Personal remittances, Nepal Nepal Rastra Bank – Remittance inflows and economic impact and OECD DAC – Aid statistics (Nepal). See also Kathmandu Post (2025) 'Remittances near size of national budget'.

[24] Approximately 2.5–3.5m Nepalis work abroad, with the majority in West Asia, Malaysia and India. Nepal's planned graduation from least developed country status in November 2026 is overwhelmingly driven by remittances, not by Nepalis getting richer inside Nepal. It is the first country to be recommended for graduation on the basis of HAI (Human Assets Index) and EVI (Economic Vulnerability Index) rather than GNI (Gross National Income). See: Aarjan, K.C. (2026) 'Graduating beyond the LDC status: an assessment of Nepal's economic transition', *Nepal Economic Forum*.

[25] The World Bank recently analysed national pride projects, noting the huge implementation delays. See Prasain, S. (2026) 'Nepal's 17 pride projects may take 41 years to finish, warns World Bank', *Kathmandu Post*.

[26] **Previous civil service reforms in Nepal**

Year	Reform Milestone	Reform Type	Budget (USD approx)
1951	Public Service Commission established	Institutional	–
1953	Buch Commission (first admin reform commission)	Commission	–
1968	Administrative Reform Commission (Jha / Vedananda Jha Commission)	Commission	–
1975–76	Administrative Reform Commission (Thapa / Bhek Bahadur Thapa Commission)	Commission	–
1991	High-Level Administrative Reform Commission (Koirala Commission)	Major initiative	–
1993	Civil Service Act	Legal framework	–
1999	Local Self-Governance Act	Decentralisation	–
2001	ADB Governance Reform Program (Loan 1861-NEP)	IFI programme	~$30m (ADB)
2003–2008	World Bank country programme / governance operations	Policy lending	~$70–100m (indicative)
2008–2009	PFM Steering Committee & first PEFA Assessment	Multi-donor programme	–
2010	PFM Multi-Donor Trust Fund (MDTF) established	Multi-donor programme	~$20–30m (indicative)
2010	Program for Accountability in Nepal (PRAN)	World Bank governance programme	~$5–7m (indicative)
2008–2016	Local Governance and Community Development Programme (LGCDP I & II)	Major donor programme	~$300m+ (across phases)
2015–2017	Federal civil service restructuring (new Constitution + Staff Adjustment Act 2017)	Constitutional	–

Sources: Shakya (2009) 'Why Civil Service Reforms Fail – A Case of Nepal', AMR Vol.21 No.2; Bajracharya & Grace (2014) UNDP/PREPARE; ADB PCR Loan 1861-NEP; World Bank PRAN program documents; LGCDP/MoFAGA program documents.

[27] The newspaper columnist CK Lal pointed out that an upper caste minority dominates Nepal across key posts by noting that 'The president, the prime minister, the speaker of the *Pratinidhi Sabha* [Parliament's lower House

of Representatives], the chairman of the *Rashtriya Sabha* [Parliament's upper House, the National Assembly], the chief justice, the leader of the opposition in the Parliament, the home minister, the finance minister, the foreign minister, the chief secretary, the home secretary, the governor of the Central Bank, the army chief, the police chief, the chief of the Armed Police, most of the chief district officers…every other important position one can think of is ethnically what the constitution has categorised with a neologism – the Khas-Arya.' See: Lal, C.K. (2025) 'Delusion of diversity in an ethnocracy', *Kathmandu Post*.

28 The average age of MPs in the House of Representatives after the 2026 election is 47 years old. The oldest cabinet member is 50 years old.

29 The Rastriya Swatantra Party (RSP) is usually rendered in English as the National Independent Party. See its manifesto. The leader of the RSP has also faced organised crime and money laundering charges.

30 See the World Bank's formal sector enterprise surveys.

31 See the World Bank's formal sector enterprise surveys. See also: GoN Office of the Auditor General, '63rd annual report (FY 2024/25)'.

32 Before the 2026 elections, the last major change affecting the civil service was arguably when Nepal became a multi-party democracy in 1990. The first government removed thousands of civil servants who had worked under the previous partyless authoritarian system known as the Panchayat. See: Dawadi, B.K. (2026) 'Q&A: Nepal wants a politics-free bureaucracy. Its methods are deeply political', *Kathmandu Post*.

33 See the table in note 26 above.

34 Sah, B.K. (2025) 'Lawmakers and netizens accuse health minister of discrimination', *The Himalayan*.

35 As suggested by Dan Honig in *Mission Driven Bureaucrats*.

36 This includes contract and temporary staff across the wider, three-tier government workforce.

37 Dahal, G. (2025) 'Half a million government employees tied to political parties', *Nepal News*.

38 Lal Babu Pandit, the minister of federal affairs and general administration in 2018–19, recounted in his memoirs how civil service trade unions pressured him to carry out their preferred transfers. Their aggressive tactics prompted him to arrange extra security in his ministry.

39 Niraula, S. (2024) 'Nepali bureaucracy: the powerful establishment', *RevDem*.

40 Sharma, B. (2025) 'Gen-Z movement wave hits Nepal's civil service', *República*.

41 Such as the wide-body aircraft procurement scandal and the Melamchi water supply corruption case.

42 Aryal, R. (2023) 'Performance of anti-corruption agencies in Nepal: a good governance perspective', *Journal of Political Science*, 23(1), 43–59.

43 As detailed in the 2016 autobiography of Binod Chaudhary, *Making It Big: The Inspiring Story of Nepal's First Billionaire in His Own Words*.

44 The first example is detailed in Banjade, Y. (2026) 'Inside the Rs 3.73 billion fraud investigation shaking Nepal's business elite', *Kathmandu Post*. For years most areas of Nepal had up to 18 hours of power cuts in the winter due to collusion between employees of the Nepal Electricity Authority and large industries, who received uninterrupted power supply at the expense of the general public. This only ended when a reforming managing director was appointed in 2016.

45 ILO (2018) 'Enabling environment for sustainable enterprises in Nepal'.

46 ILO (2018) 'Enabling environment for sustainable enterprises in Nepal'.

47 Gupta, R. (2026) 'The Gen Z movement and the future of Nepal', *Asia Society Policy Institute*.

48 Bhandary, N. (2026) 'Nepal's Gen Z revolution and the politics of visibility', *Heinrich Böll Stiftung*.

49 Instead, most of the diversity inside the RSP parliamentary party comes via proportional representation lists and election commission quotas on balancing caste, ethnic, regional and gender clusters in PR lists.

50 To take recent well-known examples, the Pokhara International Airport case (2025), the fake Bhutanese refugee scam (2023) and the Lalita Niwas land scam (2020).

51 Statbase 'Average age of population | Nepal'.

52 Dhakal, K.R. and L. Maharjan (2025) 'Materializing external voting for Nepali citizens abroad in 2026 and beyond', NPI Policy Brief Series, 7, *Nepal Policy Institute*.

53 Gautam, M.C. and B. Pokhrel (2011) 'Foreign aid and public policy process in Nepal: a case of the forestry and local governance', *Alliance for Social Dialogue*.

54 World Bank (2026) *Nepal development update*, April.

55 As claimed by former World Bank social scientist Lynn Bennett. See: Bennett, L. (2017) 'Gender first: rebranding inclusion in Nepal', *Accord*, 26, 114–117.

56 ICAI (2018) 'DFID's governance work in Nepal and Uganda: a performance review'.

[57] This is a recurring theme across many sectors and contexts. See Open PEA's work on cash vs. maize in Malawi and health financing in Nigeria for more details.

[58] Annapurna Express (2026) 'ODA disbursements up by 15.5 percent'.

[59] Parajuli, B. (2025) 'Shifts in international cooperation', *Kathmandu Post*.

[60] As of mid-2026, the version of the bill finalised before parliament's dissolution is now being revised by the government for re-presentation.

[61] Meyer-Sahling, J. et al (2018) 'Civil service management in Nepal: evidence from a survey of more than 1,200 civil servants', *British Academy–DFID Anti-Corruption Evidence Programme*. It is interesting to note that the RSP government appears keen to dismantle the coaching market.

[62] Sharma, R. and A. Ghimire (2025) 'Nepal's political dysfunction: corruption, exclusion, and transactionalism', *South Asian Voices*.

[63] Meyer-Sahling, J. et al (2018) 'Civil service management in Nepal'.

[64] Bajracharya, P. and C. Grace (2014) 'The Nepal civil service and re-structuring of the state', GoN Ministry of General Administration/UNDP.

[65] Meyer-Sahling, J. et al (2018) 'Civil service management in Nepal'.

[66] Sharma, R. and A. Ghimire (2025) 'Nepal's political dysfunction: corruption, exclusion, and transactionalism', *South Asian Voices*.

[67] Maharjan, A. (2022) 'How Nepal's public procurement process is hindering quality outcomes', *Samriddhi Foundation*.

[68] The Annual Report of the Office of the Auditor General (FY 2024/25) identifies weaknesses in procurement and contract management as a continuing source of misuse of public funds. It points to weak governance, poor monitoring, procedural violations and failure to comply with existing laws.

[69] Kathmandu Post (2025) 'A third of civil servant positions vacant at local level, services hit'.

[70] Ghimire, A. (2025) 'Beyond doctors and hospitals: Nepal's female community health volunteer model – a new paradigm for global health', *Frontiers in Public Health,* 13. See also: Pokharel, T. and T.P. Kharel (2025) 'Deepening democracy: Nepal's journey to federalism', in D.P. Chhetri et al (eds) *Making democratic decentralization work in South Asia*, Springer, 231–258.

[71] Nepal adopted parliamentary democracy in 1990, after public protests brought an end to a 30-year autocratic partyless system of 'guided democracy' led by the monarch.

[72] Karkee, R. and J. Comfort (2016) 'NGOs, foreign aid, and development in Nepal', *Frontiers in Public Health*, 4.

[73] Including by granting them land to set up offices inside the headquarters of the federal government.

[74] This includes not consulting widely on proposed changes, ignoring parliament in favour of issuing ordinances and using arbitrary arrest against political and business elites.

[75] There has already been pushback and a Supreme Court order halting this. Kathmandu Post (2026) 'Supreme Court issues interim order staying government move to scrap civil service trade unions'.

[76] While this is arguably better than parties using key appointments to reward former bureaucrats and other allies, it still bypasses civil servants inside the Ministry of Foreign Affairs.

[77] Instead of sending the act back through both houses of parliament, which it already passed before the parliamentary session ended abruptly with the Gen-Z protests in September 2025.

[78] In some institutions, this led to no one in charge to make key decisions. See: Neupane, K. and S. Kaini (2026) 'New Nepal government strikes down most major appointments made prior to March 26', *Kathmandu Post*. See also: Mahara, J.S. (2026) 'Labour minister Sah sacked over disciplinary breach', *Kathmandu Post*.

[79] National commitment draft.

[80] The Farsight (2026) 'What is in Gagan's 17-point political resolution?'.

[81] Adhikari, A. (2026) 'Former secretaries applaud time-bound reform plan', *Rising Nepal Daily*.

[82] *Bandhs* stopped partly due to a coordinated civil society campaign, which included activists sharing details of *bandhs* and the public openly defying *bandh* enforcers.

[83] Such as Umesh Mainali, former chair of the Public Service Commission. See: Dawadi, B.K. (2026) 'Q&A: Nepal wants a politics-free bureaucracy. Its methods are deeply political'.

[84] The RSP began doing this and the new Nepali Congress leadership has promised to do the same.

[85] Only 34 external hires were made in the upper (gazetted) officer tiers of the civil service in 2024–2025, with the vast majority (24) occurring at the lowest (third class) section officer level. Only one out of 52 vacancies at the highest level (joint secretary) went to an external hire, and only nine out of 152 vacancies at the second grade (under-secretary) went to external hires. See: Public Service Commission Annual Report 2081-82.

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