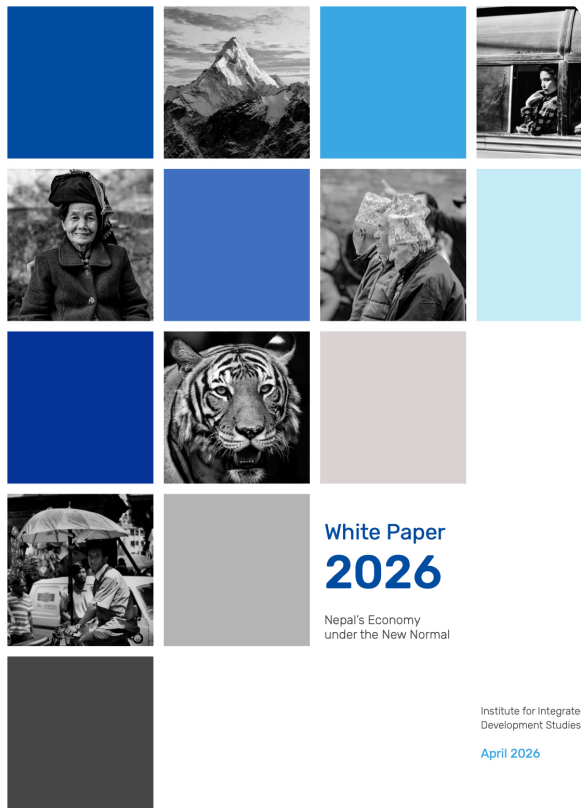


Event Report

Handing over White Paper 2026 & Development Strategy
to the Ministry of Finance.



White Paper
2026

Nepal's Economy
under the New Normal

Institute for Integrated
Development Studies |

April 2026

April
2026

Institute for Integrated
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2026

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Official Handover of "White Paper 2026: Nepal's Economy under the New Normal" and "A Development Strategy for Nepal" to the Ministry of Finance.

Date:

April 21, 2026

Venue:

Ministry of Finance,
Singha Durbar, Kathmandu, Nepal

Presenter:

Dr. Biswash Gauchan, Executive Chair, IIDS

Ministry of Finance Attendees:

1. Honorable Finance Minister Dr. Swarnim Wagle
2. Dr. Ghanshyam Upadhyaya, Finance Secretary, MoF
3. Mr. Bhupal Baral, Secretary - Revenue, MoF
4. Mr. Uttar Kumar Khatri, Joint Secretary - Revenue Management Division, MoF
5. Dr. Suman Dahal, Joint Secretary, Budget and Programme Division, MoF

IIDS Delegation:

1. Dr. Biswash Gauchan, Executive Chair, IIDS
2. Mr. Durga Prasad Bhattarai, Member, Governing Council, IIDS
3. Dr. Uttam Sharma, Policy Lead - Education, IIDS
4. Mr. Akhilesh Upadhyay, Policy Lead - Strategic Affairs, IIDS
5. Ms. Astha Bhatta, Program Specialist - Economics, IIDS
6. Dr. Bijan Bhattarai, Program Specialist - Economics and Finance, IIDS
7. Mr. Amesh Pandey, Jr. Research Assistant - Economics, IIDS

The Opening and Official Handover



Honorable Finance Minister Dr. Swarnim Wagle officially received **White Paper 2026: Nepal's Economy under the New Normal**, handed over by Dr. Biswash Gauchan, Executive Chair, IIDS.

The event commenced with Dr. Biswash Gauchan formally handing over the IIDS White Paper 2026 and Development Strategy to Honorable Finance Minister Swarnim Wagle and the secretaries present. The handover marked a significant institutional moment — representing IIDS's formal submission of an independent, evidence-based economic diagnosis and long-term strategic framework directly to the principal ministry responsible for Nepal's fiscal and economic management. Dr. Gauchan then proceeded to present the key findings and recommendations of the document.

Presentation and Key Takeaways

01 Breaking the Low-Growth Equilibrium

Dr. Gauchan opened by framing the fundamental challenge: Nepal is caught in a low-growth equilibrium that can only be broken through the interplay of ideas, innovation, and creative destruction. He argued that sustained growth requires societies to allow questioning and debate, entrepreneurs to translate ideas into markets, and institutions to permit better models to replace outdated ones — even when disruptive. This conceptual foundation set the tone for the diagnostic that followed.

02 Nepal at Multiple Inflection Points

The presentation established that Nepal has passed through four significant inflection points in recent years — financial (FY2020/21), external sector (FY2021/22), political (July 2024), and generational (September 2025). The external sector crisis of FY2021/22 was particularly stark: a trade deficit of 34.6% of GDP, a current account deficit of 12.5%, a balance of payments deficit of 5.1%, and foreign exchange reserves of only USD 9.5 billion — covering fewer than seven months of imports.

03 The New Normal: Stability Without Growth

A central argument of the White Paper is that Nepal's apparent macroeconomic stability conceals a profound internal stagnation. Since FY2022/23, the external picture has improved considerably: remittance inflows have grown at 19.6%, the current account has turned positive, and foreign exchange reserves have surged to over USD 23 billion — sufficient to cover 18.5 months of imports. Inflation has moderated to 5.2%.

However, Dr. Gauchan cautioned against interpreting these improvements as genuine economic health. Internally, economic growth has averaged just 3% since FY2019/20, nominal GDP growth has slowed to 7%, aggregate demand has contracted to 4.4% since FY2022/23, and non-performing loans have exceeded 6%. Capital expenditure has fallen below financing expenditure since FY2023/24, and the fiscal deficit has widened to 6% of GDP since FY2019/20. This is Nepal's New Normal — twin external stability purchased at the cost of domestic stagnation.

04 Secular Stagnation and the Complacency Trap

Dr. Gauchan attributed this condition to what the White Paper terms a "Premature Trinity": the simultaneous onset of Welfarism, Financialization, and Depopulation — forces that typically afflict more economically advanced nations but have arrived in Nepal prematurely. These have produced a series of structural paradoxes: macroeconomic stability sustained by the mass exodus of working-age youth (the Remittance Paradox); a population that is asset-rich but income-poor (the Wealth-Income Paradox); a country with low incomes but high prices (the Competitiveness Paradox); and a demographic window that may close before Nepal becomes rich (the Demographic Paradox).

Together, these forces have locked Nepal in what the White Paper calls a Complacency Trap — wherein false optimism sustained by remittances and the tourism and hydropower narrative, combined with premature financialization through inflated land prices and excessive credit, has eroded the urgency for structural reform.

05 The Demographic and Financial Crisis

The presentation documented Nepal's deepening demographic challenge in concrete terms. Over the four-year period from FY2021/22 to FY2024/25, total outmigration excluding re-entry averaged nearly 566,000 persons annually. Against a natural population growth of roughly 272,000 per year, the net result is actual depopulation at an average rate of -0.98%. Over FY2022 to FY2024 alone, 3.4 million young people left the country — equivalent to 11.5% of the population. Nepal is not simply losing its workforce; it is shrinking.

On the financial side, the White Paper charted Nepal's debt trajectory from state inefficiency — characterized by high sovereign debt — to market inefficiency, with private sector credit reaching over 92% of GDP, money supply and deposits outpacing GDP growth, and debt servicing exceeding domestic debt mobilization. This financialization has been driven in large part by excessive land monetization, identified in the presentation as the "mother of all evils." The estimated value of privately held land within the Kathmandu Ring Road alone — approximately NPR 9,100 billion at prevailing prices — is roughly equivalent to the entire national economy.

06 Nepal's Position and [Vision 2100](#)

Dr. Gauchan presented a sobering regional comparison: Nepal's per capita income of USD 1,470 places it second from the bottom in South Asia, marginally ahead of Afghanistan. While China has grown from USD 1,045 per capita in 2001 to USD 13,660 in 2024 over two decades of 8.7% growth, Nepal's own government target of USD 12,100 per capita by BS 2100 was characterized in the presentation as a "Utopian Fantasy" — requiring an average growth rate of 10.5% that no comparable economy has sustained under similar structural conditions.

The IIDS Vision 2100 offers an alternative grounded in historical baseline data. Nepal's nominal GDP has grown at an average of 7.5% per year in USD terms since 1991 — a rate of 12.4% in NPR terms, partially offset by the rupee's average annual depreciation of over 4%. Maintaining this baseline from the current GDP of USD 44 billion, Nepal would reach a USD 100 billion economy in approximately 11 years, with a per capita income of around USD 2,961. With an additional 2 to 2.5 percentage points of growth in dollar terms — achievable through targeted structural reforms — the same milestone can be reached in nine years, and the economy can reach USD 200 billion with a per capita income exceeding USD 6,000 by BS 2100, qualifying Nepal for upper-middle-income status.

07 Structural Departures and Strategic Reorientation

The second half of the presentation moved from diagnosis to strategy. Dr. Gauchan argued for three foundational structural departures: moving beyond bilateral dependence on India and China toward a diversified global economic engagement; moving beyond tourism and hydropower as the primary growth narrative; and moving beyond ODA dependency toward investment-led growth. Nepal's average FDI since 1990 stands at just 0.22% of GDP — a fraction of the world average of 2.39% and far below peers such as Bangladesh (0.60%), India (1.27%), and China (3.13%).

The IIDS new growth model recalibrates the sectoral composition of the economy toward a service-led structure: targeting a service sector share of 70% by BS 2100 (against the government's own target of 61%), while holding agriculture and industry at 15% each — a more realistic reflection of Nepal's structural endowments. The overarching strategic objective is to make Nepal globally competitive, shifting the GDP composition toward higher investment, export diversification, and a dramatically reduced trade deficit.

08 Flagship Initiatives and Building Blocks

Dr. Gauchan presented three flagship initiatives as vehicles for this transformation. The first is an Integrated Medical Education and Health Sector — positioning Nepal as a regional medical education and healthcare hub through public-public partnerships between 234 public hospitals and retirement funds, with a target of attracting 10,000 foreign students to generate FOREX revenue comparable to the current tourism sector. The second is the Nepal Global Knowledge and Innovation Hub (NGKIH) — a centrally located integrated campus in Kathmandu combining centers of academic and research excellence, a digital nomad park, and a Sovereign Investment Fund anchored by NRB and retirement funds. The third is Mustang as the Himalayan Capital of the World — a special free zone leveraging Nepal's unique geography for spiritual tourism, high-altitude innovation, clean energy-powered digital infrastructure, and Himalayan NetZero climate leadership.

Underpinning all three initiatives are three structural building blocks: digital transformation as a national strategic priority; human capital development for a knowledge economy; and private sector invigoration through creative destruction.

09 LDC Graduation and the Shift to Wealth Creation

The presentation concluded with a call to embrace Nepal's scheduled graduation from Least Developed Country status in November 2026 as a strategic opportunity rather than a disruption. Under the IIDS growth scenario, per capita GNI could reach USD 3,346 within ten years and USD 5,820 within seventeen — compared with USD 2,776 and USD 4,238 respectively under the historical baseline. Graduation, Dr. Gauchan argued, is not a risk to be managed; it is a signal to send — a declaration that Nepal is moving from poverty management to wealth creation.



The handover and presentation were received positively by Honorable Finance Minister Wagle and the secretaries in attendance, with the discussion that followed reflecting substantive engagement with the diagnostic and strategic framework presented.

White Paper 2026 & Development Strategy will be uploaded to the IIDS website soon.

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