



SUPPORTING
AN ENABLING ENVIRONMENT
FOR CIVIL SOCIETY

Enabling Environment Snapshot

Nepal

May 2025



NGO Federation of Nepal This document has been produced by the NGO Federation of Nepal

Context

Nepal, a landlocked country in South Asia, has made significant political and structural changes, [transitioning from a monarchy to a federal democratic republic](#). Despite these shifts, the country currently faces persistent political instability, with fragile coalition governments affecting consistent policymaking. Nepal is gradually improving in terms of economic growth but still struggles with low investment, aid dependency, and challenges in fiscal management. Social issues such as inequality, youth emigration, and underemployment continue to affect development. As Nepal prepares to graduate from the Least Developed Country (LDC) status to a Developing Country in 2026, effective governance and inclusive growth are critical to sustaining its progress.

From the [perspective of civil society organisations \(CSOs\) in Nepal](#), the country's context is characterised by a complex interplay of democratic progress, development challenges, and the need for greater local engagement in advocating for the rights of marginalised communities, ensuring their voices are heard in national development discourse, and contributing to the achievement of the Sustainable Development Goals (SDGs).

1. Respect and protection of fundamental freedoms

In Nepal, the [Constitution of 2015](#) enshrines fundamental rights, including freedoms of expression, peaceful assembly, and association. [Article 17](#) guarantees citizens the right to freedom of opinion and expression, to assemble peacefully, and to form unions and associations. Despite these constitutional protections, recent events have raised concerns about civic freedoms.

As the federal legal system is still undergoing reform, laws to fully implement fundamental rights and freedoms and to standardise policies and procedures for CSOs have yet to be established. [Parliament must enact over 100 new laws to enable the full implementation of the Constitution](#). These legislative frameworks are essential for operationalising nearly half of the constitution's provisions, including fundamental rights, directive principles, state restructuring, and functions of the federal, provincial, and local governments. While some bills are in the drafting stage and others under discussion, the overall lawmaking process remains sluggish and hindered by bureaucratic inefficiencies. While the Ministry of Home Affairs and the Social Welfare Council (SWC) provide national-level oversight, provincial governments are responsible for regulating CSOs within their provinces. Local governments, including municipalities and rural municipalities, are mandated to establish [legal frameworks to govern CSO activities in their jurisdictions](#). Despite some progress, local and provincial laws often remain inconsistent with existing federal legislation. These inconsistencies can restrict the operational space for CSOs and, in some cases, obstruct the approval and implementation of their activities. Additionally, a legal framework enabling the establishment of provincial offices for institutions like the SWC is still absent.

The ongoing political instability in the country continues to constrain the operational space for civil society organisations. The violent pro-monarchy protests on 28 March 2025 intensified instability, with [heavy-handed state responses](#) raising concerns over shrinking civic space. Several individuals injured during a pro-monarchy protest in Kathmandu have [accused police of excessive force and shared their accounts](#) of being harmed despite not actively participating in the demonstration. While the [police defended their actions in a press conference](#) citing the need to control unrest, their responses to critical questions—including about the use of force and tear gas—were vague and unconvincing, deepening public mistrust.

[Despite constitutional guarantees of freedom of expression, press, and digital rights](#) in Nepal's 2015 Constitution, recent legal and administrative measures have increasingly undermined these protections. In 2024 alone, [press freedom sharply declined, with 60 reported violations](#) including threats, arrests, and the targeted killing of journalists highlighting a worsening environment for media. Actions such as the [2023 TikTok ban](#) and Ministry of Home directive to monitor media content exemplify growing state control. While several restrictive bills including the [Media Council Bill](#) and [IT Bill](#) remain on hold due to stakeholder objections, the government has moved ahead with controversial policies like the National Cyber Security Policy, 2023. These trends point to a shrinking civic space, where increasing constraints on press and assembly rights may further weaken civil society's ability to function freely.

2. Supportive legal framework for the work of civil society actors

Nepal's legal framework for Civil Society Organisations (CSOs) is structured under four major legal provisions, the [Associations Registration Act \(1977\)](#), the [National Guidance Act, 1961](#), the [Company Act, 2006](#) and the [Social Welfare Act \(1992\)](#). Under these laws, CSOs can register either as non-governmental organisations (NGOs) under the National Guidance Act or as non-profit companies under Chapter 19 of the Company Act (2006). The latter explicitly allows companies to operate as CSOs, provided they do not distribute profits and reinvest earnings into their objectives. While these laws provide a foundation for CSO activities, bureaucratic hurdles and evolving regulations have created operational challenges. Organisations face [regulatory hurdles](#) due to overlapping mandates from District Administration Offices (DAOs) for registration and renewal, ward offices for local approval, the Social Welfare Council (SWC) for project endorsement, especially those involving foreign aid, tax authorities for financial compliance, and also the local governments. These fragmented processes result in delays, duplicate reporting, and inconsistent guidance, [making it difficult for CSOs](#) to operate efficiently and respond to community needs in a timely manner. Nepal still lacks a federal law that would be expected to guide the subnational governments for the registration and governance of CSOs. Although discussions are ongoing to draft such a law, progress has been slow. A clear and coordinated legal framework at all levels is essential to support the work of CSOs and strengthen their role in Nepal's development.

CSOs have to go through many government entities for the registration and renewal of organisations, and project consent and approvals from the local governments and the SWC. Many CSOs have reportedly encountered difficulties with the SWC regarding projects that are supported by government-to-government funding or the projects that are approved and monitored by federal offices other than the SWC. Securing approval from the SWC for advocacy and human rights-focused projects in Nepal remains challenging. The approval process is often hindered by bureaucratic hurdles, rigid regulations, and a strong emphasis on alignment with government priorities. Projects that lack physical or infrastructure components typically face [greater scrutiny and delays](#). The SWC demonstrates reluctance in approving advocacy-focused projects unless they incorporate development components that lead to tangible outcomes—particularly hardware or construction-related activities. This remains the case even when CSOs neither have corresponding projects nor prioritise such development interventions in their programming.

Additionally, the recent amendment to the [Asset \(Money\) Laundering Prevention Act, 2008](#) imposes stricter financial reporting requirements on CSOs, increasing scrutiny over international funding and adding compliance burdens. While intended to prevent illicit transactions, these regulations risk constraining CSO operations.

Any key decision such as the registration and amendment of statutes of the CSOs registered under the National Guidance Act has to be approved by the Council of Ministers. After the

responsibility was delegated to the secretary of the Ministry of Home Affairs in February 2025, [the ministry started to update the information of such CSOs](#). It is supposed that the government enforces stricter provisions for them.

The [government is consolidating three laws](#) to strengthen oversight of NGOs/INGOs, aligning them with constitutional mandates. However, the proposed legislation has drawn criticism for potentially restricting the operational space of CSOs through increased governmental intervention. Authorities justify this move by citing concerns over financial mismanagement, particularly following a recent audit that uncovered large-scale embezzlement of funds within some organisations. Critics argue that while accountability is necessary, the law risks over-regulating CSO activities, undermining their autonomy and capacity to address societal needs effectively. CSOs have been concerned that they should not be governed by the Ministry of Home Affairs as it is not a peace and security concern. CSOs are also looking at this cautiously, in that the new law [should not be more restrictive](#) than the existing laws.

3. Accessible and sustainable resources

CSOs in Nepal predominantly rely on international aid to sustain their operations. Domestic funding sources, including local government contributions, remain limited, compelling CSOs to seek foreign assistance to address critical issues such as health, education, and poverty alleviation.

The recent suspension of USAID funding has [profoundly affected Nepal's development sector](#). Over 300 CSOs, consultancies, and nonprofit organisations have [been directly impacted](#), with numerous projects halted and staff facing uncertainty. This suspension has led to the abrupt cessation of various initiatives, particularly in health and education, disrupting essential services nationwide.

Nepal's impending graduation from Least Developed Country (LDC) status to a Developing Country, presents additional challenges. While this transition may enhance the country's creditworthiness and attract foreign direct investment, it is anticipated to result in a reduction in concessional financing and foreign aid. This shift could [significantly impact sectors](#) heavily reliant on external support, necessitating strategic planning to mitigate potential funding shortfalls.

Despite the existence of corporate social responsibility provisions requiring businesses to allocate a portion of their profits to social initiatives, CSOs have encountered difficulties in accessing these funds. Regulatory constraints and [a lack of clear guidelines](#) have hindered effective collaboration between the corporate sector and CSOs, limiting the potential of domestic funding avenues.

4. State openness and responsiveness

The interaction between civil society and the government in Nepal remains limited and selective. While the [government engages with CSOs](#) on various issues, meaningful consultation is often lacking. CSOs working in sectors such as disaster response, health, and education have some opportunities for collaboration, but those advocating for human rights, media freedom, and governance reforms frequently [face problems](#).

Government entities often provide opportunities for civil society and CSOs to participate in development planning processes, legal and policy drafting and social campaigns and mobilisations. However, whether or not CSOs' voices are heard and addressed is not guaranteed. There are opportunities for representation of the CSO networks including NGO Federation of Nepal (NFN) and sector/thematic networks to participate and contribute to the different forums and mechanisms such as the implementation of the SDGs. NFN represents civil society and CSOs in different levels of government committees and forums. But the

openness of local governments to working with CSOs is [inconsistent](#). While some local governments are highly receptive and actively engage with CSOs in planning and implementation, others demonstrate a more restrictive approach, often posing challenges for CSOs to operate or implement projects within their jurisdictions.

5. Political Culture and Public Discourses on Civil Society

In Nepal, CSOs have played pivotal roles in various developmental sectors. However, public perception often frames these entities as profit-driven ["dollar farming" enterprises](#). This scepticism stems from concerns over their reliance on foreign funding and the perceived mismanagement of resources. Critics argue that many CSOs prioritise securing international grants over addressing local needs, leading to accusations of exploiting national poverty for financial gain.

Media coverage has amplified these negative narratives by highlighting instances of financial mismanagement within prominent organisations. For example, [reports of the Nepal Red Cross Society](#) allegedly misusing funds intended for the 2015 earthquake victims have fuelled public distrust. Such incidents contribute to the portrayal of NGOs as entities more focused on financial gain than on their humanitarian missions. Further [criticism claimed that, despite the presence of thousands of NGOs and decades of foreign aid since the 1990s](#), Nepal continues to face widespread poverty and underdevelopment—underscoring gaps in NGO accountability and coordination with the state.

Media tends to be critical towards CSOs and it is common for the media to exaggerate the issues and portray CSOs negatively. For instance, after the USAID freeze, when the Ministry of Home Affairs directed District Administration Offices to submit reports about the funding, operations and effectiveness of the CSOs, [some media equated or justified it](#) as a necessary means to control the CSOs.

Some political party leaders, members of parliament and bureaucrats are critical towards CSOs. Participation in the meetings of CSOs and the relationship of public figures with CSOs is sometimes stigmatised. Controversy over [NGO presence and meal sponsorship](#) at a parliamentary meeting highlights persistent distrust and stigma toward CSO involvement in lawmaking.

Civil society in general is said to be divided and [politically influenced](#). Many CSOs have made significant contributions to Nepal's development, providing essential services and advocating for marginalised communities. However, the [overarching narrative remains sceptical](#), underscoring the need for increased transparency and accountability within the sector to rebuild public trust.

6. Access to a secure digital environment

In Nepal, CSOs face a complex digital environment marked by regulatory challenges, cybersecurity threats, and issues related to misinformation. The [digital environment is increasingly at risk](#) as authorities impose arbitrary restrictions on online expression, including the misuse of the [Electronic Transactions Act](#) and social media bans, such as the [nine-month TikTok suspension](#). These actions undermine civil society's ability to operate freely in digital spaces and contradict Nepal's international human rights obligations, threatening fundamental freedoms of expression, assembly, and information.

The country has experienced cybersecurity incidents affecting both government and private sectors. In January 2024, the [government's main server faced cyberattacks](#), leading to the disruption of hundreds of official websites. Additionally, in 2024, [hackers siphoned off NPR 34.2 million \(ca. 200,000 Euro\) from F1Soft](#), a leading digital payment provider, highlighting vulnerabilities in the financial technology sector.

In December 2024, the Nepalese government approved a bill to [regulate social media platforms](#), requiring international social media corporations to register within the country. While aimed at ensuring accountability, this move has raised concerns about [potential overreach and its impact on freedom](#) of expression. [Major platforms have expressed reservations](#), citing stringent terms and conditions.

Despite these restrictions, Nepal has not yet been impacted by internet shutdowns.

Challenges and Opportunities

Nepal's civil society faces growing challenges due to political tensions, regulatory constraints, and funding uncertainties.

Financially, the suspension of USAID funding has disrupted hundreds of CSO-led projects, while Nepal's upcoming graduation from Least Developed Country status threatens future foreign aid inflows.

The way the Ministry of Home Affairs manages CSOs registered under the National Guidance Act and how it leads the drafting of the integrated CSO bill are important developments to monitor. Additionally, the ongoing drafting of anti-money laundering guidelines for CSOs by the Social Welfare Council, diminishing funding for CSOs, and other emerging challenges will be key issues to watch over the next few months.

To ensure the enabling environment for CSOs, it is essential that the integrated CSO bill and anti-money laundering guidelines be developed through inclusive, transparent, and participatory processes. Throughout both the formulation and implementation stages, meaningful participation of CSOs must be ensured, their voices must be heard, and advocacy efforts should focus on making the legal framework supportive of CSOs. Regulations should be risk-based and proportionate, with clear, rights-based oversight mechanisms. Additionally, steps must be taken to address funding challenges by promoting domestic resource mobilisation and to promote the Corporate Social Responsibility fund and flexible donor support. CSOs must initiate earnest dialogue with the government to safeguard civic space, emphasising their role as supporting hands in national development.

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