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## *Issue Brief*

# Nepal's Political Maze: Navigating the Revolving Coalition Door

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## **S***ummary*

A key domestic challenge for the new coalition government may be the constitutional amendment required to alter the existing electoral system, which has contributed significantly to political uncertainty in Nepalese electoral politics, making it almost impossible for any party to achieve a clear mandate to form the government.

Nepal’s political landscape marred by chronic instability, reached new levels of volatility in recent years further entangling the country in a complex political maze. Since transitioning into a federal democratic republic in 2008, the country has seen 14 different governments in just 16 years. Building on the relentless cycle of shifting alliances and power struggles, on 15 July 2024, Khadga Prasad Sharma Oli of the Communist Party of Nepal-Unified Marxist-Leninist (CPN-UML), was sworn in for the fourth time as the 38<sup>th</sup> Prime Minister of Nepal, succeeding Pushpa Kamal Dahal ‘Prachanda’ of the Communist Party of Nepal-Maoist Centre (CPN-MC).

KP Sharma Oli received 188 votes in his favour in the vote of confidence motion he proposed, while 74 votes were cast against him.<sup>1</sup> This ended the 18-month tenure of the ‘Prachanda’ government, which was supported by the Nepali Congress (NC) led by Sher Bahadur Deuba, and other smaller parties. Ironically, the same NC, which had earlier supported Prachanda’s government, is now seen supporting the new government led by KP Sharma Oli. The new coalition has a two-third majority in the 275-member House of Representatives comprising NC (88 seats), CPN-UML (79 seats), Janata Samajbadi Party-PSP (7 seats) and Loktantrik Samajwadi Party -LSP (4 seats), Nagrik Unmukti Party (NUP) with 4 seats, C.K Raut-led Janamat Party (6 seats), Upendra Yadav-led Janata Samajbadi Party-Nepal (JSP) (5 seats) and two independent members, who offered their support to the government from outside.

## Political Alliances after the 2022 Parliamentary Elections

In November 2022, as part of the pre-poll alliance, the NC, CPN-MC, Madhav Kumar Nepal’s CPN-Unified Socialist (CPN-US), Baburam Bhattarai’s Nepal Socialist Party (NSP), and Madesh-based LSP and Rastriya Jana Morcha formed the Democratic Left Alliance.<sup>2</sup> Meanwhile, the CPN-UML and the Upendra Yadav-led Janta Samajwadi Party (PSP-N) formed another pre-poll left alliance. The CPN-UML also supported the Rastriya Prajatantra Party (RPP) and some dissident candidates from the NC in certain constituencies.

The NC emerged as the single largest party in the Pratinidhi Sabha (House of Representatives) with 89 seats, followed by the CPN-UML with 78 seats, while the Maoist Centre remained in third place with 32 seats. A new political party led by journalist Rabi Lamichhane, Rashtriya Swatantra Party (RSP) surprised many by securing 21 seats and becoming the fourth-largest party in the House. Despite being the third largest party in the House, the leader of the CPN-MC, Prachanda, claimed that his party would play a pivotal role in the formation of any future government. Consequently, he sought the position of Prime Minister from the NC. However, the request was declined.

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<sup>1</sup> [“Nepal PM K.P. Sharma Oli Wins Vote of Confidence in Parliament”](#), *The Hindu*, 21 July 2024.

<sup>2</sup> Priyali Prakash, [“What’s Going On in Nepal Politics?”](#), *The Hindu*, 9 March 2023.

When Oli realised that an alliance between Deuba and Prachanda was unlikely, he chose to offer unconditional support to Prachanda. Consequently, the CPN-MC and CPN-UML came together to form the government which was regarded by observers as a bid to revive the earlier ‘left alliance’ they had formed [called Nepal Communist Party (NCP)] in 2018, after the 2017 elections, which lasted till 2021. As leader of the revived CPN-MC, Prachanda was sworn in as the 38<sup>th</sup> Prime Minister on 26 December 2022, with the backing of 169 members from the CPN-UML, RSP, RPP, JSP, NUP and the Janamat Party. He also received support from independent lawmakers such as Prabhu Sah, Kiran Kumar Sah and Amresh Kumar Singh.

However, disagreements emerged over several issues including the distribution of constitutional positions, which further escalated during the presidential election when Prachanda decided to support the NC candidate Ram Chandra Poudel, instead of backing his ally CPN-UML's candidate, Subas Chandra Nemwang.<sup>3</sup> As a result, Oli withdrew his party’s support from Prachanda’s coalition, leading to the government's collapse just two months after it was formed.

Prachanda rejoined forces with the NC and agreed to lead the government on a rotational basis. However, this new coalition, which brought together two ideologically different parties lasted for just over a year. Tensions arose between the two key ruling coalition partners, CPN-MC and the NC, over the candidate for the National Assembly chair. The NC nominated Krishna Prasad Sitaula as its candidate, but Prachanda refused to support him and insisted on his own CPN-MC candidate, Narayan Dahal. Prachanda accused the NC of betrayal during the National Assembly elections in Koshi Province.<sup>4</sup> He also raised his party’s concerns over certain proposals of the NC’s Mahasamiti meeting especially concerning the restoration of Hindu Rastra.<sup>5</sup>

The coalition collapsed due to conflicts involving Finance Minister Prakash Sharan Mahat from the NC, which Sher Bahadur Deuba failed to resolve.<sup>6</sup> Additionally, the selective opening of corruption cases and the fake refugee scandal involving NC leaders further hindered the coalition’s ability to function effectively.

The collapse between CPN-MC and NC-led coalition once again pushed Prachanda to join hands with Oli. However, before joining hands with Prachanda, Oli tried to reach out to Deuba but it did not work out. With the help of CPN-UML, RSP, JSP and CPN-US, Prachanda formed the government based on the agreed eight-point formula. Prachanda once again called this coalition as an ideological unity government but like in the past, this too could not be sustained and collapsed within four months.

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<sup>3</sup> [“Political Upheaval Brews in Nepal: Report”](#), *Nepal News*, 6 March 2023.

<sup>4</sup> [“Why Was the Alliance with the Congress Broken? This is the Prime Minister's Reply”](#), Kantipur, 14 August 2024.

<sup>5</sup> [“Over 1,000 NC Mahasamiti Members Sign for Hindu State”](#), *Setopati*, 22 February 2024.

<sup>6</sup> [“Dahal Blames Congress to Justify New Alliance”](#), *The Kathmandu Post*, 8 March 2024.

Oli publicly criticised Prachanda’s financial policies and expressed dissatisfaction with his efforts in poverty eradication and developmental activities. He called Finance Minister Barsha Man Pun's (CPN-MC) financial planning as ‘one minister and one party’.<sup>7</sup> He was also unhappy with the allocation of funds to conflict victims, most of whom were CPN-MC members.

Be that as it may, following the December 2022 election, Prachanda managed to secure the position of Prime Minister for himself despite his party securing only 32 of the 275 directly elected seats. He accomplished this by deftly navigating the political landscape and leveraging the support of Nepal's two larger parties. His strategy of pitting one party against the other succeeded to a large extent and he may as well try it out again in future as well, given the fractured nature of politics in Nepal.

## **The Current Coalition between CPN-UML and NC**

It was interesting to see Nepal's two largest rival political parties, the NC and the CPN-UML coming together to form a coalition government with an avowed aim to stabilise the country and prevent further chaos. Under a new power-sharing arrangement, K.P. Sharma Oli and Sher Bahadur Deuba will alternate as Prime Ministers until the next general election in 2027. The coalition also agreed to appoint two Deputy Prime Ministers, one each from both the parties. Oli formed a 22-member cabinet on his first day in office, accommodating all the coalition partners in the government.<sup>8</sup>

There are 10 cabinet ministers and two ministers of state from the NC in the new cabinet. The NC obtained the important ministries of Home and Foreign Affairs. The CPN-UML has nine cabinet ministers, including the Prime Minister, a Deputy Prime Minister and the Finance Minister. The PSP was given two cabinet positions, while the LSP received one; the NUP was given one position of a minister of state.

A key domestic challenge for the new coalition government may be the constitutional amendment required to alter the existing electoral system. The existing system, which combines the Proportional Representation System and the First Past the Post system, is complex and burdensome. This complicated framework has contributed significantly to political uncertainty in Nepalese electoral politics, making it almost impossible for any party to achieve a clear mandate to form the government. However, any such change will require a consensus among all the major political parties beyond the ideological spectrum. Before that, they need to establish a Common Minimum Programme to sustain the coalition and prevent any further breakaways.

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<sup>7</sup> [“Ruling Party Chief Oli Again Vents Ire at Budget”](#), *The Kathmandu Post*, 14 August 2024.

<sup>8</sup> [“Prime Minister Oli Forms 22-member Cabinet”](#), *The Kathmandu Post*, 15 July 2024.

## Nepal’s Foreign Policy Outlook

Despite being ideological rivals, the current coalition appears to align the foreign policy preferences of both the parties in the larger interest of the nation as a whole. On the day of the confidence vote, PM Oli presented the foreign policy interests of the coalition in the Parliament. He emphasised on the importance of maintaining sovereignty, dignity and development needs of the country. He also said that his government was committed to fostering good relations with immediate neighbours to address their concerns, while expecting reciprocal actions from them.<sup>9</sup>

A veteran Nepali Communist politician, Oli has had a tumultuous political career marked by clashes with neighbouring countries and significant variations in his foreign policy positions. Since 2014, when Oli formed the coalition government with CPN-MC, he has pursued stronger relations with China following the economic blockade by India in 2015. Oli's deliberate outreach to China was marked by numerous bilateral agreements, including a transit trade treaty in 2016 designed to reduce dependence on India.

However, in 2018, following his reinstatement as Prime Minister, Oli embarked on a three-day visit to India with a 54-member high-level delegation in April, as an attempt to readjust ties and seek increased investment from both public and private sectors. It also led to agreements on connectivity projects, and enhanced cooperation in energy and security sectors between India and Nepal. Later in June 2018, on a five-day visit to Beijing, PM Oli signed 14 agreements related to cross-border connectivity. While this was regarded as a ploy to engage and balance both the countries, Oli was seen to be antagonising India in 2020, when, in response to India's construction of a road across Lipulekh, his government amended the constitution to incorporate the disputed territories of Kalapani, Lipulekh and Limpiyadhura into Nepal’s official map, further straining relations with India.

At the moment, the CPN-UML is in coalition with the NC, a party that has advocated and fostered favourable relations with New Delhi. Therefore, Oli is once again seeking to align his and Nepal’s geopolitical, economic and domestic interests with those of India. Geopolitically, Oli has been perceived as a pro-China leader and whenever CPN-UML and CPN-MC came together to form government in Kathmandu in the past, the Chinese were seen to be extending unconditional support to it. But recently, venting its dissatisfaction, China has reportedly hinted at cultivating a parallel leadership within CPN-UML seeking to undermine Oli’s position. For instance, amid rumours of the former President Bidya Devi Bhandari's return to politics, the Communist Party of China’s International Liaison Department

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<sup>9</sup> Kamal Dev Bhattarai, “[Prime Minister Oli Outlines His Domestic, Foreign Policies](#)”, *The Annapurna Express*, 22 July 2024.

extended an invitation to her in June 2024, which was subsequently cancelled citing health concerns.<sup>10</sup>

However, it is reported that her heightened public engagements, active involvement in party politics, and advocacy for communist unity, allegedly at China’s behest, because it aligns with Chinese interests, have all provoked Oli’s displeasure. Furthermore, ahead of the upcoming 2027 elections, the Chinese have reportedly sought to reinstate the coalition between CPN-MC and CPN-UML (which had earlier come together to form NCP under China’s persuasion in 2018) and ensure Prachanda’s position within the party. However, Oli is apparently not inclined towards this plan.

Economically, despite high-level visits by Nepali Prime Ministers to China, Belt and Road Initiative (BRI) projects have not shown much progress over the last few years. The BRI Framework agreement was signed in 2017, but the signing of BRI implementation plan remains uncertain, with no firm decision yet to proceed forward. Indeed, the Chinese have signed several projects, including recent addition of Kathmandu Ring Road (Phase II), the Hilsa-Simikot Highway, and the Araniko Highway upgradation projects under the BRI framework.

However, doubts persist about their implementation. The newly appointed Minister for Foreign Affairs has, in fact, recently emphasised that the implementation plan for China’s flagship BRI cannot be approved in its current form without further research, consultation and discussion. Additionally, China seems to be incorporating non-BRI projects including the Pokhara International Airport, into the BRI framework to demonstrate progress.

It's worth noting that the Civil Aviation Authority of Nepal had signed an agreement with China CAMC Engineering for the construction of the airport, which began in April 2016, predating even the announcement of the BRI by China. In response, Nepal has voiced its dissatisfaction with China, which is now under investigation by Nepal's anti-corruption agency, further tarnishing China's reputation in the country.<sup>11</sup> Concerns about potential debt traps and China's rigidity in project development appear to have prompted Oli to reassess and realign Nepal's foreign relations, placing greater emphasis on India's economic support and influence in the nation's development.

Domestically, it appears that leaders of both the parties have come to recognise that India's influence in the region cannot be overlooked. Rajan Bhattarai, head of the foreign policy department for Oli's party, recently remarked in an interview that the CPN-UML does not believe Nepal can effectively advance the interests of its people by

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<sup>10</sup> [“Former President Bhandari’s Visit to China Postponed Indefinitely”](#), *my Republica*, 18 June 2024.

<sup>11</sup> Daisuke Wakabayashi, Bhadra Sharma and Claire Fu, [“Nepal is Investigating New Airport Made by China”](#), *The New York Times*, 12 November 2023.

adopting an anti-India stance.<sup>12</sup> Shankar Pokharel, CPN-UML’s General Secretary, went to the extent of saying that “everyone realises that Nepal cannot prosper without India”.<sup>13</sup>

Therefore, while China offers substantial investment opportunities, India's enduring relationship ensures a stable foundation for Nepal's development, making it essential for Nepal to consider improving its relationship with both the countries. Hence, in international relations, it is often assumed that small states’ alignment with major power(s) are directly proportional to their opposition to one another. Nevertheless, Nepal’s political consensus indicates that the country is not attempting to play a geopolitical game by aligning with one country against another but is merely trying to stay in the game, by engaging both the powers.

Beyond India and China, Nepal's strategic importance is also recognised by the West as well. Positioned between India and China in the geopolitically sensitive Himalayas, Washington has shown a clear interest in establishing a presence in Nepal. In 2017, the US signed a US\$ 500 million agreement to develop crucial infrastructure, including projects aimed at improving cross-border electricity trade between Nepal and India under MCC. Recently, U.S. Deputy Secretary of State Richard Verma visited Kathmandu and pledged US\$ 100 million in aid for disaster management.<sup>14</sup> Meanwhile, the European Union (EU) and Nepal are celebrating 50 years of diplomatic relations this year. Although trade engagement has been limited, during the 15<sup>th</sup> Joint Commission Meeting held in March 2024, both sides agreed to enhance cooperation in areas such as inclusive green growth, human capital development and good governance.

## Conclusion

The coalition between the two largest parties, NC and CPN-UML, is more of a necessity than a choice in Nepal’s unstable politics. If Oli persists with his previous practices of centralising authority and sidelining allies, this coalition will also meet the same fate like all the previous ones. The path to stability for the two parties hinges on their ability to resolve their differences promptly and focus on implementing vital reforms while managing the country’s foreign policy and geopolitical relations with the wider world.

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<sup>12</sup> [“Nepal Can’t Progress Without Maintaining Close Friendly Relations with India: CPN-UML”](#), *The Indian Express*, 11 July 2024.

<sup>13</sup> Jaideep Mazumdar, [“Turning the Page: Oli’s Fourth Term Signals pro-India Stance for Nepal”](#), *Swarajya*, 13 July 2024.

<sup>14</sup> [“US Pledges \\$100 million as Foreign Military Finance for Nepal’s Rotary Wing Capabilities”](#), *The Kathmandu Post*, 16 August 2024.

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