



ANNUAL MEETINGS

2025 | WASHINGTON DC

WORLD BANK GROUP
INTERNATIONAL MONETARY FUND

Governor's Statement No. 16

October 17, 2025

Statement by the Hon. **RAMESHORE PRASAD KHANAL**,
Governor of the IBRD for **NEPAL**

Statement by the Hon. Rameshore Prasad Khanal,
Governor of the IBRD for Nepal

Mr. Chairperson,

Mr. Ajay Banga, President of the World Bank Group,

Ms. Kristalina Georgieva, Managing Director of the IMF,

Fellow Governors and Delegates,

Ladies and Gentlemen,

1. I am deeply honored to make my statement at the 2025 Annual Meetings of the World Bank Group and the International Monetary Fund. On behalf of the Government of Nepal, I extend my sincere appreciation to the leadership and management teams of both institutions for their unwavering commitment to guiding the global economy in these increasingly complex and challenging times.
2. We convene at a pivotal moment for the global economy, characterized by persistent structural imbalances and heightened vulnerabilities. The past few years have tested global resilience- from the COVID-19 pandemic in 2020 to surging inflation beginning in 2021, the ongoing war in Ukraine since 2022, and the Middle East conflict that erupted in late 2023.
3. More recently, uncertainty surrounding economic policies, including tariff regimes, has further challenged global stability. This calls for renewed international cooperation to restore a more stable and transparent global trade environment and to scale up support for vulnerable nations grappling with conflict, rising debt burdens, and the impacts of climate change.
4. Global growth is projected to slow to 3.0 percent in 2025, with modest recovery expected in 2026. While inflation is easing and supply chains have stabilized, risks persist from trade barriers, debt vulnerabilities, and geopolitical tensions. Artificial intelligence offers productivity gains but poses labor market challenges, and highly indebted economies face rising real interest rates despite falling inflation. Credible fiscal consolidation and investments in social protection, climate resilience, and digital transformation are therefore becoming imperative. To cope with these complex

challenges, the World Bank and the IMF remain critical in coordinating global responses since the impacts are not homogenous across world economies.

Mr. Chairman, allow me now to turn to developments within Nepal.

5. The youth-led “Gen-Z Movement” of September 8 and 9, 2025, has ushered in a new chapter in Nepal’s political history. The interim government was formed to hold election for the House of Representatives within six months- fulfilling the Nepali people’s aspirations for ending corruption, ensuring good governance, delivering efficient and responsive public services, and accelerating development and prosperity. The movement has, however, caused notable economic disruptions, the full extent of which will only be known once ongoing damage assessments are completed.
6. To restore business confidence in the wake of these disruptions, the government has launched an Integrated Business Recovery Plan, offering grants, tax incentives, and operational support. Public resources have been reallocated from less productive initiatives to prioritize infrastructure rehabilitation and election preparations. Additionally, a dedicated Reconstruction Fund has been established to support the restoration of affected public and private assets.
7. Despite the series of external shocks, the financial sector has been resilient. The financial sector reform, including the financial consolidation, payment system modernization and digitalisation of overall financial services, has been expedited. The central bank has adopted an accommodative monetary policy by lowering interest rates and easing credit conditions. The resilience of the financial system has therefore been supportive for boosting investors’ confidence and creating an enabling environment for a swift recovery of the private sector.
8. The government is moving swiftly to address emerging macroeconomic challenges and respond to them in line with the aspirations of Nepal’s youth. Innovative financing instruments, including blended finance and alternative development financing, are planning to scale up to fulfill the financing need gap.
9. Amidst the political upheaval, Nepal’s economy is projected to grow by 4.5 percent in FY2025, driven by strong performance in the services led by tourism, rebound in industrial production and improved agriculture sectors due to the favorable monsoon.

Inflationary pressures have eased, and government revenue is expected to rise this year, supported by strengthened institutional reform and anti-corruption measures.

10. One year ago, the government established a high-level commission-which I had the honor of chairing, to recommend strategies for addressing structural bottlenecks and unlocking new economic opportunities. As a Finance Minister, I now have the privilege of implementing some of the key reforms recommended by the commission.
11. On the fiscal front, we are broadening the tax base, rationalizing exemptions, and introducing green taxation to align with our global climate commitments. Nepal will continue to enhance revenue mobilization through tax reform and improved administration, while safeguarding public investment and strengthening social safety nets. A new Public Financial Management Strategy has been finalized, featuring modern procurement systems, improved contract management, and real-time expenditure monitoring. Large-scale, growth-driving projects in hydropower, ICT, agriculture, and tourism remain on track and continue to progress smoothly, unaffected by recent disruptions.
12. Nepal possesses abundant renewable energy resources capable of transforming our economy and enabling the export of clean energy to neighboring countries. Power export agreements have already been signed with India and Bangladesh, placing renewable energy at the center of our growth strategy. We have big and transformative multipurpose storage projects of hydropower in the pipeline, in which the World Bank group will be a key partner. These clean energy resources, combined with innovative production paradigms, will also allow us to harness the benefits of AI without escalating electricity costs.
13. Private sector engagement remains crucial for us. A draft Alternative Development Finance Mobilization Bill, designed to channel private and cooperative capital toward constructing impactful infrastructure projects, has been tabled in the Parliament, and we expect its enactment in the early sessions following the formation of the new legislature.
14. Nepal is among the 20 most climate-vulnerable countries in the world. The devastating floods of July 2025 which claimed lives and destroyed critical infrastructure, including the Nepal-China Friendship Bridge, and another devastating floods and landslides in

the first week of October 2025, are a stark reminder of the disproportionate impacts of climate change. Despite our negligible carbon emissions, Nepal bears significant losses due to climate change. We therefore call for scaled-up, predictable, and easily accessible climate finance. Flexible funding mechanisms for biodiversity conservation, climate adaptation, and resilience-building are crucial. In parallel, Nepal is finalizing Climate Finance Guidelines to enhance transparency, accountability, and alignment with national priorities.

15. Nepal was placed on the FATF “grey list”-Jurisdictions Under Increased Monitoring- in February 2025. In response, the government is implementing comprehensive anti-money laundering and counter-terrorism financing measures to safeguard international financial transactions and ensure Nepal’s removal from the list as soon as possible.
16. Nepal remains firmly committed to achieving the Sustainable Development Goals and attaining middle-income status by 2030. A stable and credible financial sector is essential to this vision. Financial sector development policy credits from the World Bank have advanced structural reforms, while the IMF's collaboration has strengthened supervisory frameworks and resilience. We are expanding financial inclusion, promoting digital payments, improving the corporate governance in the financial sector, and aligning regulatory standards with global best practices.

Mr. Chairman,

17. All in all, I would like to acknowledge the indispensable roles of the World Bank Group and the IMF in stabilizing and guiding the global economy, inclusive of ours. I foresee an even greater role for these institutions in addressing future trade and investment challenges.
18. Nepal has always stood firmly in favor of strong and effective multilateralism. As the World Bank Group and the IMF continue to serve as our reliable development partners, Nepal looks forward to enhanced long-term capital investments in the days ahead. I firmly believe that the global socio-economic challenges of our time can be effectively addressed only through a revitalized multilateral system that amplifies the voices and priorities of smaller nations like Nepal. Beyond the financial support, the technical expertise, policy advice, and knowledge work provided by the World Bank and IMF are

equally valuable for Nepal. We also recognize the importance of co-financing mechanisms with the private sector through innovative instruments. In this regard, I appreciate the growing engagement of the IFC in Nepal, which has been instrumental in strengthening private sector confidence and capacity development.

19. Nepal also values the World Bank's mutual reliance policy, which has been successfully implemented in Nepal through the strong partnership between the World Bank Group and the Asian Development Bank. This collaboration exemplifies effective coordination among multilateral development banks in supporting Nepal's development priorities.

Mr. Chairman,

20. At last, I would like to reassure both the institutions that, despite recent political disruptions, Nepal's economy remains on a steady recovery path. The government is confident of conducting elections on schedule with broad support across the political spectrum. I sincerely hope that the World Bank and the IMF will continue to serve as vital partners- the "wheels of the chariot" of Nepal's development. Once again, on behalf of the Government of Nepal and myself, I express profound gratitude for the financial and technical support extended by both institutions. We look forward to even deeper cooperation in our pursuit of national prosperity and happiness.

I wish the Annual Meetings every success. Thank you.