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# Global Trend of International Cooperation and Its Implications for Nepal

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## Abstract

International cooperation is a very important tool in addressing global challenges, like poverty reduction, increasing economic growth, addressing climate change, pandemics, infectious diseases, migration, conflict, cross-border financial crimes, energy and food security, terrorism. Solving these issues is beyond the capability of any single country and call for joint efforts of the international community. The latest figure shows the composition of official assistance disbursement to Nepal; loans dominated with 86.85 percent of total aid, reflecting a growing dependence on debt-led financial aid. Grants accounted for about 14 percent, indicating limited non-repayable support. Nepal needs to maximize efforts to seek foreign assistance in grants and ensure that all loans are invested in productive sectors. Nepal needs to improve governance system for effective service delivery, to control rising corruption and slow aid delivery, which threatens donors' willingness to continue and increase support.

*Keywords:* international cooperation, global challenges, Nepal, overseas development assistance, governance

## International Cooperation

International cooperation is strategic voluntary collaboration between sovereign states, international organizations, and non-state actors to address shared challenges, achieve mutual goals, and manage global affairs. Such support is essential for managing economic stability, prosperity, conflicts, and climate change.

International cooperation emphasizes the following aspects:

- This is a framework or process where nations and actors work together, ranging from bilateral agreements to multilateral organizations, e.g., UN, IMF.
- While it promotes shared benefits, it is often fundamentally based on aligning national interests to gain greater advantage through collective action rather than individual action.

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- The mechanisms of international co-operation involve treaties, international dialogues, and treaties such as the United Nations Convention on the Law of the Sea (UNCLOS), and United Nations Conference on Trade and Development (UNCTAD).

While some experts' views emphasize realistically that states prioritize national interests and security, the growing complexity of challenges makes co-operation necessary for the long-term prosperity of the country (UN, 1982; Keohane, 1984).

**The following are key actors of international cooperation:**

- Sovereign states: National governments
- International organizations: UN, WTO, IMF, etc.
- Regional organizations and regional banks: EU, BRICS, AIIB.
- Non-State actors: Multinational corporations, INGOs, NGOs, and International Human Rights Organizations

**The Importance, Trends, and Challenges of International Cooperation**

Economic globalization has resulted in multiplier effects on the successes and problems of individual states (Global Economics Institute, 2024). As we know, advances in communication and technology have made the international environment very interconnected. Global challenges include those issues that have become so interwoven across the international arena that they require collective action by the world community in order to be effectively resolved.

It is important to note that while some problems require collective action, all states enjoy prerogatives to act in their national interest within the framework of international law. It is also essential to ensure that international responses are fully consistent with the rule of law. In fact, international cooperation, through positive practices, becomes a force for something good and substantial, instead of allowing the nation-state to slide into chaos, and ultimately sink into a condition of international anarchy.

Terrorism and political violence, as well as climate change and resource scarcity, are other burning examples of global challenges. Conflict and security challenges include terrorism, political violence, nuclear weapons proliferation, and transnational organized crime (Maerli, 2007). Some other issues relate to economic and social challenges, including trade, poverty, and drug abuse. It is also prudent to include and suggest the need for international environmental policy and cooperation (UNICJ, 2022). Governments should always seriously think and act on how these global challenges can be tackled with effectively and intime.

Some issues require international cooperation because these are so serious that they are threats to the very existence of social, economic, and political systems. Therefore, international cooperation is essential in addressing global challenges, like poverty reduction, economic growth, climate change, infectious disease, pandemics, migration, conflicts, terrorism, corruption, cross-border financial crimes, and energy, water, food, and other critical resources, as well as security issues, which are beyond the capability of any single country to handle (Falk, 2024). These global challenges can never be solved without the joint efforts of the international community.

The success of international cooperation requires practical articulation and implementation of effective rules, timely decision-making and governance mechanisms to bring all the stakeholders together and balance different interests to achieve mutually beneficial results. Although the importance of effective international cooperation in dealing with global challenges is generally admitted, there are domestic and external factors hindering international cooperation. Domestically, interdependence and external influence of other countries threaten national interest and sovereignty uppermost in the minds of citizens and politicians. In the short term, tackling global challenges may be associated with domestically unpopular reforms, requiring trade-offs in terms of redistribution and protecting vulnerable groups, and immediate obstacles that are difficult to overcome. Globally, international cooperation mechanisms with the participation of too many diverse interest groups and sidelining the role of the United Nations and global economic governance structures are being increasingly challenged and questioned by superpowers and rising powers. The reform of international cooperation and governance mechanisms is slow because of the vested interests of key stakeholders. Therefore, responses to global challenges are possible only with (and are best addressed through) coalitions of the willing.

There are some case studies of successful international cooperation efforts, e.g., UN activities. Many examples of UN success and partial successes can be cited. Some of the most significant concrete achievements are:

- a. Disarmament: Efforts towards disarmament and arms control.
- b. Achievements in health: Every major achievement in the health sector, from the total eradication of smallpox under the WHO to the present international efforts to control AIDS, has been developed and led by the UN.
- c. Development work: UNDP has developed MCH (Maternal and Child Health) programs accepted by all developing countries.

Human Rights: in this respect, the UNCHR has had some successes. At the national level, activities to bring offenders to court have increased due to the UNCHR's active involvement (UN, 1982).

The rapid globalization, increasing international interconnections, and persisting global challenges require a strategic new approach to international cooperation. National interests that have often been the dominant factors shaping international cooperation need to be reconsidered because increasing globalization gradually pushes national interests closer to the rules and requirements of the global (rather than only national) economy or society.

It is true that failures of international cooperation are indeed considerable and persistent, as exemplified by significant threats from climate change, debt-induced financial crises, military conflicts, pandemics, nuclear security, poverty, and global income disparities that require global solutions but solutions to every issue are not easily available. Most effective international cooperation traditionally stems from a dominant global power. After the Soviet Union collapsed, the United States has been the strongest global power in terms of military capability, with the constellation of economic power including the group of what has been called the G7 and G20. With the rise of economic power of countries such as China and India and the dilution of economic power within strong regional groups, the US and Europeans realize that democratic elections and accountable governments alone do not guarantee political stability, social peace, economic development, and freedom from corruption (Acharya, 2018).

Therefore, it is believed that everyone is better off if countries work together. By addressing global challenges, reducing risks, combining strengths, and seeing our goals, which are shared goals in many areas, it is possible to promote peace, order, and good governance. By doing so, it expands economic opportunity and unlocks human potential, removing obstacles to commerce, trade, investment, research, entrepreneurship, and innovation. It also helps assure that those eager for prosperity have the opportunity to combine it with a sense of humanity, modernization, and prosperity.

### **Global Situation of International Cooperation**

Considering the positive and negative aspects of international co-operation discussed in the previous chapters, the accepted view of international cooperation is that it is a lifeline for millions of people worldwide. It is also a key source of support for underdeveloped and developing countries. Over the years, there has been a significant increase in Overseas Development Assistance (ODA) globally.

In 2024, member countries of the Organization for Economic Co-operation and Development (OECD) contributed over \$212 billion in ODA globally, with a fall of 7.1 percent. The US continued to be the largest Development Assistance Committee (DAC)

provider of ODA at around USD 63.3 billion, accounting for 30 percent of total DAC ODA in 2024, followed by Germany (USD 32.4 billion), the United Kingdom (USD 18 billion), Japan (USD 16.8 billion), and France (USD 15.4 billion). Gulf Economic Cooperation Council (GCC) members, emerging economies such as India, South Africa, Brazil, and China have also become a significant source of aid, but only four countries have reached the UN-set target of a minimum overseas development aid (Parajuli, 2025).

International Financial Institutions (IFIs) such as the World Bank, Regional Banks, United Nations systems, Asian Infrastructure and Investment Bank (AIIB), and BRICS are also major sources of the ODA. Additionally, there are other windows for development support, such as climate funds, peace and security fund, and health-related funds.

In the present situation, development assistance focuses on a wide range of areas, from good governance to fiscal policy adjustment, market liberalization, sustainable development goals, life-saving humanitarian responses which are based on key national interests of donor countries, with a substantial rise among some donors; from 9 percent of ODA in Sweden, Norway and Switzerland to 43 percent in UK supporting refugees in donor countries. Further, bilateral aid has substantially risen, which means development aid continues to be influenced by donor interests. There is also remarkable support of NGOs, spending USD 50 billion in aid in 2023, with specific sectorial priorities (Acharya, 2018).

The latest changes in US policy have resulted in a drastic decline in foreign assistance, potentially close to 40 percent. Most of USAID's activities and MCC programs worldwide have been suspended or stopped. Many other traditional donors, such as the UK, Germany, France, and others, have also announced cuts in aid (Parajuli, 2025). These trends all indicate a changing shift in the foreign aid landscape, immediately impacting development and humanitarian funding for developing countries. The latest US policy shifts and a large decline in its support also significantly impact the UN system, with major cuts in programs and some agencies have already announced retrenchment amounting up to 50 percent in staffing (Devinit, 2024). The ongoing war such as Russia and Ukraine, as well as the one between the US-Israel and Iran including missile and rocket attacks have caused widespread deaths and destruction of individual homes, schools, hospitals, and businesses, and energy infrastructures across those countries, as well as in Gulf countries. Such war events also definitely cause a large decline in overseas development support to developing and underdeveloped countries (Liu, 2023).

## **Nepal and Overseas Development Assistance (ODA)**

Published data and different information details about international cooperation in Nepal clearly indicate that Nepal has long benefited from overseas development assistance for its development programs. In 2010-11, foreign aid in Nepal which was about USD 1.1 billion, which increased to USD 2 billion in 2019-20, and rose to \$2.4 billion in 2023-24. The latest amount constitutes some 20 percent of Nepal's development budget. It is reported that a significant portion (65.7 percent) are loans, with 20 percent as grants and 10 to 15 percent in technical assistance. The latest figure published by Nepal Rastra Bank shows the composition of ODA disbursement to Nepal in FY 2024/025 AD (2081/82 BS). Loans dominated with 86.85 percent of the total aid, reflecting growing dependence on debt-financed aid. Grants accounted for 13.15 percent, indicating limited non-repayable support (Ministry of Finance, 2026). Data on technical assistance, however, was not available in Nepal Rastra Bank records. It is commonly understood that increased loans mean increased fiscal burden due to high debt servicing costs.

Nepal's largest donor is the US, followed by China, India, Japan, the UK, Germany, the EU, and other OECD members, as well as the IFIs and the UN system (Ministry of Finance, 2026). Funding support from IFIs is also influenced by their board members, who are mostly OECD donor countries.

Since 2019, the US government has provided over USD 700 million in aid focusing on health, economic growth, democracy, governance, and food security, and an additional USD 500 million in August 2023 for infrastructure development in the energy and transportation sectors, with significant contributions to Nepal's growth and prosperity (Ministry of Finance, 2026). US aid cuts have severely impacted Nepal's development, with a slowdown in sectoral development in several areas. It necessitates alternative methods of financing development activities.

According to the statistics provided by the Ministry of Finance from 2010 to 2022, the US has provided 1 billion 607 million, 522 thousand dollars in grants to Nepal. Similarly, China has given 1 billion 112 million 431 thousand dollars, and India has provided 994 million 107 thousand dollars to Nepal. According to the development report 2020-21, published by the Ministry of Finance, China has become the largest donor by providing approximately 15 billion rupees annually to Nepal (Ministry of Finance, 2026). Given the twelve years of aid, the US is ahead of China and India due to the large grants that come through MCC and USAID.

With more and more resources being demand in Nepal to cope with poverty reduction and to achieve prosperity, the decline in foreign assistance is likely to threaten Nepal's

ambition to achieve the Sustainable Development Goals and to graduate from the Least Developed Country status.

It is said that international cooperation and coordination of policies can reduce the leakage and distortion of country-level measures. It can also provide execution support in areas where countries have weak or inadequate capacity, such as high volume and disease transfer under crisis response protocols in the public health system. As a result, international cooperation can complement national policies and promote global public goods among nations.

### **Conclusion**

Nepal needs to improve its governance system for effective service delivery, to control rising corruption and slow aid delivery, which threatens donors' willingness to continue and increase support. It is also essential to maximize efforts to seek foreign assistance in grants and ensure that all loans are invested in productive sectors. Similarly, Nepal should prudently prioritize its development programs with increased domestic funding and minimal dependence on foreign assistance.

Increased remittances have resulted in a surge of liquidity in banks, but these resources are mainly used for consumption, not as productive investments. The Nepal government has the opportunity to help direct these funds to finance productive sectors with attractive incentives and returns. For a win-win situation, the government can encourage new measures such as debt swaps to finance specific projects in the agriculture, health, and education sectors. The government should honestly impose bold restrictive measures on unnecessary expenses such as fringe benefits for politicians and bureaucrats, study tours, purchasing expensive vehicles, and investment in unproductive infrastructure.

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