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## Interplay Between Foreign Debt and Human Rights: A Special Reference to Nepal

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### ABSTRACT

Foreign debt is an obligation (including monetary obligations) created under a contractual agreement and owed by a state to a non-resident lender. In situations of extreme debt burden, basic rights-fulfilling resources are diverted toward debt repayment. As a result, human rights issues are brought to the forefront. The Government of Nepal has allocated a relatively larger budget for foreign debt servicing than for the health and industrial sectors for the fiscal year 2025/26. This article employs a doctrinal research methodology and qualitative analysis, relying on primary legal instruments and secondary literature to determine Nepal's stance. This paper assesses the repercussions resulting from the disparity in budget allocation in Nepal. The paper finds that careful and strategic measures need to be followed to prevent an excessive debt-to-GDP ratio, especially after Nepal obtained its first sovereign credit risk rating (BB- from Fitch) in November 2024, as the authorities have been signaling their increasing openness to foreign capital inflows. The article also identifies repayment conditionalities and structural adjustment programs as major constraints on national policy space. Therefore, this research advocates for debt sustainability, upholding a rights-based approach through proper debt assessment of Nepal in line with established policies. This study highlights Nepal's concerns relating to human rights issue in relation to debt servicing.

### Introduction

States incur foreign debt to fund human capital development and physical infrastructure projects, *inter alia*, for the provision of basic goods such as water and food, education, and social security transfers (Oluyeju & Oluyeju, 2024). The relationship between foreign debt of developing countries and the protection of social rights in those countries has received considerable attention from an economic, political, and moral perspective (Bradlow et al., 2024). Evidence shows that many developing countries, such as Nepal, pay more to the rich world in debt service (interest and repayments) than they can afford to spend on essentials such as health or education. In the practical world, creditors' rights are given preference over the debtors'; however, this practice is normally discouraged in cases where basic human rights

of people are directly impacted, since human rights are considered indivisible and inherent worldwide.

Human rights today have been subject matter of protection for myriad legal systems worldwide. Universally, states hold the primary responsibility to 'respect, protect and fulfill' such rights. However, due to debt crisis, states may disregard their responsibility to protect human rights. As a result of channeling out the available resources in debt servicing, resources to fulfill human rights obligations become scarce. Likewise, in the case of Nepal, haphazard acceptance of loans, inadequacy of pre-assessment, monitoring and evaluation mechanisms for projects, and potential misuse of the funds may result in the delayed completion of developmental projects, including infrastructural projects that directly impede the realization of human rights.

Key questions emerge: to what extent the realization of human rights depend on aforementioned funds (or how other factors interact with human rights), and this variable is important in terms of allocating responsibilities (Bohoslavsky & Letnar Černič, 2014). It is worth noting that debt servicing may also result in difficult tradeoffs implicating civil and political rights, for example, well-functioning court and prison systems are not cheap (Sharp, 2014). By way of example, a failure to pay prison guards or to provide adequate resources to courts can lead to prolonged pre-trial detention and other egregious human rights abuses (Human Rights Watch, 2006).

The conditionalities attached by International Financial Institutions (IFIs) to the recipient countries are regarded as major impediments to the fulfillment of human rights. Aiming for fiscal sustainability, increased competitiveness, and economic growth, IFIs generally make loans, grants, and debt relief conditional on the part of recipient countries (Özden, 2007). These measures include privatizing public assets, imposing austerity through cuts in public spending and tax hikes, and enacting structural changes such as labor market adjustments, trade liberalization, and legal reforms (Stubbs & Kentikelenis, 2018). However, such conditionalities frequently give IFIs significant policy influence over national governments, limiting their autonomy and potentially undermining local development goals. The measures also have dire implications for the enjoyment of human rights, which will be discussed below.

To provide a snapshot, the Government of Nepal has allocated Rs. 108.54 billion for foreign debt repayment in the fiscal year 2025/26, including Rs. 51.88 billion for principal amount and Rs. 15.57 billion for interest. This amounts to about 5.53% of the total budget. Additionally, the government has allocated Rs 95.81 billion for the health sector, which is approximately 4.88% of the total budget, and just Rs. 57.48 billion for the agricultural sector, about 2.93% of the total budget, which had contributed to 25.16% GDP in the fiscal year 2024/25 (Nepal Rastra Bank, 2025). On a positive note, Rs. 211.17 billion has been allocated for education, representing roughly 10.75% of the total budget. Similarly, Rs. 152 billion has been allocated for physical infrastructure, about 7.74% of the total budget (Government of Nepal, 2025).

Despite allocating a budget to the health sector that is lower than public debt servicing, Nepal's budget allocations to other vital sectors for the fiscal year 2025/26 look promising.

This progress will bring about positive changes, only if the designated and planned projects are completed on time, thereby generating the revenue as expected. Thus, an appropriate balance between the obligations of States arising from their public debt arrangements and obligations under international human rights law results in the protection of human rights with the proper allocation of available resources. Furthermore, Nepal has committed to the Addis Ababa Action Agenda to mobilize foreign aid to achieve the SDGs.

### **Literature Review**

The relationship between debt and human rights has been studied widely with a focus on the impact on human rights due to debt repayment. Creditor nations and institutions maintain control over the economies of debtor countries, limiting their sovereignty. Scholars argue that the definition of debt should be reconsidered to mean not just a financial obligation but a human rights issue that demands global responsibility (Özden, 2007). There are ways to reconcile various interests of pertinent stakeholders by integrating human rights considerations into debt negotiations and restructuring processes.

However, Global South countries face struggles due to the real tension between economic policies and human dignity (Bantekas & Lumina, 2018).

Some authors note that questions relating to relationship between debt and economic violence, development, climate change, and legal standards should be raised to develop a gender-neutral perspective and to expose asymmetrical laws that often focus on creditors' rights over debtors (Bohoslavsky & Rulli, 2024). The conditionalities attached by the International Monetary Fund (IMF) and the World Bank loans, such as austerity measures and structural adjustment programs, may cause an exacerbation of poverty and inequality in already vulnerable countries. Authors argue that debt cancellation and significant reforms should be extensively discussed in the global financial system to ensure that policies prioritize human development over debt repayment (Toussaint & Millet, 2008).

Mandel (2006) suggests that debt sustainability should be understood in terms of the amount of revenue that a government can be expected to raise without increasing poverty or compromising future development. Nepal can benefit from adopting legal frameworks that prioritize human rights in debt-related decisions, ensuring that international creditors consider the socioeconomic impacts of debt servicing policies. Similarly, Nepal can advocate for more inclusive economic policies, ensuring that debt obligations do not disproportionately affect the poor or marginalized (Nannery, 2015).

### **Methodology**

This article is based on a descriptive and analytical research design, where conclusions are inferred after an analysis of the budget allocation to different sectors. Further, the article explores relevant national and international documents relating to human rights and foreign debt to formulate a conceptual framework and establish a meaningful relationship between foreign debt and human rights.

A major part of the article is focused on analysing the existing situation of Nepal. For that purpose, official government reports, specifically the Public Debt Management Office (PDMO)

Report, Economic Survey Report, Budget Speech, etc., were studied to extract the data made available relating to foreign debt. Similarly, for comparative analysis, a brief review of periodic plans, conditional aid programs, LDCs' directed program of actions, and global agendas such as MDGs and SDGs, and budget allocation to different sectors has been made. The analysis was then situated in the existing discourse of human rights. The article attempts to answer how such allocations play out in terms of impact on human rights.

This article centralizes foreign debt and its factors in the context of their impact on human rights; an all-encompassing review of the technical details of the debt has not been attempted.

### **Linkages between Foreign Debt and Human Rights**

The declarations, resolutions, and decisions of major United Nations conferences and bodies and the concluding observations of the various treaty bodies have confirmed the link between debt, human rights, and development (Park & Vetterlein, 2010). A total of 3.4 billion people live in countries that spend more on interest payments than on either health or education (United Nations Conference on Trade and Development [UNCTAD], 2025). Various United Nations human rights bodies have consistently recognized that high debt burdens constrain the ability of many states to fulfill their human rights obligations. Likewise, the OHCHR report shows that a growing debt of developing countries has undermined their capacity to establish the conditions for the realization of human rights (OHCHR, 2024).

Foreign debt burdens harm the realization of human rights in two main interrelated ways: (a) through a diversion of resources from basic social services to debt servicing, and (b) through policy conditionalities and austerity measures attached to international debt relief mechanisms, which undermine countries' ownership of national development strategies (Bantekas & Lumina, 2018). In addition to undermining states' human rights obligations, excessive debt burdens have posed significant obstacles for some low-income countries in achieving internationally agreed development goals (Oxfam International & Jubilee Debt Campaign, 2007).

The inequality brought about by debt disproportionately affects vulnerable groups, including women (International Center for Integrated Mountain Development [ICIMOD], 2007). Undoubtedly, women and girls generally support families and communities to weather the crisis by taking over responsibility for providing the resources and services that the government cannot provide (Oxfam International & Jubilee Debt Campaign, 2007). For example, when there is a shortage of basic healthcare or other social services, women, who usually care for the young, sick, and elderly in a household, take on the burden of the extra care work, and for younger women, this is often at the cost of education. Thus, the result of struggling governments to meet crippling debt repayments to the creditors is exhausted women, mostly living in poverty and exclusion, and unsustainable livelihoods.

As discussed above, when international financial institutions impose adjustment programs, including policy conditionalities and austerity measures like cuts on public spending, privatization of public utilities and services, and collecting user fees for basic social services, among others, against the backdrop of anaemic economic growth, social safety nets are negatively impacted (Bantekas & Lumina, 2018). An analysis made by the Human Rights Watch reported that a majority of recent IMF loans have austerity conditions linked to them,

many of which reduce government spending on essential public services or increase regressive taxes, negatively impact rights, and exacerbate inequality (Human Rights Watch, 2023).

However, the US and EU have often criticized the UN Human Rights Council for mandate overreach because of their focus on debt impacts on human rights (Bantekas & Lumina, 2018). They argue that the Council has a definite mandate to work for human rights issues, and addressing debt issues intertwines the work of the Human Rights Council with that of other financial institutions, as they frame the debt issue as an exclusively financial issue. Despite such criticism, the already established Guiding Principles on Foreign Debt and Human Rights are not rendered ineffective, nor are the efforts of independent experts to draw attention to the relationship between debt burdens and human rights rendered futile.

### **International Legal Frameworks on Foreign Debt and Human Rights**

Attempts have been made to bring the interrelationship into the spotlight. Vienna Declaration and Programme of Action, 1993, calls upon the international community to make all efforts to help alleviate the foreign debt burden of developing countries and to supplement the efforts of the governments of such countries to fully realize their people's economic, social, and cultural rights. Similarly, the Monterrey Consensus of the International Conference on Financing for Development, 2002, emphasizes the importance of ensuring that debt levels are sustainable and aligned with a country's ability to achieve development goals, including human rights protections, and highlights initiatives like the Heavily Indebted Poor Countries (HIPC) Initiative and other mechanisms to provide debt relief.

The Doha Declaration, 2008, recognizes that unsustainable foreign debt burdens can undermine the development process and the realization of human rights, particularly economic, social, and cultural rights, emphasizing the need for effective debt management strategies to support growth and to ensure that debt does not obstruct access to basic rights such as health, education, and adequate living standards. Likewise, Guiding Principles on Foreign Debt and Human Rights, 2011, call for transparency, accountability, and public participation in decision-making related to debt, highlighting the importance of considering the perspectives of vulnerable groups and assert that human rights take precedence over debt servicing, ensuring that financial obligations do not undermine a state's ability to achieve sustainable development or safeguard the well-being of its people.

The Guiding Principles on Human Rights Impact Assessments of Economic Reforms, 2018, aim to foster a fairer approach to economic governance by making sure that financial stability does not come at the expense of human dignity and rights, aligning economic reforms with international human rights obligations. Additionally, courts and tribunals have adjudicated disputes, highlighting the tension between economic obligations and human rights protections. However, some decisions acknowledge the importance of human rights protections, while others favor creditors; in any case, the relationship between the two issues has never been denied by adjudicating authorities.

Notably, in *Ledra Advertising et al. v. European Central Bank* (ECB), 2016, the European Court of Justice (CJEU) ruled that the European Central Bank (ECB) could not be held liable for the economic losses incurred by the complainants as a result of the Cypriot financial crisis and

the subsequent austerity measures imposed under the bailout program, despite the complaints filed against the EU and the ECB implementing stringent austerity measures (CJEU, 2016). However, in *GSEE v. Greece*, 2017, the European Committee of Social Rights ruled in favor of GSEE, finding that Greece had violated several provisions of the European Social Charter as a result of the austerity measures it had implemented (Council of Europe, 2017).

### **Analysis of Nepal's Position in Debt Repayment**

Nepal's primary external creditors include the International Development Association (IDA), the Asian Development Bank (ADB), the International Fund for Agricultural Development (IFAD), the European Economic Community (EEC), the Nordic Development Fund (NDF), the European Investment Bank (EIB), the Asian Infrastructure Investment Bank (AIIB), the IMF, the Saudi Fund for Development (SFD), Japan, Kuwait, France, Belgium, India, China, and Korea (Government of Nepal, 2025).

The UN Committee on Economic, Social, and Cultural Rights, after reviewing Nepal's report, noted that the country's efforts to fulfill its obligations under the Covenant are hindered by rapid population growth and foreign debt, which adversely impact the population's access to economic, social, and cultural rights, particularly among the most vulnerable and marginalized groups (Committee on Economic, Social and Cultural Rights, 2001). Similarly, the UN Committee on the Rights of the Child noted that high poverty levels, worsened by the heavy debt burden, hinder progress toward the full realization of children's rights (Committee on the Rights of the Child, 2005).

Nepal was listed as a potentially eligible Heavily Indebted Poor Country (HIPC) in 2011, as it met the indebtedness criterion. Furthermore, Nepal reached the HIPC Initiative threshold for the export window by the end of 2010 (International Monetary Fund, 2011). It can be construed that Nepal suffered from a very high debt burden exceeding the export revenue mentioned earlier. Nepal's foreign debt sustainability is rated at a moderate risk of debt distress, as remittances add significantly to the country's debt servicing capacity. However, the balance obtained by remittance inflow is not suitable, consistent, and sustainable in the long run, as remittance is expected to gradually decline due to many reasons, including the underperformance of the migrant workers and a large number of returnee migrants. Hence, focus should be made on increased exports and reduced structural trade imbalances for the long-term debt sustainability without being heavily dependent on remittances.

A few attempts have been made to pull Nepal from such heavy debt burdens. The Medium-Term Debt Management Strategy embraced by Nepal ensures the primacy of access to essential services over the repayment of foreign debts. Major stakeholders of Nepal, including the Ministry of Finance, the Ministry of Foreign Affairs, the National Planning Commission, and others, have been conducting periodic and annual meetings to engage in common dialogue and negotiation with the international stakeholders. During the pandemic, Nepal took part in the Debt Service Suspension Initiative, allowing resources to be focused on combating the pandemic by temporarily halting debt payments (World Bank, 2022).

Public Debt Management Office (PDMO) is the government agency responsible for public debt management, including foreign debts. Similarly, the Public Debt Management

Act, 2022, governs the process of debt repayment and restructuring. According to Section 5(2) of the Act, for the implementation of plans and programs approved by the Government of Nepal, the amount borrowed by the provincial government, local levels, and the Government of Nepal from foreign governments, foreign government banks, financial institutions, or agencies shall not exceed one- third of the Gross Domestic Product (GDP) of the preceding fiscal year. Similarly, Section 14(4) states that while providing a guarantee or counter-guarantee to an institution, province, or local level taking a loan, the Government of Nepal must ensure that the loan serves the national interest and can be repaid within the time specified in the agreement. These sections restrict the amount of borrowing to ensure that repayment does not become burdensome and that human rights are not compromised. Nonetheless, the issues of human rights protection during debt repayment have not yet been considered anywhere in the Act.

According to the data from the PDMO Annual Report 2025, Nepal’s foreign debt reached Rs. 1.40582 trillion as of mid-July of the fiscal year 2024/25. Of this, Rs. 1.26651 trillion constitutes multilateral loans, and Rs. 139.30 billion constitutes bilateral loans. The government received Rs.129.95 billion in foreign debt in fiscal year 2024/25, of which Rs. 47.28 billion has already been repaid. Hence, the foreign debt liability of the Government of Nepal reached 23.02% of total GDP in fiscal year 2024/25 (PDMO, 2025). This data should be taken into consideration as the liability has been going up with every passing year. In the fiscal year 2023/24, the ratio of total outstanding public debt to GDP reached 42.74%, while in the fiscal year 2024/25, the ratio of total outstanding public debt to GDP has reached 43.79%.

**Table 1:** Creditor-wise Outstanding Foreign Debt

Fiscal Year (2024/25)	Amount in Crore (in Nepali Currency)	Share Percentage
Total Debt	1,40,582.36	100.00%
Multilateral Debt	1,26,651.43	90.09%
Asian Development Bank	46,491.00	33.07%
European Economic Community	13.63	0.01%
European Investment Bank	2,147.93	1.53%
AIIB	533.20	0.38%
International Development Association (IDA)	69,010.15	49.09%
International Fund for Agricultural Development (IFAD)	1,094.06	0.78%
International Monetary Fund (IMF)	6,547.29	4.66%

Nordic Development Fund	178.16	0.13%
OPEC Loan	636.02	0.45%
<b>Bilateral Debt</b>	<b>13,930.92</b>	<b>9.91%</b>
Belgium	47.33	0.03%
China	3,397.93	2.42%
France	19.09	0.01%
India	3,751.97	2.67%
Japan	5,763.33	4.10%
South Korea	479.89	0.34%
Kuwait Fund	176.66	0.13%

*Source: PDMO Annual Report, 2025*

For Nepal, this outstanding debt, as provided in Table 1, is massive, as it is influenced by various factors. The impact of foreign exchange on foreign debt should also be considered when analyzing the outstanding foreign debt. As per the report of PDMO, Nepal incurred a loss of Rs.65.540 billion in fiscal year 2024/25 alone due to the foreign exchange fluctuations. Hence, this outstanding payment hinders the development of economic and social sectors, as it can be construed that a major portion of the budget will be deployed to interest payments, let alone debt repayments.

**Table 2:** Details of Outstanding Foreign Debt

<b>Fiscal Year</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>
Total Debt	93,469.52	102,584.7	117,099.09	125,760.2	140,582.3
Total Multilateral Debt	82,199.77	89,446.32	103,046.21	112,003.1	126,651.4
Total Bilateral Debt	11,269.75	13,138.39	14,052.89	13,757.09	13,930.92
Annual Growth Rate	14.03%	9.75%	14.15%	7.40%	11.79%
Ratio of Multilateral Debt	87.94%	87.19%	88.00%	89.06%	90.09%
Ratio of Bilateral Debt	12.06%	12.81%	12.00%	10.94%	9.91%

*Source: PDMO Annual Report, 2025*

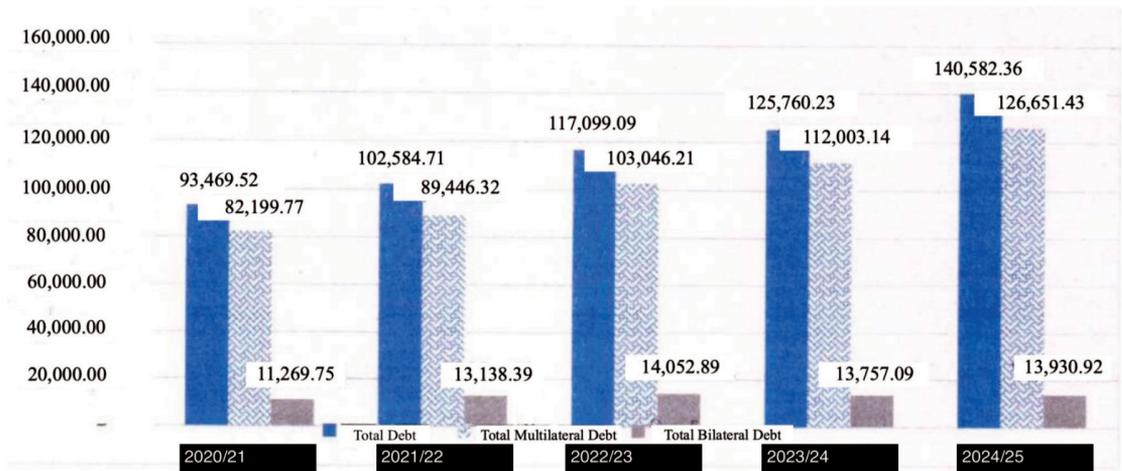


Fig 2. Structure and Tendency of Outstanding Foreign Debt

Source: PDMO Annual Report, 2025

Viewed collectively, there may not seem a problem; however, the issue becomes clear when we compare the data of the two consecutive fiscal years as provided in Fig. 2. The fluctuation in the foreign debt rate is not a concern as long as the expected outcomes are achieved. However, the situation is different in Nepal because the debt is not properly utilized. According to the report from PDMO, the debt is not being mobilized as expected due to delays in completing planned projects, despite the increasing debt amount. Therefore, the rising trend of debt itself is not a problem; rather, the fact that it remains frozen instead of being effectively utilized poses significant threats to essential sectors in various ways. Connecting the above-mentioned tendency with the budget allocation for the fiscal year 2025/26 provides us with direct proof of how resources are being diverted and how the process of debt servicing has been overshadowing the necessities of life.

Similarly, Rs. 4.28 billion has been allocated to the Ministry of Labor, Employment and Social Security, Rs. 6.08 billion to the Ministry of Youth and Sports, Rs. 2.08 billion to the Ministry of Women, Children and Senior Citizens, Rs. 33.89 billion to the Ministry of Water Supply, and Rs. 18.61 billion to the Ministry of Forest and Environment. While we advocate for laborers to earn sufficient wages to sustain their lives, for athletes to receive adequate salaries to boost their motivation and productivity, for women to gain independent identities by fostering self-reliance, for access to safe drinking water, and for cleaner and less polluted cities, what we actually see is much smaller portion of budget being allocated to these crucial sectors leading to brain drain, athletes migrating abroad, women facing hardships, scarcity of clean drinking water and Kathmandu ranking among the most polluted cities in the world.

Certainly, the tendency to allocate large amounts toward debt repayment rather than other vital sectors is a global phenomenon. However, in Nepal, the concern lies in the massive gap between the budget allocated for debt repayment and that for ministries. Moreover, the allocated budget is often underutilized or misutilized, and delays in project implementation remain a major setback. The newly enacted Foreign Aid Mobilization Policy, 2025, has, to

a greater extent, developed strategies to mobilize loans in sectors such as education, health, climate change, and disaster management. Unfortunately, the situation remains woeful this year as well, with a huge gap in the budget allocation.

Despite a large portion of the budget being separated for debt repayment, Nepal still struggles to alleviate its debt repayment burden, mainly due to the failure in completion of the planned development projects, imposition of lenders' policies, including conditionalities (like privatization, trade liberalization when they are not geared towards domestic production), and conflicting perspectives and interests among development partners. As a result, Nepal is paying more to the rich world in debt service than it can afford to spend on essentials such as health or education. With all these complexities in hand, Nepal also lacks strong mechanisms to develop strategies. Thus, Nepal should promptly create a clear debt strategy document and include the provisions in the already existing Public Debt Management Act outlining the specific actions to implement the plan in such a way that safeguards human rights in the first place, along with the stabilization of debt sustainability.

To recapitulate, the key assertions of the paper are as follows:

- (a) Foreign debt burdens divert resources from fundamental public services like education, healthcare, and social protection, undermining the ability of developing countries like Nepal to meet their human rights obligations. Nepal's foreign debt amounts to 23.02% of total GDP, which is manageable for now, but its increasing tendency poses a greater threat to Nepal's economy in the long run.
- (b) While the Public Debt Management Act, 2022, does not explicitly link debt repayment to human rights, it includes provisions such as limiting borrowing to one-third of GDP and ensuring loans that serve national interests, showing an implicit commitment to protecting citizens' rights. Thus, Nepal lacks a dedicated legal framework for incorporating human rights into debt repayment mechanisms, highlighting the need for reforms that align with international best practices.
- (c) Despite being eligible for the Heavily Indebted Poor Country (HIPC) initiative, Nepal is found to be at a low risk of debt stress due to remittance inflows; however, heavy dependence on remittance only seems to be risky in the long-run of debt sustainability.
- (d) Foreign loan agreements dedicated to specific projects are agreed upon way before project readiness is ensured, resulting in delayed completion of the project. Due to this reason, foreign debt inflows have been declining, directly halting the progress and continuation of infrastructural projects, in turn impeding and restricting human rights fulfillment.
- (e) Though conditionalities and austerity measures obstruct the domestic manner of economic development of Nepal, some of these conditionalities, like maintaining good governance and environmental protection, do more good than harm in the overall development of the nation. However, internal political instability, misuse of funds, and spontaneous loan acceptance are the major challenges that need to be resolved in the first place.

## Conclusion

The interplay between foreign debt and human rights demonstrates a complex challenge for developing nations like Nepal, where debt servicing obligations often undermine the capacity to fulfill fundamental socio-economic rights. Excessive debt burdens divert resources from critical public services such as healthcare, education, and social protection, disproportionately affecting marginalized groups. Despite efforts such as the Medium-Term Debt Management Strategy and participation in initiatives like the Debt Service Suspension Initiative, Nepal continues to face constraints in aligning debt repayment with the protection of human rights.

Debt relief may have a limited impact if there is no strong political will to progressively achieve economic and social rights, or if suitable policy and institutional frameworks are lacking. This has proven to be true in the case of Nepal, because the international financial institutions often impose conditionalities prioritizing fiscal sustainability over human rights, further exacerbating inequalities and limiting policy autonomy. Both lenders and borrowers must consider the potential human rights impact of new loans, including the realistic chances that a loan will help improve human rights standards or, at the very least, will not actively worsen them.

While the Public Debt Management Act implicitly commits to sustainable borrowing and national interest, the absence of explicit legal frameworks linking debt repayment to human rights signals an urgent need for reform. By incorporating human rights impact assessments and aligning national policies with international best practices, Nepal can enhance its capacity to balance fiscal obligations with socio-economic development. Such an approach would ensure that debt management strategies support equitable growth and prioritize the well-being of citizens, fostering a more inclusive and sustainable development path.

## Recommendation

Based on the study, following recommendations are made to balance the debt repayment system without adversely impacting human rights.:

- (a) A comprehensive national debt strategy should be developed, and explicit provisions, like conducting Human Rights Impact Assessments (HRIAs) for new loans or debt-related policies to ensure compliance with human rights obligations, and participating in international dialogues to negotiate favorable terms for debt repayment and align national policies with global best practices linking debt repayment to protecting socio-economic rights should be incorporated in the Public Debt Management Act.
- (b) The Public Debt Management Act should be amended to include the provisions of mandatorily planning out the project proposal in detail before accepting loans; proper attention should be given to transparency in expenditure and project details.
- (c) Concerned authorities utilizing the debt must ensure transparency and accountability, avoiding any misuse or misallocation of debt funds that undermine socio-economic development, and also coordinate with international financial institutions to ensure that debt conditions are fair, sustainable, and inclusive is crucial.
- (d) The Government of Nepal should launch awareness programs on the impact of debt policies on public welfare and involve stakeholders in decision-making processes, while also carrying out proper monitoring and evaluation of how funds are being utilized.

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