



SHOCK, RESILIENCE, AND RESET: NEPALI PERSPECTIVES ON USAID AND THE FUTURE OF DEVELOPMENT PARTNERSHIPS

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About this report

This report was written pro bono by Smriti Lakhey and Binodh Upadhyaya in collaboration with Accountability Lab Nepal. Lakhey is an organizational development specialist with experience supporting civil society organizations across Asia and Africa and Upadhyaya is a governance and development leader with extensive experience advancing locally led development, digital governance, and social accountability in Nepal. The report emerged from a series of conversations in June 2025 with fellow Nepali development practitioners trying to unpack what happened following the abrupt termination of United States Agency for International Development (USAID) funding in Nepal, what are we learning from it, and what it means for the changing landscape of development work.

Building on these discussions, along with surveys and interviews, this report brings together evidence and perspectives on what has worked in partnerships with donors such as USAID, and where changes are needed for more sustainable outcomes. It is not a critique of USAID or foreign aid, but a reflection prompted by the abrupt termination of USAID funding. While the views presented are diverse, they are not exhaustive, and we recognize that there are additional perspectives not captured here. We hope these insights contribute to broader understanding and ongoing dialogue—particularly among Nepali organizations and government—as they shape and negotiate future partnerships with donors and international organizations.

Acknowledgements

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6. Ramendra Singh Rawal, Executive Director, Kalika Self-reliance Social Centre (KSSC-Nepal)
7. Sajana Amatya, Governance Specialist; Former Chief of Party, Plan International
8. Suresh Pradhan, Former Nepal Government Official
9. Pramila Dongol, Former USAID Nepal Official (Contracts and Grants Specialist)
10. Ramesh Adhikari, Former USAID Nepal Official (Election, Legislative, & Political Adviser)
11. Sumitra Manandhar, Former Nepal USAID Official (Program Specialist)

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Executive Summary

In February 2025, the sudden termination of US\$329 million (Rs. 46.12 billion) in United States Agency for International Development (USAID) funding to Nepal had significant impacts on Nepal’s civil society and social service delivery ecosystem—disrupting community programs, local organizations, and government partnerships, much as it did in many countries around the world.

This research, conducted six months after closing of many USAID projects aims to:

1. Document the collective experiences of Nepali organizations that partnered with USAID, development practitioners, representatives of government (i.e. the USAID stakeholders), and former USAID Nepal officials, including what worked well in their partnerships with USAID, what did not, and how they experienced its abrupt exit.
2. Share Nepali perspectives and wisdom for shaping engagements with international donors, philanthropic institutions, and development organizations in the future.
3. Support Nepali organizations, government leaders, and practitioners to reflect on their own experiences with USAID (and other international partners)—and use those insights to shape and negotiate more equitable future partnerships.

The conclusions drawn in this paper are based on what we learned from 12 interviews and six survey responses from Nepali organizations, government officials, development practitioners with USAID experience, and former USAID Nepal staff. Additional desk research was carried out to gain a deeper understanding of the context and USAID’s history in Nepal.

“USAID funding enabled us to reach and positively impact marginalized communities—especially women, children, and disadvantaged groups—through integrated health, nutrition, education, and livelihoods interventions.”

***- Ramendra Singh Rawal,
ED, KSSC Nepal***

A longstanding development partner

USAID’s engagement in Nepal spans more than six decades. Its contributions to maternal and child health, nutrition, infectious disease control, civil society strengthening, democratic transition, agriculture, education and disaster risk reduction are widely recognized. USAID also played an important convening role—bringing together civil society, government actors, private sector stakeholders, and donors. Its scale enabled policy-level influence and multi-year investments that smaller donors could not match.

In recent years, USAID Nepal positioned itself as a leader in promoting locally led development through its Localization Agenda. Many Nepali stakeholders embraced this language and framework, adopting it in how they articulated a vision for meaningful partnership with foreign donors and international organizations.

The Shock of Termination

The sudden termination of more than 35 USAID-funded projects had immediate and widespread effects. Approximately 400 organizations were impacted, and an estimated 30,000–35,000 people working in the social sector lost their jobs. Many organizations experienced budget cuts of 40–90 percent. Field offices shrank, programs were scaled back, and staff took salary reductions.

Yet, despite this shock, Nepali civil society demonstrated resilience. None of the organizations interviewed had closed at the time of research, although many had reduced their scope. Organizations adapted through cost-cutting, seeking new funding, and relying on commitment of who continued to do the work they believed in with reduced or deferred salary.

“Our organization had around 42% annual budget cut along with termination of 150 full time staff.”

***- Gobinda Bahadur Shahi,
ED, KIRDARC Nepal.***

The impact was not only organizational. Health and education services—especially for vulnerable and remote communities—were disrupted. Programs supporting marginalized groups, including women, Dalits, youth, and LGBTQ+ communities, were curtailed. The abrupt stopping of USAID funded initiatives also strained trust between the local organizations that partnered with USAID to

implement the projects and the communities they served. Local organizations were left trying to explain why services ended after years of shared effort—especially when communities (and government partners) had followed through on their part.

At the ecosystem level, there are concerns about the absence of the convening role that USAID played. Beyond civil society, ripple effects were felt in local economies—airlines, hotels, and rental markets that previously served to implement USAID projects.

What Worked in the USAID Partnership

Nepali partners and leaders highlighted several strengths in their USAID collaborations:

1. Scale and multi-year funding. USAID’s resources enabled large-scale programming with policy-level implications. Its overhead coverage allowed organizations to sustain operations.
2. Technical expertise. Global knowledge in health, democracy, disaster risk reduction, digital governance, and climate resilience (– areas in which Nepalese are still learning and growing) added value—when adapted to Nepal’s context.
3. Focus on marginalized groups. USAID’s emphasis on inclusion aligned with Nepal’s constitutional commitments and enabled outreach to marginalized communities.
4. Convening power. By connecting actors across sectors, USAID strengthened collaboration, networking, and collective learning.

“We could take the evidence from USAID project to negotiate with the government.”

- Sajana Amatya

What did NOT work very well in USAID partnerships

At the same time, several challenges constrained long-term sustainability and equitable partnership.

1. Contextual gaps. Language barriers, long design timelines, and limited adaptation to Nepal's dynamic political context reduced effectiveness. Misalignment between USAID and government fiscal years and priorities created implementation challenges.
2. Limited decision-making power for Nepali actors. Government agencies and local organizations were often not included in the early-stage project design, partner selection, and leadership decisions. Projects sometimes created parallel systems rather than aligning with and supporting local systems and government structures.
3. Monitoring, Evaluation, and Learning (MEL) Systems Prioritized Upward Accountability to Donors Over Shared Learning. USAID project field staff were tasked to collect data but were rarely involved in analysis and learning. MEL findings were seldom shared with communities or government counterparts. This limited adaptation, ownership, and strengthening of local knowledge and capacity.
4. Heavy compliance burdens. Complex reporting and documentation requirements favored a small group of organizations with the capacity to navigate USAID systems, reinforcing perceptions of elite capture. As we have heard from local organizations globally, some Nepali partners also lamented that USAID's capacity building focus on compliance rather than leadership or innovation was short-sighted and self-serving.
5. Power imbalances and communication gaps. Nepali organizations were expected to respond immediately, comply precisely, and remain fully accountable—yet that same standard was not consistently applied in return. Communication from USAID was not always timely, reciprocal, or transparent. Localization rhetoric did not always translate into practice.

“The model for Monitoring, Evaluation and Learning (MEL) was extractive. The local actors didn't learn from MEL but that was just for USAID and international implementing partners.”

***- Narayan Adhikari, ED,
Accountability Lab Nepal***

Key Insights for Future Partnerships

Nepali local organizations and leaders have embraced the principles of locally led development. But Nepali stakeholders did not equate “USAID Localization” solely with direct funding. Instead, they emphasized local leadership, solidarity, co-creation, and shared decision-making as important aspects for partnerships. Meaningful localization requires involving Nepali actors from the earliest stages of design and treating them as equal partners.

Accountability and learning systems need to serve communities and local institutions as much as donors, building shared ownership and legitimacy. Global expertise and donor scale add value only when they are contextualized, co-created and aligned with government systems to ensure lasting impact. Sustainable development depends on integration with federal, provincial, and local government structures. Working through government systems may be slower but builds long-term resilience.

“The emphasis on measuring progress through burn rates often rushed implementation, leaving insufficient time to build relationships or adapt project design to local realities.”

- Ajay Das, Governance and Media Specialist.

Looking Ahead

Nearly a year after the funding termination, Nepali civil society remains standing. Organizations have shrunk, but they are continuing their work. The shock exposed vulnerabilities—particularly over-dependence on a single donor. However, it also revealed strengths such as a deep pool of committed Nepali talent, growing civic awareness, access to information, and increasingly active local governments.

Nepali practitioners recognize USAID’s historic contributions. At the same time, they call for a reset in how partnerships are structured with donors and international organizations. The path forward requires moving from donor-led delivery to genuinely Nepali-led development—sharing power from design to learning and evaluation; investing in ecosystems, not only projects; confronting unconscious colonial biases; and trusting Nepali institutions to learn, innovate, experiment, and lead.



Introduction

Following the termination of US\$329 million (Rs. 46.12 billion) in USAID funding to Nepal by the Trump Administration beginning in February 2025, this research was conducted six months later, once the initial disruption had begun to settle.

The research aims to:

1. Document the collective experiences of Nepali organizations that partnered with USAID, development practitioners, representatives of government (i.e. the USAID stakeholders), and former USAID Nepal officials, including what worked well in their partnerships with USAID, what did not, and how they experienced its abrupt exit.
2. Share Nepali perspectives and wisdom for shaping engagements with international donors, philanthropic institutions, and development organizations in the future.

3. Support Nepali organizations, government leaders, and practitioners to reflect on their own experiences with USAID (and other international partners)—and use those insights to shape and negotiate more equitable future partnerships.

Methodology

We used a mixed-methods approach for this research - a combination of interviews, surveys and desk research.

Between July and August 2025, we conducted 12 interviews (both in person and virtual) and received 6 survey responses, including from stakeholders at the provincial level. See the names of the people who contributed to this research on the next page. All of them were informed about the purpose of the research. We carried out desk research to provide context for the interview and survey findings, draw out further insights, and better understand the broader history of USAID's engagement in Nepal.

Questions asked through interviews and surveys:

1. How has your organization and/or you been affected by the recent termination of USAID-funded projects?
2. Looking back, what aspects of working with USAID and its partners did you value the most?
3. Are there aspects of working with USAID-funded programs that you found limiting or challenging?
4. If you had the opportunity to redesign how partnership with USAID worked (and other foreign aid donors), what would you change?
5. Where have international development practitioners added value to your work in the past?
6. Where do you think they need to improve or take a step back?
7. What does a meaningful partnership with international donors and organizations look like for your organization, and what changes would you like to see in how they engage with Nepali partners?

Names of individuals interviewed (The titles listed reflect their roles as of June 2025):

Development professionals:

1. Ajay Das, Governance and Media Specialist, Former Program Director for The Asia Foundation
2. Bhanu Bhakta Joshi, Acting Chairperson, Sahara Nepal, Bajhang
3. Churna Bahadur Chaudhari, Executive Director, Backward Society Education (BASE)
4. Narayan Adhikary, Country Director, Accountability Lab Nepal
5. Roshan Ghimire, Country Director, International Development Institute
6. Ramendra Singh Rawal, Executive Director, Kalika Self-reliance Social Centre (KSSC-Nepal)
7. Sajana Amatya, Governance Specialist, Former Chief of Party, Plan International

Government affiliations:

1. Suresh Pradhan, Former Nepal Government Official
2. Nepal Government Official 2 (Not identified per request)

Former USAID staff:

1. Pramila Dongol, Former USAID Nepal Official (Program Contracts and Grants Specialist)
2. Ramesh Adhikari, Former USAID Nepal Official (Election, Legislative, and Political Adviser)
3. Sumitra Manandhar, Former USAID Nepal Official (Program Specialist)

Names of individuals who provided survey responses:

Development Professionals:

1. Gobinda Bahadur Shahi, Executive Director, Karnali Integrated Rural Development and Research Centre (KIRDARC Nepal)
2. Ramendra Singh Rawal, Executive Director, Kalika Self-reliance Social Centre (KSSC-Nepal)
3. Churna Bahadur Chaudhari, Executive Director, Backward Society Education (BASE)
4. Nirajan Bahadur Shahi, Head of Operations, Association for Social Transformation and Humanitarian Assistance (ASTHA) Nepal
5. Bhanu Bhakta Joshi, Acting Chairperson, Sahara Nepal, Bajhang
6. Anonymous Development Practitioner

USAID's sixty years in Nepal

The US has a long history in Nepal, with its early development engagement starting in 1951, even before USAID was established in 1961. In the early days USAID supported infrastructure, agriculture and malaria eradication projects. Since then, USAID provided \$1.5 billion in foreign aid to Nepal. USAID's biggest footprint in Nepal from the early days of engagement is eradication of Malaria in Terai that enabled migration of Nepalese to the inner terai from the mountains, shifting the distribution of the population and agricultural output. In recent times, USAID moved away from funding infrastructure projects.

In 2022, USAID and Nepal signed a five-year \$US696 million Development Objective Agreement to support programs in health, agriculture, education, and inclusive policy—accounting for roughly a third of total development-sector funding in Nepal.

Approximately 60% of USAID funding to Nepal was in the health sector. Following the termination of USAID-funded projects, the Government of Nepal absorbed part of the resulting gap, with local governments expected to address the remaining shortfalls as they strengthen their role in service delivery. Between 2018 and 2021, USAID's annual assistance to Nepal ranged from approximately US\$100 million to US\$125 million.

USAID's most noted contributions to Nepal were associated with maternal and child health, immunization, infectious disease control, and health system strengthening. Since the early 2000s, Nepal's maternal mortality ratio has dropped approximately 72% and under-5 mortality rate has gone down by about 70%. A combination of government leadership, health sector professionals and civil society organizations, and the efforts of development partners like USAID drove these outcomes.

USAID's most notable health projects in Nepal were:

Project	Funding Amount (USD)	Timeline
Suaahara - Good Nutrition (Phase I)	\$57m	2011-2016
Suaahara - Good Nutrition (Phase II)	\$83m	2016-2023
Nepal Family Health Program II (NFHP II)	\$30m	2012
Health for Life	\$18m	2013-2018

Following the 2006 Comprehensive Peace Accord that ended Nepal's decade-long civil war (also known as Maoist War), USAID increased its support for Nepal's democratic transition. Over the past 15 years, this included programs focused on civil society strengthening, civic education, media, rule of law, and local governance. After the adoption of Nepal's 2015 Constitution and the transition to federalism, USAID applied a stronger inclusion lens across its portfolio—including in education, health, and governance—aligning its programs with Nepal's constitutional commitments to marginalized groups, including LGBTQ+ communities.

In the recent years, the USAID Nepal Mission had been seen as the poster child for championing

USAID's "Localization Agenda" that advocated for development work to be led by local actors – local institutions, organizations and communities – who set priorities, design programs, and drive implementation, shifting the power, decision-making, and resources closer to the people that the programs were meant to serve. During COVID, USAID made progress making direct awards to Nepali organizations, which was seen by many as USAID heading in the right direction. However, we also heard criticism that USAID Nepal's Localization Agenda amounted to talk and not enough action, with concerns that even when funding was made to Nepali organizations, it remained concentrated among Kathmandu-based elites.



The impact of termination of USAID projects

The termination of 35+ USAID projects in Nepal impacted about 400 organizations, as a result of which 35,000 people working in the social sector became unemployed according to Arjun Bhattarai, Chairman of the NGO Federation of Nepal (NFN). Of the 120 large NGOs registered in Nepal, only about 70 are now actively working. A survey conducted by the NGO Federation of Nepal indicated that in total Nepali NGOs lost about 60 percent of their budgets. Still, Nepali organizations have proven to be resilient, surviving the shock through creativity, commitment, and grit. While many organizations we interviewed were forced to layoff staff and curtail their work, none had closed down at the time of the research, although many said their work had been reduced significantly.

Effects of the termination of USAID funding were apparent in several levels:

Organizational Level:

Every person we interviewed and surveyed reported staff layoffs and a reduced scope of work. According to Gobinda Bahadur Shahi, Executive Director of KIRDARC Nepal, his organization had "around 42% annual budget cut along with termination of 150 full time staff". Narayan Adhikari of Accountability Lab shared that "90% of funding disappeared and 100% of field staff were laid off. Even from the core team, only 30% are left and many staff have taken pay cuts. Those at the senior level are paid only 30% of their full salary".

Thirty people lost their jobs at the [Asia Foundation](#) Nepal office immediately after the termination of its USAID award, and many more in the case of the 56 local partner organizations they were working with on the USAID Civil Society and Media (CSM) project as per Ajay Das, Former Program Director at the Asia Foundation. He recalled how "the local partners were

confused and frustrated" when their work was abruptly halted.

Many organizations had already invested many hours of their staff time developing projects for new opportunities with USAID, which will not come to fruition. The opportunity cost of this was huge and "now the organizations are scrambling to find new sources of funding", shared Roshan Ghimire, Project Director of IDI.

Such sudden changes at the organizational level have had demoralizing effects among staff, weakening institutions that have taken years to build.

The coping tactics such as streamlining the organizational structure, finding alternate sources of funding, staff's willingness to take a reduced salary to keep doing the work that they love, and negotiating expenses such as deferring rent payments, as in case of Accountability Lab Nepal and Shakti Samuha, helped many organizations survive.

"The opportunity cost of was huge and now the organizations are scrambling to find new sources of funding."

- Roshan Ghimire, Project Director, IDI.

Service Delivery Level:

In the immediate aftermath of the cuts to USAID-funded programs, media reports and our interviews highlighted disruptions in health and education services, particularly for vulnerable groups and people living in remote areas. People we talked to also shared their concerns about weakening of support for the civil society ecosystem that USAID funded.

Churna Bahadur Chaudhari, Executive Director of Backward Society Education (BASE) pointed out that the termination of USAID projects meant people now "lack ARV service to control HIV/AIDS", especially those in the LGBTQ+ communities. Chaudhari worries that the most marginalized and vulnerable communities will feel the brunt of the termination of USAID projects the most, as many of the empowerment themed projects were targeted towards these groups.

Ramendra Singh Rawal, Executive Director of Kalika Self-Reliance Social Center (KSSC Nepal) noted that "KSSC-Nepal has been forced to scale back its outreach in maternal and neonatal health, water, sanitation and hygiene (WASH), child rights, inclusive livelihoods, climate-resilient food security, and quality education across multiple municipalities in Kapilvastu, Rupandehi, Nawalparasi, and other districts of Lumbini Province", leaving vulnerable groups with reduced support.

Asia Foundation's USAID CSM Program grantee organization at the sub-national level had to abruptly stop extra classes for the drop out children from the marginalized communities when the USAID funding was terminated.

The sudden halt of USAID funding placed local

organizations and their staff in an extremely difficult position with the communities and local governments they had been working with, undermining the trust they had worked hard to build over the years. Local organizations struggled to explain why they could not continue activities after so much time and effort had already been invested.

A development practitioner who was implementing a USAID project shared that he has avoided visiting some communities he was working with because local partners were deeply upset and perceived him as the face of the USAID project.

Ecosystem level:

Because USAID took a systems approach and convened actors across civil society, government, the private sector, international organizations, community leaders, and other donors, it facilitated collaboration, shared learning, and collective problem-solving. Narayan Adhikari worries that without USAID playing the convening role, the vibrancy of the ecosystem in which civil society organizations operate may be diminished.

Bhanu Bhakta Joshi, Acting Chair of Sahara Nepal in Bajhang, is concerned that with the termination of the "USAID Integrated Nutrition" project in Bajhang that they were implementing, they may have "lost the opportunity to develop partnership with the local government and the communities".

The ripple effects have been felt in the airline industry that has cut down the number of flights to remote areas such as Surkhet and struggling hotels that served USAID projects. It is estimated that about 600 homes, apartments and office spaces that were rented by USAID personnel, consultants, and contractors are now vacant.

Reflections: Nepali experience of USAID Partnerships

What we valued in USAID partnership:

1. USAID's Scale Advantage: While everyone who participated in the research complained about the difficulty with accessing USAID funds, they acknowledged that the volume of the financial resources enabled large scale work that had policy level implications. Many also mentioned that USAID funding covered more of operational cost (being able to charge 15% overhead), compared to other donor funded projects. Nutrition-focused projects such as Suaahara had a reach in 389 municipalities in six of Nepal's seven provinces, and worked closely with the government's ongoing work to facilitate the workings of the health system, and was credited with making positive contributions to improving child health in Nepal.

The scale of USAID funding has been critical in policy-level influence. Sajana Amatya shared that "USAID support enabled national organizations to generate evidence on women's representation, which led to shaping policy dialogue, eventually contributing to the constitutional provision ensuring 33% women's representation". The volume of funding also helped sustain organizational operations. These suggest that future programming should prioritize preserving large, multi-year investments with adequate overhead while simplifying funding access mechanisms.

2. Convening system actors enabled cross-fertilization of ideas and collaborations: USAID's ecosystem-strengthening approach—convening civil society, government, private sector, and donors to co-create projects, strengthen networks, and share lessons—made a unique contribution to Nepal's development system. It connected people and organizations that would not otherwise have worked together, enabling knowledge exchange, collaboration, and cross-fertilization of ideas.

Still, coordination across USAID projects was weak and may have limited the impact of the projects. Narayan Adhikari pointed out that it was very hard for their field staff working on the USAID project to connect and collaborate with field staff of other USAID teams, and that led to missed opportunities to develop synergy across projects.

3. Technical knowledge that filled gaps in Nepali knowledge and skills was widely valued: Most people we talked to valued the technical expertise USAID projects brought to areas where Nepalese had the knowledge gaps. They valued learning from global experiences. Expertise on climate change and disaster risk reduction—such as climate-resilient agriculture through projects like the Hariyo Ban project—was seen as critical for building community resilience as weather patterns and terrain visibly change. USAID's support in responding to major disasters in Nepal, including 2015 earthquake, was noted. A government official (who spoke on the condition of staying anonymous) noted that USAID's expertise in digital governance has been a positive contribution.

As Nepal emerged from the Maoist insurgency in 2006, USAID's training on human rights, peace-process monitoring, and the Constituent Assembly was timely and valued as the country navigated its democratic transition, notes former Nepali USAID official (FSN) Sumitra Manandhar. Training on democracy and human rights through USAID projects was critical in building the technical capacity of Nepalese supporting the peace and democracy process. For civil society organizations, human rights training was equally important, explained Churna Bahadur Chaudhary, Executive Director of BASE, as they advocated for the rights of marginalized groups.

“USAID's training on human rights, peace-process monitoring, and the Constituent Assembly was timely and valued.”

***- Sumitra Manandhar,
Former Nepali USAID
Official.***

There is a strong demand for cutting-edge global knowledge to help Nepalese address challenges such as climate change, technology, misinformation and disinformation, and agriculture. However, frustration arises when this knowledge is not contextualized to Nepal or developed in collaboration with Nepali experts and communities, limiting its potential impact.

Sajana Mahandhar fondly recalled working with an international consultant on a peace project, noting that he took care to engage with diverse groups across Nepal, synthesize their insights into a coherent paper, and presented it back to those who provided input to verify accuracy and gather further feedback. “He kept refining it until he truly captured our ideas and conclusions,” she shared. “In the end, it felt like our work—our conclusions—and we stood behind it.”

While such experiences are less common than they could be, they show that when done well, collaboration with external consultants can be both empowering and highly effective.

4. Focus on marginalized groups: Following the adoption of Nepal's 2015 Constitution, which guarantees fundamental rights to all citizens and specific protections for women, children, Dalits, and other marginalized groups, USAID's emphasis on marginalized populations as a cross-cutting priority was widely welcomed as a way to translate constitutional rights into practice. Ramendra Singh Rawal, Executive Director of KSSC Nepal, noted that USAID funding enabled the organization to “reach and positively impact marginalized communities—especially women, children, and disadvantaged groups—through integrated health, nutrition, education, and livelihoods interventions” under the Suaahara project.

This focus was reflected across other initiatives as well. Under USAID CSM Program, journalism fellowships were offered to young women, youth, and individuals from marginalized groups and the fellowship was managed by local organizations selected through a competitive process.

At the same time, several practitioners emphasized that supporting marginalized groups in Nepal requires careful attention to the country's social and political context. While the focus on women, Dalits, and youth was generally welcomed, some forms of support were seen as more sensitive.

For example, Churna Bahadur (BASE), noted that in a country as diverse as Nepal, exclusively supporting one group of faith-based organizations (over others) can be particularly sensitive in Nepal. Similarly, a development practitioner who requested anonymity pointed out that efforts to promote the political inclusion of marginalized groups also need to be approached with caution, given the broader political dynamics in the country.

In a multi-ethnic, multi-linguistic, and multi-religious country like Nepal—where nearly 70 percent of the population is non-Khas Arya (which is the dominant group)—there are clear needs and opportunities to support marginalized communities. USAID's focus on these groups, especially in remote areas, was widely appreciated.

At the same time, the diversity within and across marginalized communities means that support cannot take a one-size-fits-all approach. Social and political dynamics vary significantly by context. This calls for programming that is grounded in local realities, carefully targeted, and intentional in design—particularly when it involves religious or political engagement.

5. Advocacy for locally led development: USAID Nepal's advocacy for locally led development through its Localization Agenda resonated strongly with both civil society and government stakeholders. Many people we talked to—strikingly—used language closely mirroring USAID's localization framework when describing what they seek in partnerships with foreign donors. They emphasized the importance of co-creating solutions, tailoring approaches to Nepal's diverse communities, practicing mutual accountability between donors, government, and local organizations, and building on local knowledge and expertise. Above all, they stressed that funding should be driven by local priorities, with decision-making power in Nepali hands—a point raised repeatedly by government officials, development practitioners, and former USAID Nepal employees.

Although there was much criticism on misalignment between USAID's Localization Agenda and how it was inadequately operationalized, USAID's advocacy for locally led development seems to have given the framework to articulate what kind of partnership they wanted with foreign aid agencies. Nepal's 2025 Foreign Aid Mobilization Policy highlights the framework for greater local ownership and alignment with the national priorities. The language mirrors USAID's Localization Policy.

We initially questioned whether the widespread use of "localization" language reflected donor influence rather than genuine local ownership. However, our analysis suggests otherwise. The language introduced through USAID's Localization Agenda has largely felt empowering and aligned with Nepali aspirations. It has given Nepali organizations and practitioners vocabulary to articulate how they want to engage with donors and international partners—on their own terms.

Challenges of working with USAID and international organizations

1. Constraints on Nepali ownership and decision-making: All respondents raised concerns about limited local ownership in USAID projects, noting that Nepali government agencies and local organizations were often excluded from key decision-making across the project cycle. Ramesh Adhikari, a former Nepali USAID official (FSN), highlighted that USAID made significant contributions since the 1990s in supporting Nepal's transition to federalism, democracy, and elections through technical assistance. But he recognizes that, despite these achievements, there were perceptions among some groups that USAID's programming reflected its own institutional priorities.

Nirajan Bahadur Shahi, Head of Operations at ASTHA Nepal mentioned the importance of doing joint activities with the local, provincial, and federal governments to foster greater local ownership and sustainability at all levels. Yet, limited government involvement during project design and weak alignment with Nepal's five-year plans meant that USAID programs did not always integrate with existing government systems, often creating parallel structures. Accountability mechanisms were primarily oriented toward USAID, which reduced provincial-level ownership. Local officials were less inclined to implement what they perceived as "USAID's project" or taking on "extra work."

Excluding the Government of Nepal from the process of selecting implementing partners and Chiefs of Party was also seen as constraining Nepali voices in decisions that directly affect them. Suresh Pradhan, Former Government Employee (MoF, PPMO, and Chief Secretary of Koshi Province), noted that having a "Chief of Party without the understanding Nepalese context posed some challenges during the project implementation".

Local partners working under international implementing partners, at times, received narrowly defined scopes of work, which came across as transactional partnerships. Roshan Ghimire of IDI observed that "poor engagement of local partners in creating the Request For Proposals limited the contributions of the local partners and risked having to deliver work that was not most relevant".

Limiting local input extended beyond USAID to international implementing partners. During the initial days of STOP work orders (which mandated the suspension of USAID-funded project activities), many international organizations implementing USAID projects struggled in making timely, collaborative decisions with the country staff regarding staff retention, project close-out timelines, and risk management. Sajana Amatya, former Chief of Party at Plan International, shared that a continued and strong push from the country office was required to draw attention to its feedback to respond to STOP work orders and close out the USAID project so Nepali staff felt supported and the decisions were owned by the country team. She observed that in the beginning "trust was broken between the HQ and the Country Office", and that "staff were discouraged" by the way these decisions were made by HQ only.

2. MEL Systems Prioritized Upward Accountability to Donors Over Shared Learning: MEL was seen as one of the biggest shortcomings of USAID projects. MEL systems—often designed and led by external consultants—prioritized accountability to USAID over learning for Nepali staff and partners to enable them to adapt and innovate to gain the best outcome for the projects. The structure, language, frequency, and outputs of MEL were largely inaccessible and of limited value to local partners and field staff.

While field staff were responsible for data collection, they were rarely involved in data analysis or presented the findings. This prevented learning, adaptation, and capacity building at the local level. Narayan Adhikari observed that MEL was “very restrained in how it told the impact story. The model for impact assessment (MEL) was extractive. The local actors didn’t learn from MEL but that was just for USAID and international implementing partners”. Similarly, Ajay Das noted that the “learning part was missing” for his field staff in the CSM program. We heard no examples of project learning being shared with community members or government officials.

Where USAID invested in soft skills—such as capacity building in organizational, management and technical skills—the outcomes were sometimes challenging to demonstrate with measurable impact, according to Sumitra Manandhar. Nonetheless, she added, that these efforts played a significant role in enhancing existing skills and institutional resources.

Whose knowledge counts? Several people questioned why those closest to the field—and familiar with local realities—were excluded from meaningful analysis and evaluation. The lack of trust in Nepali staff knowledge, their exclusion from analysis, and the failure to report findings back to them reflect enduring, colonial ways of working.

USAID’s inaccessible and narrow adoption of MEL weakened its ability to not only to improve implementation and strengthen local capacity, but also to clearly and convincingly demonstrate to Nepalese how its projects benefited Nepal and its communities.

3. Burdensome investment needed to partner with USAID: Not surprisingly, the issue of burdensome compliance requirements for receiving USAID awards was brought up by both the recipients of USAID awards and former USAID staff. Pramila Dongol, Former USAID official, acknowledged: “While compliance is extremely important as a foundation for successful project implementation and reporting is vital for accountability, learning, and measuring impact, its complexity and rigidity can be challenging. Local organizations, particularly smaller NGOs with limited administrative capacity and systems, sometimes find these requirements difficult to navigate, making compliance one of the main challenges when working with USAID. Capacity-building efforts should go beyond compliance and focus on building leadership and planning skills.”

Ramendra Singh Rawal, ED, KSSC Nepal, noted that “high volume of documentation and compliance requirements placed a burden on staff, diverting focus from service delivery”. The excessive focus on compliance often delayed the work and “hindered local innovation and responsiveness” noted Rawal.

Capacity to receive USAID funding turned out to be a double-edged sword. On one hand building capacity to receive USAID was very cumbersome, requiring years of investment in time and effort. Narayan observed that USAID “didn’t invest enough in organizations to receive funding”. Only a small group of organizations – “the USAID darlings” – kept receiving the USAID award, leading to resentment among many Nepali organizations who struggled to successfully compete for the funding.

Upon termination of USAID awards in Nepal, there were many accounts of [social-media users celebrating the aid cut](#) from USAID, seeing it as a revenge against the elite capture by NGOs and INGOs.

Of the Nepali organizations that figured out how to compete for USAID awards and fulfill compliance requirements, and won USAID awards, the downside was that this made the “organizations more dependent on USAID”, notes Narayan. So, by building their capacity for managing and winning USAID funding, they also increased their dependency on one donor and the risk that comes with it.

4. Contextual gap: In a country as diverse as Nepal—with over 100 languages and ethnic groups—development interventions are effective only when they are deeply contextualized. English as USAID’s primary working language posed a significant barrier to meaningful engagement with Nepali stakeholders, from participation in consultations and proposal development to reporting requirements. Even when events were conducted in Nepali, many participants were still excluded, as fewer than half of Nepalese speak Nepali as their mother tongue.

Country context can change quickly in Nepal with the change in the government or natural disaster, but the bureaucracy of USAID didn’t allow for quick adaptation. Sajana Amatya noted that lengthy design and award timelines meant projects were sometimes launched under a different government than the one initially consulted, weakening ownership and complicating implementation. Suresh Pradhan, Former Government Employee, noted that USAID needed to work better within the political and the administrative systems of Nepal to be effective. For example, different fiscal year of the Government of Nepal and that of USAID posed difficulties in aligning the project/program implementation with the government program.

Several government officials also pointed to weak integration with government actors and systems

“USAID needed to work better within the political and the administrative systems of Nepal to be effective.”

- Suresh Pradhan, Former Government Employee.

as a source of inefficiency. A government official we interviewed (who requested to stay anonymous) observed that limited linkage with government structures led to “high project costs and delays”, while insufficient coordination with government agencies reduced both effectiveness and government ownership. Suresh Pradhan also recalled how often the priorities of the government agencies would be different from that of USAID.

Ajay Das further noted that an emphasis on measuring progress through burn rates often rushed implementation, leaving insufficient time to build relationships or adapt project design to local realities.

While USAID’s localization agenda gained prominence and advocated incorporating local knowledge and local talent, in reality that was not always the case during project design and implementation. Sajana Amatya regrets that “local contributions were frequently attributed to international consultants or implementing partners, with limited recognition of the local actors who generated them”.

5. Communications: Ramendra Singh Rawal, cited delayed and limited two-way communication from USAID as a key challenge. While experiences varied depending on individual USAID representatives who were the point people, the overall perception among those who engaged with USAID Nepal was that communication was inconsistent.

These communication gaps also pointed to weak accountability toward implementing partners and local actors. While partners often felt pressured to respond to USAID with urgency, this sense of reciprocity was not always present. Several respondents viewed this asymmetry as reflecting a broader power imbalance between USAID and its partners.



Key Insights

1. Locally-led and “localization” must be real, not rhetorical: Localization resonated strongly with Nepali organizations and government actors, and its language has been widely adopted in how Nepalese spoke about how they think donor funded projects should work and in policy discourse. However, the gap between intent and implementation undermined trust and impact. Donors should meaningfully involve Nepali government and local organizations early in the project cycle—setting priorities, designing programs, selecting implementing partners, and making key leadership decisions. Local organizations should be treated as equal partners rather than subcontractors executing predefined contract terms (i.e. Terms of Reference), and local governments should be engaged as co-owners of decisions that affect their systems and communities.

Notably, when Nepali stakeholders spoke about localization, none emphasized that it was about receiving more direct funding from USAID—one of the primary ways USAID measured localization. Instead, they emphasized local leadership and partnering for solidarity. This suggests that practicing locally led development for Nepali counterparts is less about funding modalities alone and more about shifting power, trust, and decision-making to Nepali institutions and leaders.

“Donors and international organizations should place greater trust in Nepali talent and ideas, including taking calculated risks to test alternative financing models—such as entrepreneurship, revenue-based financing, and solidarity-based funding—rooted in local assets and community knowledge” as Narayan Adhikari noted. Creating space for local actors to

innovate, experiment, fail, and learn is essential. But doing so also requires reflecting on and addressing unconscious biases that limit trust in local leadership.

2. Learning, adaptation, and impact improve when accountability is mutual and downward—not only upward to donors: MEL should function as a shared learning system—accessible, participatory, and useful to the local organizations and communities closest to the work—rather than primarily as a compliance mechanism. When MEL inquiry isn't set up to help Nepali organizations and communities learn and the findings aren't shared with the field teams, communities, or government counterparts, there is little ownership of the project among the local actors and they aren't able to meaningfully engage to contribute to improve programming. Creating space for Nepali field staff and communities to learn about outcomes of the project and question its impact can be a constructive accountability mechanism to the donors as well – nudging them to program to meet the needs and aspirations of the people the project is to support.

Additionally, when local partners and communities understand and appreciate the contributions of USAID projects they are able to defend the projects and advocate for it, which wasn't seen much in Nepal when the USAID projects were terminated.

3. Global expertise adds value only when it is co-created and contextualized. Technical assistance was most effective when it was adapted to the Nepali context, based on the knowledge and experience of Nepali counterparts. Many people we spoke to mentioned how they valued learning

about experience of other countries in topics such as climate change, human rights, disaster risk reduction, digital governance and health systems, but they all said that trying to forcefully apply the same approach in Nepal, without making adaptation for the diverse context of Nepal by international consultants limited the impact. There was also lots of frustration in how local contributions were frequently under-credited.

4. Scale and convening power are donor strengths, when coordination is intentional. USAID's greatest added value came from its scale and its ability to convene system actors and play a catalytic role in the development ecosystem, yet weak internal coordination limited system-wide impact. By bringing together the right people in the room, in a constructive environment, donors and implementing partners can play a critical role in strengthening the ecosystem supporting social change. (Similar observation was made in [Ikea Foundation's Shifting Power, Resources and Capacity to Local Actors report](#)). Donors can be powerful system actors when they intentionally resource coordination, collaboration, and shared learning across projects.

5. Alignment with government systems is non-negotiable for sustainability: Working through—and strengthening—government systems is essential, even when it is slower or more complex. As the local governments are taking on a critical role in Nepal there is a real opportunity for donors to collaborate and partner with them. Sustainable development ultimately depends on state ownership and integration.

Conclusions

Looking ahead, the path forward requires a shift from donor-led delivery to genuinely Nepali-led development. The abundance of Nepali talent, the political and social awareness among Nepalese from the Gen Z movement, and the activation of the local government to provide services to its constituents offers a unique opportunity for international donors and international organizations to partner authentically with the Nepali counterparts and achieve sustainable development impact.

This means sharing decision-making power with Nepali counterparts from the earliest stages of program design; treating local organizations and governments as equal partners rather than implementers; and designing accountability and learning systems that honor mutuality. Finally, donors and international organizations must take calculated risks on local ideas, invest in strengthening local ecosystems, and work with the Nepali government systems—even when it is slower or more complex.

