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# VIOLENT EXTREMISM AND INSURGENCY IN NEPAL: A RISK ASSESSMENT

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## **DISCLAIMER**

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## ACRONYMS

APF	Armed Police Force
BHP	Bishwo Hindu Parisad
CA	Constituent Assembly
CBES	Chure Bhawar Ekta Samaj
CBO	Community-based organization
CDO	Chief District Officer
CPA	Comprehensive Peace Agreement
CPN-M	Communist Party of Nepal - Maoist
CPN-UML	Communist Party of Nepal - United Marxist Leninists
GON	Government of Nepal
INL	Bureau of International Narcotics and Law Enforcement Affairs (Department of State)
ICG	International Crisis Group
ISI	Inter-Services Intelligence
JTMM	Janatantrik Tarai Mukti Morcha
LDO	Local Development Officer
LPC	Local Peace Council
NC	Nepali Congress
NDA	Nepal Defense Army
NP	Nepal Police
PLA	People's Liberation Army
RJP	Rashtriya Janashakti Party
RPP	Rashtriya Prajatantra Party
SACWP	Small Arms Control Work Plan
SSP	Special Security Plan
RPP(N)	Rashtriya Prajatantra Party (Nepal)
TSLF	Tarai Students Liberation Front
UCPN(M)	Unified Communist Party of Nepal (Maoist)
UDMF	United Democratic Madhesi Front
UML	See CPN-UML
UMN	United Mission to Nepal
USAID	United States Agency for International Development
USG	United States Government
VE	Violent extremism or violent extremist
VIE	Violent Islamic extremism or violent Islamic extremist
YCL	Young Communist League
YF	Youth Force

# MAP



Map No 4304 UNITED NATIONS  
January 2007 (Colour)

Department of Peacekeeping Operations  
Cartographic Section

## EXECUTIVE SUMMARY

In November 2006, the decade-long insurgency between Maoists and the Government of Nepal came to an end with the signing of a peace agreement. An interim constitution was established, and the democratic election of a Constituent Assembly (CA) resulted in both the abolition of Nepal's 239-year-old monarchy and the entry of the Maoists into the government. The CA ultimately proved unable to reach agreement on a constitution for Nepal's multi-ethnic and caste-based society. It was dissolved in May 2012, and significant political infighting has continued. With the country in a political stalemate, there is little consensus regarding the future structure of the government. Despite this situation, this report finds that the risk for violent extremism and insurgency in Nepal remains low in the short- and medium-terms. Although there is sporadic violence between communities and ethnic groups, it is unlikely to mutate into either a full-blown extremism threat or insurgency.

The 2006-2010 period witnessed a proliferation of armed groups in the Tarai region which stretches east to west along Nepal's border with India. Inter-ethnic conflict is significant. The Madhesi people, the traditional residents of the area, feel marginalized and discriminated against by the hills-based peoples of Nepal (the Pahadis), who have historically dominated Nepal's polity and who moved into the Tarai in the second half of the last century. Violent conflict between these two groups has continued, with each group's attacks against the other used as justification for further retaliation. While some of the Tarai's violent groups were organized around ethnic grievances, the rest were simply criminal outfits that engaged in extortion, kidnappings, and other illegal activities. The weakness of law enforcement mechanisms and the complicity of political groups contributed to the proliferation of such gangs. Despite the regular occurrence of conflict in the Tarai, at this point in time it does not pose significant threat to the country's stability.

Several radical Hindu activist groups have also conducted violent attacks due to several concerns, including their hostility toward secularism. Their activities peaked in 2009-10. Their decline has been mirrored by a reduction in the activities and number of armed groups as a whole, regardless of their motivation, such that these types of groups are no longer viewed as a significant threat today. This can be attributed to improved policing, particularly in rural areas; tighter security measures by the authorities; and government talks with 17 armed outfits in 2011-2012 that have led to the groups announcing a cessation in their activities.

Despite the presence, albeit limited, of ethnic- and religious-based violence, the current fragmented political landscape and war fatigue or popular resistance to a return to large scale violence are the two critical factors that mitigate the risk of a return to insurgency. However, the emergence of the dissident Communist Party of Nepal-Maoist (CPN-M) in June 2012 and their repeated threats to return to insurgency has meant that some risk remains. The size and seriousness of that risk is unclear at this point in time.

There are three conditions under which the potential for violence would increase (but this should not be confused with a full-blown return to insurgency). Each of these scenarios is grounded in the current political stalemate and further deterioration in the quality of governance:

- A further, steady deterioration in the already extremely low quality of governance leads to an increase in sporadic violence, primarily along ethnic/communal and political/criminal lines, and violent extremist (VE) organizations with international connections take advantage of the resulting disorder, but with at best limited success;
- Protracted failure by the main political parties and leaders to reach an agreement on the constitution, or to make any meaningful headway toward resolving other contentious issues, triggers a breakdown of the political and governmental systems, and the total discrediting of

the political establishment and growing political disarray opens up space for fringe groups, many of them ready to use violence for political or criminal purposes, to step up their activities; or

- The implementation of state restructuring generates disillusionment among supporters of ethnic-based federalism and anger among those who oppose it, and mobilization and protests on both sides result in violent confrontations—between protesters and the authorities, between communities (e.g., Pahadis vs Madhesis), and among ethnic and/or indigenous groups. Radical individuals, organizations, and networks orchestrate isolated by increasingly frequent attacks that create growing disorder, providing VE groups, some with international connections, with more operating space.

Additional triggers could stem from perceptions of disenfranchisement and disillusionment resulting from state restructuring; armed groups taking advantage of instability in the country; and difficulties faced by law enforcement in the event of an increase in armed activity and/or political interference in police affairs. While not all of these are amenable to development or democracy assistance, increasing resiliency, improving the political economy to create better employment opportunities, and technical assistance to smooth any state restructuring processes to minimize a return to insurgency are on the menu of potential interventions.

### Summary Assessment of VEI Risks in Nepal

Key factors	Assessment	Explanatory note (as needed)
<b>1. Current level of VEI activity</b>	Low. Sporadic violence between communities and ethnic groups is unlikely to mutate into a full-blown extremism threat or an insurgency. Violence remains primarily along communal, political and criminal lines. Since 2010, there has been a decline in the number, size and activities of armed groups.	Possibility of isolated attacks by small radical Hindu groups persists. Another area of concern relates to criminal groups with international connections involved in trafficking counterfeited currency and drugs to India. These dangers are unlikely to aggregate into a broader VEI threat.
<b>2. Overall capacity of state and society to respond to VEI</b>	Low. Should political gridlock and institutional paralysis continue, law-enforcement agencies could be hard pressed to cope with any surge in armed activity, communal tensions, and criminality that might follow.	Governance in general is very poor. However, the past two years have seen improvements in policing, particularly in rural areas, as well as more effective security measures by the authorities.
<b>3. Likely trajectory of VEI over next 3-5 years</b>	Risk of VEI will remain low.	
<b>4. Nature of the threat posed by VEI</b>	Risk is largely contingent on the outcome of negotiations over a new constitution, the resolution of other contentious issues, and the implementation of state restructuring. Significant setbacks in any of those areas could trigger a total breakdown of the political and governmental system. That outcome, in turn, might open up space for fringe groups to use violence for political or criminal purposes.	A collapse in negotiations among the main political parties could incapacitate state institutions and overwhelm the ability of civil society and community-based mechanisms to fill in some of the country's governance gaps.
<b>5. Implication for USAID (or "Development response")</b>	No VEI programming needed at this time. Nonetheless, USAID should remain attune to the possibility that protracted political stalemate and institutional failure might enhance the likelihood of violent scenarios. The total discrediting of the political establishment might open up space for an increase in violent activity along communal and/or criminal lines.	Support activities that minimize friction among communal groups. Help address demands of ethnic minorities for inclusion and an end to discrimination in a way that takes into account other groups' fears of reverse discrimination and marginalization. Focus on activities that will facilitate a "smooth landing" with regard to state restructuring. Prevent further erosion in the quality of local governance, including via programming that goes beyond improved service delivery and takes into account the need for improvements in transparency and accountability. Youth employment should be a priority.

## INTRODUCTION

This report provides an assessment of the risk of violent extremism (VE) and insurgency in Nepal, which it deems to be low in both categories at the present juncture and under most short- to medium-term scenarios. That is not to say, as will be shown, that the potential for violent conflict among groups and communities -- or of violence mixed with criminality and/or used in a targeted way by political parties -- is negligible. Indeed, violence along those lines takes place today, and political parties' reliance on gangs and thugs to intimidate opponents or gain access to resources has long been a fixture of Nepali politics. Such violence, however, is extremely unlikely to take the form of "ideologically motivated or justified violence to further social, economic and political objectives," as VE is defined in "Development Response to Violent Extremism and Insurgency – USAID Policy." Nor does the risk of insurgency -- defined in the above document as "a political and territorial struggle" that relies on "the organized use of subversion and violence to seize, nullify or challenge political control of a region" -- appear to be significant, for reasons outlined below. With the above considerations in mind, this report proceeds as follows:

- **Part One** provides an overview of trends related to the intersection of violence, politics and criminality since Nepal's decade-long insurgency came to an end in November 2006 with the signing of the Comprehensive Peace Agreement (CPA) between the Maoists and the Government of Nepal (GON). It pays particular attention to the different types of) in the past six years, and examines the nature and motivations of the actors involved in it. It also highlights those factors responsible for the sharp decline in the number of armed groups and activities by them in the past two years.
- **Part Two** zeroes in on the factors that account for Nepal's present limited vulnerability to renewed insurgency and violent extremism. It also examines briefly the actors, actual as well as latent, that might play a role in such violence if it were to occur.
- **Part Three** outlines three scenarios under which the risk of insurgency or politically motivated violence would increase. It describes what each scenario would entail, the conditions under which it might materialize, the nature and severity of the violence that would characterize it, and the overall likelihood it might come to pass.
- **Part Four** highlights some of the programmatic implications of the analysis, emphasizing how technical assistance might contribute to containing the potential for renewed insurgency or violent conflict in Nepal.

## PART ONE: OVERVIEW OF VIOLENCE-RELATED TRENDS SINCE 2006

### Overall Political Timeline (November 2006-August 2012)

The November 2006 peace agreement between the Maoists and the mainstream parties put a formal end to a bloody insurgency that had caused the death of an estimated 13,000 people. It also brought the Maoists into the political process. In January 2007, an interim constitution was promulgated and in April 2008 elections were held to a Constituent Assembly (CA) that also was tasked with acting as an interim legislature. The CA's first decision, in May 2008, was to abolish the 239-year old monarchy and declare Nepal a secular republic. The following four years saw much political polarization and elite infighting, both within and among parties. As a result, Nepal witnessed significant cabinet instability and was even without a government for several months in 2010-11.

Even more importantly, the CA missed four deadlines (May 2010, May 2011, November 2011 and May 28, 2012) for drafting a new constitution, and it was finally dissolved on May 28, 2012. Against this backdrop, the political stalemate and policy gridlock that have characterized the past several years appear unlikely to end any time soon.<sup>1</sup> To make matters worse, Nepal now finds itself in a constitutional vacuum – it is unclear whether the current government (paralyzed as it is) retains a legitimate mandate and what steps should take place next. Sharp disagreements persist, both within and across parties, over whether the disbanded CA should be reinstated; whether, instead, fresh elections should take place – and, if so, when, and under what specific electoral arrangements; whether the body that would be elected would function as a parliament, as a new CA, as a parliament-cum-CA, or a CA-cum-parliament; and whether Prime Minister Baburam Bhattarai must step down and a new government be formed as a precondition for new elections. Uncertainty and the prevailing sense of disorder and drift are compounded by continued brinkmanship and constant political maneuvering by opportunistic actors all too ready to alter their positions on the most critical issues facing the country in order to advance their own personal interests.

## **Armed Groups in the Tarai and the Eastern Hills (2006-2010)**

The 2006-2010 period witnessed a proliferation of armed groups in the Tarai, or Madhes region, which consists of the plains that stretch east to west, along Nepal's border with India.<sup>2</sup> The southern belt represented by the Tarai makes up about a quarter of the country's total land area, but is home to nearly half of the country's population.

### **Clarifying Terms: Tarai, Madhes, Madhesis**

“Madhes” and “Tarai” are often used interchangeably, though the former usually designates more specifically the plains of eastern and central Tarai. “Madhesis” refers to the inhabitants of the Madhes, but the term can be misleading in that not all those who live in the Madhes region define themselves as “Madhesis.” For one, many ethnic groups, especially the Tharus in the mid-western Tarai, claim an independent identity: the Tharus view themselves as the original inhabitants of the Tarai and contend that Madhesis only came in much later as migrants. Hill-based or hill-origin people (Pahadis, Nepal's majority group though sub-divided) have also come to live in the Tarai (according to the 2001 census, hill-origin people make up approximately one-third of all Tarai residents). Many moved to the Tarai in the second half of the twentieth century due to a variety of reasons. It was then that the Tarai and its particularly fertile land came open for development. Many Pahadis were also displaced from the hills by the insurgency between 1996 and 2006 and it was relatively easy for them to acquire land in the Tarai. This is in sharp contrast to Madhesis, who have long faced difficulties in securing citizenship and proving ownership of traditional lands. The loss of land to Pahadis, and the tendency for local government, the courts and the police also to be under the control of hill-based people, has been a major grievance of both Madhesis and indigenous groups such as the Tharus.

The primary bases for the Madhesis' sense of distinct identity lie in the separate, plains-based languages they use; in their broader social and cultural distinctiveness from Pahadis (or hills-based people), who historically have dominated Nepal's political and governmental spheres and whose cultural norms were long imposed on Madhesis (and other ethnic groups); and, most importantly, in the discrimination that historically has targeted Madhesis, who are still viewed by many Pahadis with a mixture of derision and suspicion. Pahadis have been known to question, implicitly or explicitly,

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<sup>1</sup> For an up-to-date, detailed analysis of Nepal's political dynamics, please refer to “Democracy, Human Rights and Governance Assessment of Nepal -- Draft Report,” August 27, 2012.

<sup>2</sup> For background information on those groups, one may consult International Crisis Group, “Nepal's Troubled Tarai Region,” Asia Report No. 136 (9 July 2007).

Madhesis' "Nepaliness," suggesting that Madhesis are more Indian than Nepali, and that their true loyalty lies more with India than Nepal.

Though all Madhesis historically have been the victims of discrimination, the extent, manifestations and impact of that discrimination have varied according to class and other affiliations, for significant social, economic, and linguistic diversity can be found among Madhesis. For instance, Madhesis who are large landholders or Madhesi professionals in Kathmandu face different forms of social discrimination and constraints in the economic arena than lower-class Madhesis; their political orientations or views toward the Nepali state often are shaped by those differences.

## The Rise of Armed Groups

In 2006-07, dozens of armed groups emerged as an increasingly disruptive force across the Tarai and, to a smaller extent, in the eastern hills. Many of these groups claimed a political agenda, painting themselves as part of a broader movement of Madhesi mobilization against discrimination and "internal colonialism." In reality, only two or three such groups (see below) were driven – and even then only partly so -- by political grievances; the rest were simply criminal outfits that engaged in extortion, robbery, kidnappings, collecting "taxes" from ordinary citizens, and other illegal activities, and they did not even bother to issue political platforms.<sup>3</sup> Ironically, while average Madhesis saw these groups for what they were; i.e., criminal elements, and while they often were the victims of those groups' activities, many in the "Madhesi mainstream" also felt that these groups performed a useful function by making it more difficult for the state to suppress Madhesi activism.

The only armed Madhesi militant group that articulated a clear political agenda was the JTMM (*Janatantrik Tarai Mukti Morcha*, or Tarai People's Liberation Front). The organization broke away from the Maoist party in July 2004, due in part to resentment over Pahadi domination of the party's leadership positions, including in the Tarai. JTMM leaders also alleged discrimination against Madhesis in the Maoist army (the PLA), and they felt more broadly that the Maoists were insufficiently sensitive to Madhesi grievances regarding economic and social discrimination, Pahadi dominance of the police and courts, the difficulty Madhesis face in acquiring citizenship and gaining access to land, their under-representation in the public administration and other state institutions, and their electoral under-representation. Led by Jay Krishna Goit (who refused to call himself a Nepali), the JTMM called for independence of the Madhes and for all revenues raised from it to return to the region. A faction led by Jwala Singh broke from the JTMM in July 2006 and, from then on, clashes between the two organizations, which began to assassinate each other's cadres, became common. Though both Goit and Singh called for independence, that position was widely understood to be an "opening bid." Both leaders were believed to be ready to accept a single Madhes province within a unified Nepal, as long as that province would be granted considerable autonomy and the ability to decide how to spend revenues collected in the region.<sup>4</sup>

By 2010, there were according to the Home Ministry 114 armed groups operating across the country, most of them in the Tarai and the eastern hills. Some had emerged out of the Maoist party (or the PLA more specifically), others had broken away from Madhesi groups, while still others had simply

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<sup>3</sup> The information in this paragraph and that which follows was generated in part through interviews conducted by the author in Kathmandu in July 2012. See also the ICG 2007 report mentioned in the bibliography.

<sup>4</sup> Extensive autonomy and the ability to control locally raised revenues would be of great benefit to the Tarai, as it is the richest region in the country. It is endowed with the best agricultural land and is seen as Nepal's granary. It constitutes the center of industrial-manufacturing activity, and also occupies a strategic position from a commercial perspective due to its location between the open border with India and Kathmandu.

taken advantage of an environment conducive to criminal operations. Three main forces combined to make the proliferation of armed criminal gangs possible.<sup>5</sup>

- a) One key factor was the weakness of law-enforcement mechanisms and institutions. Between 1996 and 2006, the Government of Nepal (GON) had relied heavily on the under-staffed and under-equipped Nepal Police (NP) to fight the Maoist insurgency. As a result, the NP suffered significant losses, both human and material, as police building and personnel became a primary target of Maoist attacks. By the time the CPA was signed in November 2006, only an estimated 550 police posts out of 2000 were still functioning nationally. Elsewhere, police stations often had been destroyed or vacated, and police personnel had withdrawn from the communities in which they once had been active.
- b) Many analysts also point to the demonstration effect exercised by the Maoist insurgency, which had helped legitimize the use of violence for political purposes (alleged or real), and had shown that “violence can pay” (both figuratively and literally).
- c) Complicities between criminal gangs, political parties, and law-enforcement officials as well as other civil servants (such as Chief District Officers, or CDOs) also played an important role in the surge of criminal activities.

## The Criminal-Political Nexus

The nexus between parties, gangs and criminality more broadly remains a key feature of the Nepali security landscape. Parties rely on armed groups as enforcers: to intimidate opponents and critics (including journalists and activists intent on exposing corruption); to protect their members from similar actions by other parties; to gain access to lucrative economic opportunities (including government contracts) that are critical sources of both personal enrichment and political patronage; and to provide “assistance” during elections. Occasionally, politicians even orchestrate the activities of criminal groups for personal profit. Criminal groups, for their part, rely on parties for protection from the law. The ability of senior police officers to take action against criminal gangs can be severely constrained by political interference. Between 2006 and 2010, there were several cases of notorious local armed group leaders being released from prison after prominent politicians intervened on their behalf.<sup>6</sup>

The close connection between criminals and politicians is not new to Nepal. After all, during the so-called *panchayat* era, the government often had mobilized youth gangs to suppress the democratic opposition, and, after 1990, political parties routinely had relied on criminal elements to harass or intimidate rivals in the lead-up to or during electoral contests. The 2006-2010 period, however, witnessed a dangerous institutionalization of this nexus, and it became extremely difficult for politicians to avoid being implicated in it. Driving this phenomenon was the previously discussed weakness of law-enforcement institutions and mechanisms. Important as well was the series of events associated with the cantonment of the PLA and its progressive disarmament under UN supervision from late 2006 onward. To compensate partially for the incapacitation of the PLA, which had been central to its ability not only to wage the war but also, more broadly, to project political influence, the Maoists set up the Young Communist League (YCL) in late 2006. Intended to provide the Maoists with “muscle” in everyday politics, the YCL brought into the party young individuals – many with a criminal background – devoid of prior political affiliation. Other parties,

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<sup>5</sup> Most of the information here comes from interviews the author conducted in Kathmandu in July 2012, especially with officials in the Nepal Police and US Embassy personnel familiar with law-enforcement issues in Nepal. See Annex I of the August 27, 2012 “Democracy, Human Rights and Governance Assessment of Nepal – Draft Report.”

<sup>6</sup> For background analysis of those dynamics, one may refer to International Crisis Group, “Nepal’s Political Rites of Passage,” Asia Report No. 194 (29 September 2010).

and in particular the UML (United Marxist Leninists), responded by setting up their own youth wings.

The UML's Youth Force (YF) soon emerged as a powerful competitor to the YCL, and, like the YCL, it attracted individuals with a record of violent activities. Many of those individuals were so-called *gundas*, a term which in Nepal refers to criminal figures with a well-known reputation for violence. *Gundas* often are involved in semi-legal or illegal enterprises and benefit from the protection of politicians for whom they act as enforcers. From 2006 onward, violence pitting various parties' youth wings against each other became common – with the main driver behind that phenomenon being not political or ideological rivalries, but naked competition for power and economic advantage. Specifically, electoral competition, conflicts over state resources (especially public contracts), and efforts to secure larger shares of the profits generated by illegal enterprises became the primary force behind armed confrontations pitting youth groups against each other. Individual rivalries and greed often were an inherent part of this process, and it became common for armed clashes between youth wings to originate in personal disputes or conflicts of ambitions or material interest between two politically connected individuals. By the same token, criminal groups driven by their own agendas often were able to rely on the support of parties' youth wings because they, in turn, could be expected to lend muscles to those parties on other occasions.

## Communal Violence and Radical Hindu Activism

Between 2006 and 2010, violent conflict between Madhesis and Pahadis became a regular feature of life in the Tarai. Driving this phenomenon were Madhesis' continued loss of land to Pahadis moving into the region; the belief by many Madhesis that governmental institutions, dominated by Pahadis, openly discriminated against them and were being used to marginalize them in "their" region; Madhesis' lack of access to government services and to resources (e.g., forest, water, land, and energy) controlled by government; insufficient recognition of, or open disregard for, Madhesi culture and identity; and Pahadis' reliance on armed groups and state institutions (including the police and the courts) to discriminate against, intimidate or oppress the Madhesis. Similar feelings, with similar results, could be found among indigenous groups such as the Tharus. Pahadis expressed their own complaints and fears, pointing in particular to Madhesi armed groups and gangs targeting Pahadi businessmen and bureaucrats with the explicit, stated intent of forcing them out of the area.<sup>7</sup> That situation prompted some Pahadis to form groups, such as the Chure Bhawar Ekta Samaj (CBES) in the eastern Madhes, to defend themselves against attacks and protect their interests in the face of Madhesi mobilization. Those groups, typically run by Pahadis with ties to the UML and the NC, would receive some support from the state administration, the police and/or the security services, thereby helping vindicate Madhesis' perception of bias by government institutions and contributing to the cycle of violence.

The 2006-2010 period also witnessed limited activity by armed radical Hindu groups driven, then as now, by several inter-related concerns: growing secularism, the prospect of identity-based federalism, the overturning of the older order more generally, and perceived Christian proselytizing. Radical Hindus view these developments as an attack on their traditional, highly restrictive vision of Nepali national identity, which remains closely identified with Hinduism, the Nepali language, the unitary centralized state, and strict adherence and enforcement of Pahadi cultural norms -- with little tolerance or patience for the many distinct cultures found in Nepal. Hindutva groups want secularism to be revoked and an end to talk of federalism. They also express alarm at the growth of Christian proselytizing – a phenomenon to which, they claim, donors and donor programming (particularly in the health sector) have contributed. They point to the proliferation of churches and

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<sup>7</sup> In 2010, for instance, Pahadi-affiliated groups attacked Madhesi-owned shops in the heart of Nepalgunj, and there was widespread evidence of police complicity in those events.

to the activities of foreign evangelical groups as evidence that Christianity is taking advantage of the disorder created by identity-based politics and the sudden discarding of centuries-old social and political hierarchies.

Even back in 2009-2010, when there was greater concern about radical Hindu groups than there exists now, these groups – which represent the militant, violent fringe of a much broader “traditionalist” current -- remained relatively marginal. One of them, however, the Nepal Defence Army (NDA), which was committed to the re-establishment of Nepal as a Hindu Kingdom, was responsible for several terrorist attacks on mosques, churches, and Christian organizations in 2008 and 2009.<sup>8</sup> Following the arrest of its leader (R.P. Mailani), it appears to have been incapacitated, though in November 2011 it claimed responsibility for the explosion of a small bomb in front of the Kathmandu office of the United Mission to Nepal (UMN), a Christian development organization. Other such paramilitary Hindutva groups operating underground were believed to exist between 2008 and 2010, but even though they were keen to proclaim their readiness to resort to violence, they in practice were mostly inactive. In the past two years, they have not even issued statements or pamphlets and are generally believed to have either disbanded or be dormant at the most.

## **Decline in the Number, Size and Activities of Armed Groups (2011-2012)**

In the past two years, the number, size and activities of armed groups have declined markedly, and what was viewed as a major and worrisome problem back in 2008-09 no longer is regarded as a significant threat today. The last incident to date occurred on April 30, 2012, when a group calling itself the Tarai Students Liberation Front (TSLF) detonated a bomb in Janakpur, killing five people and injuring at least thirty-two others.<sup>9</sup> The number of recorded armed groups across the country has dropped from 114 in 2008-09 to fewer than two dozen today. Recent Nepali press reports as well as a top-ranking police official interviewed by the Democracy and Governance Assessment team in Kathmandu in July 2012 estimated that membership in those groups ranges from 20 to less than 100, with most groups leaning toward the lower figure. This downward trend can be attributed to three main factors.

- a) The first is the significant progress that has taken place toward re-establishing an effective police presence in rural areas. Police facilities have been rebuilt (a process to which the USG has contributed via INL assistance). The Senior Law Enforcement Adviser at the US Embassy in Kathmandu estimated in July 2012 that 60 to 70 percent of villages and towns across the country now have full-time, 24/7 presence of the police; he expected that within two years the police would have a direct physical presence in the overwhelming majority of localities across the country.
- b) A second factor has been tighter security measures by the authorities. In July 2009, the GON launched a Special Security Plan (SSP) that entailed mobilization of the Armed Police Force (APF) to the central eastern Tarai region (where illegal armed groups were most active) and closer cooperation among the APF, the Nepal Police (NP) and local communities.<sup>10</sup> A base office of the APF was set up in all restive Tarai districts, while security was tightened at all border posts. In addition, the Home Ministry implemented a Small Arms Control Work Plan (SACWP), under which people arrested with illegal

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<sup>8</sup> See International Crisis Group Report, “Nepal’s Troubled Tarai Region,” and, for an update, “Nepal’s Political Rites of Passage,” p. 28.

<sup>9</sup> Two months earlier, on February 27, a bomb explosion in the Babarmahal area of the capital had killed three persons and injured several others. The timeline for the events discussed in this paragraph was generated by relying on English-language press reports in Nepal, July 2012.

<sup>10</sup> Information on the SSP and SACWP was drawn from press reports published in the English-language Nepali press during July 2012.

firearms no longer can be released on bail and can be put behind bars for several years. Under the SACWP, the police stepped up arrests of people for illegal possession of arms and ammunition. The SSP and SACWP have proven to be quite effective: since 2009, many armed groups' members have surrendered to the authorities, some have been captured or killed, and others simply have disappeared altogether. Encouraged by its success in the central eastern Tarai, from 2010 onward the APF was mobilized in the eastern hills, where several armed outfits were still operating under the cover of ethnic political groups. There as well, the APF quickly brought the situation under control – the scope of extortion by such outfits has been considerably reduced, as has the number of killings and kidnappings.

- c) Side by side with the tightening of security measures and an increase in the police's physical presence in rural areas, the government also held talks with 17 armed outfits between July 2011 and February 2012. This “soft” side of the GON's new strategy for countering the threat posed by armed groups has led to several agreements by which groups have agreed to, and formally announced, a stop in their activities.

## **PART TWO: CURRENT RISK OF VIOLENT EXTREMISM AND INSURGENCY**

### **VE Risk and Relevant Actors**

As noted earlier, the risk of VE appears to be limited at present, though the possibility of isolated attacks by small radical Hindu groups does exist. Little is known about these groups, but for the time being they are widely regarded as marginal, largely dormant, and devoid of significant organizational capacity. One of the better-known groups is the Bishwo Hindu Parisad (BHP), which mobilizes followers around the ideas of mounting threats to Hindu culture and religion (especially in the form of religious conversion by Christians) and the consequent need for Hindus to organize and mobilize so as to resist this assault on their identity and values. It seems extremely unlikely, however, that at present these groups could orchestrate anything but a handful of small-scale incidents, or that these incidents would aggregate into a larger threat. Similar observations can be made about the few fringe Pahadi groups associated with militant Brahmins and Chhettris demanding a unified Far West province. *The primary risk of violence does not stem from VE fringe groups, but from a possible resurgence of communal conflict between Pahadis and Madhesis, or Pahadis and indigenous groups. The likely primary triggers for such violent conflict would be the previously described sharp disagreements over the issue of federalism, access to land, water, forest, and government services, discrimination, or perceived government and police complicity in the denial of rights to Madhesis and indigenous groups.*

### **Insurgency Risk and Relevant Actors**

*The risk of insurgency is similarly low, and that is the case for at least two main reasons. First and most importantly, the memory of the suffering inflicted by an insurgency that ended only six years ago is still fresh. That insurgency witnessed enormous human rights abuses on both sides (including mass summary executions, abductions and killings, looting, rape, forced displacement of populations, confiscation of property, and “disappearances”). There understandably is no appetite for risking a return to that situation. No matter how serious the current problems are, most people thus far have remained willing to give the process that began in 2006 a chance to succeed; they believe that they are much better off than they were during the war years, and that the situation will improve further. Until they alter that assessment, there will be few takers for a return to insurgency.*

A second critical factor mitigating against a return to insurgency relates to the extremely fragmented nature of the current political landscape. There are so many players and potential spoilers today, and the divisions within every single political force are so pronounced and manifest themselves along so many crosscutting lines (personal rivalries and ambitions, opportunistic considerations, as well as disagreements over strategy and tactics) that it has become difficult to envision any single group being able to mobilize, on its own, enough followers and resources to mount a viable insurgency. Nor is it conceivable, in light of the unprecedented level of infighting within parties and bickering among their respective leaders, that an alliance of various groups could sustain itself to pose to the state and the political system the kind of existential challenge that the Maoists were able to create in the late 1990s and early 2000s. Put differently, the agendas and demands of the multiplicity of players now active on the Nepali political scene tend to pull the country in many conflicting directions, and they often cancel each other out so as to result in stalemate and immobilism. Under those conditions, it is difficult to imagine that societal and political demands ever could aggregate into a single, coherent movement capable of carrying on with a protracted territory struggle against the state.

The one political force that has threatened openly and repeatedly a return to insurgency has been the newly established CPN-M (Communist Party of Nepal-Maoist). The CPN-M emerged in June 2012 as a breakaway from the UCPN(M) [Unified Communist Party of Nepal (Maoist)]. It is headed by Mohan Baidya (also known by his *nom de guerre* Kiran), who previously served as Senior Vice-Chairman of the UCPN(M), where he led that party's "purist" or "dogmatic" faction. Deep divisions within the UCPN(M) between the "Kiran faction" and the rest of the party's leadership – especially UCPN(M) Chairman Pushpa Kamal Dahal (known as Prachanda) and the party's main ideologue (and current Prime Minister) Baburam Bhattarai -- had been in evidence ever since 2006. At that time, Kiran had opposed Prachanda and Bhattarai's decision to engage in the peace process and mainstream politics, denouncing it as a betrayal of the Maoists' commitment to a one-party revolutionary state. In the years that followed, Kiran opposed every single compromise that Prachanda made regarding the peace process.<sup>11</sup>

From an ideological or policy perspective, the Kiran faction's main argument was that the party had turned its back on its revolutionary ideals and made far too many concessions to mainstream parties and to the existing order of things in Nepal. In the view of Kiran and his supporters, those compromises had betrayed the spirit of the "people's war" and the sacrifices that rank-and-file members of the party had made during it. The party, as they viewed it, had lost its soul and *raison d'être*. Those arguments resonated with important constituencies within the UCPN(M), which felt bitter at what they viewed as the leadership's broken promises. From 2011 onward, the Kiran faction became particularly critical of the following:

- a) What it denounced as the "humiliating" terms for the integration of former Maoist combatants into the Nepalese Army (NA). It opposed the November 2011 agreement on reintegration, urging that a larger number of ex-combatants be allowed to integrate

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<sup>11</sup> As is generally the case in Nepal, clashes of personal ambitions and egos also fed into the rivalry between the "establishment/pragmatic wing" of the party headed by Prachanda and its "unreformed revolutionary" faction headed by Mohan Baidya ("Kiran"). Kiran agitated against Prachanda's authoritarian leadership and denounced the excessive concentration of power and decision-making in the hands of the Chairman and a few senior party leaders around him. Decisive as well was the Kiran faction's eagerness to gain control over a greater share of the material spoils under the control of the party, and its resentment at the control that Prachanda in particular exercised over the party's wealth. Kiran's complaints about the "lack of transparency" regarding party resources (what these resources were, the amounts involved, and how they were being spent) were not, in fact, about transparency. They were, instead, a call for redistributing economic resources within the party so as to accommodate the ambitions of one core group of leaders, those associated with Kiran, that felt it was entitled to a larger share of the enormous wealth accumulated by the party over the years. For further analysis of those dynamics, please refer to the "Democracy, Human Rights and Governance Assessment of Nepal – Draft Report," August 27, 2012.

the NA; that more slots in higher ranks (major and above) be set aside for ex-Maoist fighters; and that additional provisions be made for ex-PLA combatants with disabilities (who represented an estimated 10-15 percent of PLA combatants as of 2011).

- b) The party's abandonment of its earlier stated commitment to democratizing and "right-sizing" the NA (a provision which the Kiran faction argued was an essential component of the broader agreement regarding demobilization of ex-Maoist fighters).
- c) The lack of tangible progress toward real land reform (which, like the democratization of the NA, is called for under the CPA).<sup>12</sup>
- d) Since its formation as a separate Maoist party, the CPN-M has stated repeatedly that it will not abide by the rules of parliamentary democracy and that it may not take part in elections. In July 2012, its leadership even announced it may re-launch a guerilla war next February 4 (the anniversary of its original insurrection in 1996) if it feels at that point that it is left with no other means of defending the interests of its base. It is hard to know how seriously to take those statements, especially when at the same time CPN-M leaders also emphasize their commitment to "friendly" relations with the UCPN(M). Another unknown, as of this writing, is the exact scope of the defections from the UCPN(M) to the CPN-M. By one count, 70 to 90 of the 237 UCPN(M) former members of the now disbanded CA have left the UCPN(M) for the CPN-M, and their ranks include a majority of those senior leaders who launched the war in 1996. Observers agree that what used to be the ideological hard-core of the UCPN(M) has defected to the CPN-M. While the new party's resources pale in comparison with those available to the UCPN(M), the CPN-M represents a potentially significant spoiling force. It can disrupt daily life, shut down much economic activity, intimidate people (for instance at the polls), and it may not hesitate to resort to violence against its opponents. Whether its leadership truly intends to re-launch an insurgency (which could have the effect of cutting it off from the larger share of the spoils to which it aspires) remains a big question mark. If it were to embark on the path of renewed guerilla war, it might mobilize former PLA fighters who may have exhausted the cash payments they received as part of the demobilization process, and now feel they have no appealing options in the new Nepal, and little to lose from taking up arms again. It seems doubtful, however, that such an insurgency could gain significant traction, for reasons discussed earlier. In the absence of a major game changer, it would be limited in its geographical scope and in the number of recruits it could mobilize; it likely would fall victim to extreme factionalism. It might also soon degenerate into armed banditry and other forms of criminal activities.

## **The International Dimension of Criminal-Political Networks**

One factor not discussed thus far, that lies at the intersection of criminality and politics and could come into play in several of the violent scenarios analyzed below, relates to criminal groups with international connections -- to India, Pakistan, or global violent Islamic extremist (VIE) organizations. Particularly significant in that regard are criminal networks involved in trafficking counterfeited currency and drugs to India, taking advantage of the open border between it and Nepal. It is widely believed that several of these groups are being used by Pakistan, and in particular the ISI, to create problems for India. Indian security services also are concerned that the freedom of movement along its border with Nepal has created incentives for global violent Islamic extremist (VIE) groups, perhaps acting with the complicity of some in the Pakistani security services, to try to

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<sup>12</sup> The Kiran faction was always keen to point out that the CPA calls for "parallel commitments" by the Maoists and the state. Thus, for instance, while under the CPA the Maoists committed themselves to returning property seized during the civil war, the CPA also calls for the formation of a commission to explore land reform.

infiltrate India via Nepal. These concerns have taken on heightened significance since the November 2008 Mumbai attacks.<sup>13</sup>

To respond to these threats, Indian security agencies are believed to have used India-based gangs. The latter have sent hitmen to Nepal, presumably on behalf of the Indian security agencies, to murder individuals suspected of working for, or with, the ISI or Islamic terrorist networks. Two high-profile Nepali citizens, both of them Muslims implicated in illegal activities, have been killed in Kathmandu in the past two years, while a third was shot at while in a Kathmandu detention facility. The first two were, respectively, Jamim Shah, owner of a media company, and Faizan Ahmad, General Secretary of Islamic Association of Nepal. They were killed in broad daylight. The third, Yunus Ansari, another media-company owner, was serving a jail sentence for his alleged involvement in the circulation of counterfeited currency. The Nepal Police identified Indian nationals as having been behind these killings and shooting, and were able to arrest some of them. However, they could not identify the gangs involved in these crimes, let alone bring them to justice.

One should note, finally, that criminal groups based in India – especially in states with poor law-and-order track records, such as Bihar and Uttar Pradesh – routinely use Nepal as a sanctuary and operation base, especially for car theft and kidnappings. These groups are apolitical, but they can be harnessed or manipulated by others with conflicting agendas – the ISI, Indian security agencies, or VIE networks – in order to contribute to violence that has political purpose.

## PART THREE: SCENARIOS

Looking ahead to the next five years, one can envision three main scenarios under which the potential for violence – only some of which would have political dimensions – increases. None of these scenarios entails a return to large-scale insurgency or a surge in VE understood as “ideologically motivated or justified violence to further social, economic and political objectives.” Instead, the violence in question would take place along communal/ethnic lines, lie at the intersection of criminality and politics, and/or would be driven by conflict over resources. All three scenarios are predicated on the assumption that efforts to draft, finalize and then implement a new constitution will drag on for several more years, and that once the constitution is adopted several of its central provisions will generate significant discontent among key constituencies and communities.

### Scenario One

- A. *A further, steady deterioration in the already extremely low quality of governance leads to an increase in sporadic violence, primarily along ethnic/communal and political/criminal lines.*
- B. *VE organizations with international connections take advantage of the resulting disorder, but with at best limited success.*

Inter-related trends that would enhance the likelihood of that scenario include:

- a) Continued political stalemate, elite infighting and policy gridlock prompt a further deterioration in economic conditions and in the ability of governmental institutions to deliver even the most basic services. The government becomes even more unresponsive, more ineffective, and more corrupt. Misappropriation of development funds by local

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<sup>13</sup> The information in this paragraph and that which follows was generated through interviews conducted in Kathmandu in July 2012. The author is particularly grateful to Ameet Dhakal, former editor-in-chief of República, who was also a member of the DRG Assessment team.

officials and political-party leaders acting in collusion with one another becomes even more systemic.

- b) The population's hope that the peace process and state restructuring might deliver a brighter future recedes. The country's youth, in particular, grows increasingly disillusioned and desperate due to grim economic prospects. Historically marginalized groups lose patience due to lack of substantive progress on federal arrangements. Repeated postponing of local elections and the continued control of local governance by unelected civil servants and party leaders contributes to growing alienation.
- c) The ability of Community Based Organizations (CBOs) and community leaders to fill the gaps in government services and mediate disputes at the local level deteriorates. Civil-society groups and leaders become unable to keep up with the additional burdens placed on them. Violent incidents pitting communities, political-party members, and the rival gangs associated with them increase in both scope and frequency.
- d) The "targeted" use of violence by political parties increasingly spins out of control and contributes to a spread in criminality. Rival international actors (those examined in the previous section) maneuver to take advantage of that situation and compound it.
- e) Law-and-order agencies become unable to cope with the rise in militancy and criminal behavior. They are increasingly hobbled in their ability to discharge their functions by the systemic failures of political and governmental leaders and by the progressive breakdown in the dialogue among political parties.
- f) Feeling a growing institutional vacuum, and fearing their opponents will take advantage of it, political parties step up their maneuvering and brinkmanship, mobilizing gangs and *gundas* (thugs) and broadening those actors' space for criminal activities, while also playing on the fault lines in society (e.g., between Pahadis and Madhesis, or in the Midwestern Tarai between Hindus and Muslims). Increasingly, parties lose control over the forces they have unleashed and political mobilization results in armed confrontations. Violent clashes take place between communities, between ethnic groups, and between rival armed groups competing over resources. Personal conflicts frequently escalate into party disputes, and the latter more often assume violent manifestations.
- g) Activities by militant fringe groups – from radical Hindu and other right-wing organizations to indigenous groups espousing a maximalist, ethnic-based federalist agenda – become more violent. The controversy over federalism increasingly plays itself out in the streets.

## Scenario Two

- A. *Protracted failure by the main political parties and leaders to reach an agreement on the constitution, or to make any meaningful headway toward resolving other contentious issues, triggers a breakdown of the political and governmental systems.*
- B. *The total discrediting of the political establishment and growing political disarray opens up space for fringe groups, many of them ready to use violence for political or criminal purposes, to step up their activities.*

Under this scenario, the "political center," and the key processes it was supposed to address (peace, reconstruction, democracy), do not hold. Politicians have become so engrossed in bickering, wealth acquisition and seeking to outmaneuver one another that the country has become, for all matters and purposes, devoid of government. This scenario entails many of the trends and dysfunctions also found under Scenario One -- including the thriving of criminal and other armed groups, the declining ability of the state to confront them, and the growing inability of civil society and community leaders to fill the gaps in government and conflict resolution. Those trends, however, now manifest themselves on a much larger, qualitatively different scale. In effect, Nepal reaches a "tipping point,"

both in terms of the total breakdown in governance and with regard to the public's ability to tolerate failed promises and corrupt and inept behavior by politicians. The current political establishment reaches a "critical mass of non-performance," ushering in a collapse of its credibility and legitimacy as the country is engulfed in growing chaos that entails different types and manifestations of violence nation-wide.

The situation that has been described leads to widespread mobilization along both political and apolitical lines. Political mobilization takes one or several of the following forms:

- a. A backlash against federalism and identity-based politics. That backlash would be led by "traditionalists" who have shown varying degrees of opposition to secularism and republicanism and a categorical opposition to ethnic-based federalism (though not necessarily to federalism itself).<sup>14</sup> These socially conservative forces have long bemoaned a breakdown in social hierarchies and norms, and they would point to the growing political disorder, social decay and violence as vindication of the arguments they have made all along, including about the dangers of "identity politics run amok" and the false gods of federalism. While most traditionalists represent part of the "political mainstream," the movement features a radical fringe, discussed earlier, that comprises radical Hindu activists and others, especially from among Brahmins and Chhettris, who resent the dismantling of the unitary state, programs for political inclusion (quotas, reservations) for historically marginalized communities, and the reduction in their historically privileged access to jobs and political and economic opportunities. Emboldened by the political disarray and failure of state restructuring, that current might engage in violent activities that, in turn, likely would trigger counter-mobilization by ethnic activists and others.
- b. For their part, doctrinaire Maoists, especially those now associated with the CPN-M, would see in the growing political drift and chaos proof that they were right in pointing to the dangers inherent in "betraying the spirit of the revolution and the people's war," in playing by the rules of multi-party constitutional democracy, and in reneging on key promises and commitments that the Maoists had made to the more under-privileged elements of society. Their talk of a return to guerrilla warfare would become more frequent and pronounced -- especially if traditionalists, alone or in alliance with other forces, were to move openly to try to sideline or take on the Maoists. Maoist talk of renewed insurgency, for its part, would feed into heightened mobilization, including along violent lines, within the traditionalist current. The likelihood of confrontations between forces located on opposite ends of the political spectrum -- traditionalists and the far left -- would increase. Isolated, localized clashes could develop into a broader confrontation played out on a national scale, or at least in several parts of the country.
- c. Ethnic activists, too, might step into the fray, angered by receding prospects for the timely adoption of a federal system, and confronted with heightened mobilization against ethnic-based federalism by traditionalists in general, and by the radical fringe of that latter current in particular. Determined not to be denied in their goal for ethnic-based states, and faced with occasionally violent opposition to that objective by emboldened opponents of it, some ethnic activists at least could decide to take up arms to secure the autonomous states for which they have been agitating. At that point, the debate about federalism could take on violent dimensions and result in increasingly frequent armed clashes, some of which could spin out of control. In several regions, the violence in question would assume communal dimensions. For instance, in the Far-West, where militant Brahmin and Chhettri groups have called for a unified province in

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<sup>14</sup> For up-to-date, background analysis of those referred to here as "traditionalists," one may refer to the "Democracy, Human Rights and Governance Assessment of Nepal – Draft Report," August 2012.

which they would play the dominant role, Brahmins and Chhettris could clash with Janajatis (especially Tharus) and Madhesis. Conflict over land could intersect with those tensions as well – as, for instance, in the mid- and far-western Tarai, where Maoists have yet to return most of the land they seized during the insurgency.<sup>15</sup>

### Scenario Three

- A. *The implementation of state restructuring generates disillusionment among supporters of ethnic-based federalism and anger among those who oppose it.*
- B. *Mobilization and protests on both sides result in violent confrontations -- between protesters and the authorities, between communities (e.g., Pabadis vs. Madhesis), and among ethnic and/or indigenous groups. Radical individuals, organizations and networks (such as those examined earlier) orchestrate isolated but increasingly frequent attacks that create growing disorder, providing VE groups, some with international connections, with more operating space.*

This scenario is triggered by the implementation of state restructuring. Side by side with providing a catalyst for heightened mobilization among those who oppose it -- including a radical fringe, formerly dormant but galvanized by the establishment of single-ethnicity states -- state restructuring creates much disappointment and frustration among a broad range of ethnic activists. Identity groups that had expected they would control, or at least exercise preeminent influence in, the provincial governments of those states carved out to accommodate their political aspirations, realize that that is not the case. Instead, they have to engage in a much greater degree of power sharing with other groups (which collectively form a majority in each of the newly created states)<sup>16</sup> than they anticipated; political logic pushes them toward accommodations and compromises that cannot be reconciled with their earlier hopes. These groups also realize that insufficient authority and resources have been devolved onto the new provinces, within the context of what remains a very centralized system. Mounting frustration with that situation feeds into the types of violence alluded to above.

## PART FOUR: PROGRAMMATIC IMPLICATIONS

As the above analysis has shown, the main risks of VE and renewed insurgency stem from a combination of the following:

- a) The poor quality of governance, and the possibility that it could deteriorate even further due to protracted political stalemate and policy gridlock.
- b) A potential total breakdown in negotiations among the main political parties, which would incapacitate state institutions and overwhelm the ability of civil society and community-based mechanisms to fill in some of the country's governance gaps.

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<sup>15</sup> For background analysis of those dynamics, one may consult “Nepal ICAF Report” (USAID and Department of State), 2012.

<sup>16</sup> One may consider, for instance, what would happen if a “Limbuwan province” were to be established in the eastern hills, in an effort to accommodate the demands of Limbu activists. In line with the latter's demands, that province would consist of the nine districts in which Limbus (together with many other groups) live. In it, however, Limbus would represent no more than 28 percent of the population – i.e., a small plurality, equivalent to that formed by Brahmins and Chhettris combined. Similarly, in a Tharuhat state, Tharus would make up approximately 21 percent of the population (as opposed to 24 percent for Brahmins and Chhettris); Newar would comprise 23 percent of a New state (as opposed to 36 percent for Brahmins and Chhettris), Rai 26 percent of a Kirat state and Tamang 30 percent of a Tamangsaling state (as opposed to, respectively, 30 percent and 34 percent for Brahmins and Chhettris). The author is indebted to Ameet Dhakal for these estimates.

- c) Anger and frustration that might result from the implementation of state restructuring, resulting in heightened mobilization by two opposite “political fringes” – ethnic activists feeling disillusioned and betrayed by the new arrangements, and militant traditionalists and Hindu radicals who were always dead set against federalism.
- d) The nexus between criminality and politics in Nepal, and the possibility that armed groups – some with international connections – might take advantage of that nexus as well as of growing disorder and instability in the country.
- e) The difficulties that law-enforcement agencies might have in coping with a surge in armed activity, criminality, and political interference in police affairs.

Some of these potential triggers and drivers are not amenable to development- or democracy assistance, while others call for a menu of standard interventions that will be evident to development professionals.

1. Building up resiliencies nationwide against both conflict and a further erosion in the quality of local governance is critical – but the latter component cannot be limited to “improving service delivery,” and must include more proactive support for greater accountability and transparency. Because in Nepal societal demands along those lines are expressed neither systematically enough nor with the vigor that the country’s dire situation requires, it is critical that the readiness and capacity of users’ groups and CBOs to advocate for more transparency and accountability be increased. Assistance already being provided to such groups, therefore, should systematically incorporate programming intended to increase their members’ understanding of the importance of advocacy as well as related skills. Additional opportunities should be created for citizens to monitor more closely the decisions that government officials and political-party leaders make on matters of direct interest to the population.

2. Supporting the transformation of Nepal’s political economy so as to create more employment opportunities for young people is essential to defusing the appeal that armed groups might exercise among idle youth in a country with a significant youth bulge. Addressing persistent inequalities and discrimination, both real and perceived, should represent an important part of this effort, especially where discrimination overlaps with identity and thus represents a powerful potential catalyst for ethnic mobilization. The more blatant and severe the discrimination, and the more it overlaps with identity, the greater the space for radical ethnic organizations and networks; the greater the potential for political disorder; and the more opportunities will present themselves for VE groups. Similar considerations call for activities that will help reduce unequal access to land, water, forests and other natural resources or government services. For reasons discussed earlier, such unequal access can create tensions that may be conducive to VE or increase the risk of renewed insurgency.

3. Federalism will be the defining issue for both politics and governance in the coming decade. That being the case, development- and democracy-related programming should help position Nepal for a “smooth landing” with regard to state restructuring.<sup>17</sup> From the perspective of this document, particular attention should be placed on minimizing the potential for state restructuring to create conditions favorable to VE or renewed insurgency.

- a. Technical assistance should be deployed to help steer the debate about federalism away from identity-related and mostly symbolic concerns and toward substantive, tangible public-policy issues, especially those that relate to the devolution of power to the new provinces to be created; to the distribution of authority within those new entities; and to the mechanisms and procedures most likely to help “make federalism work.” At the

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<sup>17</sup> For elaboration on this recommendation, please refer to the “Democracy, Human Rights and Governance Assessment of Nepal – Draft Report,” August 27, 2012.

level of districts, towns and villages, USAID and other donors could contribute to a more informed public debate about federalism. The overall objective of relevant activities should be to help manage expectations associated with the implementation of federal arrangements; to improve the public's understanding of the problems and opportunities likely to emerge, and of how challenges can be addressed and opportunities maximized so as to create win-win situations (or at least acceptable outcomes) for different communities and groups; and to disseminate information about the lessons that can be learned from other experiences in federalization. Side by side with this information-dissemination/awareness-raising process, USAID should be ready to respond in a timely and effective manner to Nepali demands for technical assistance that may arise as federalization unfolds.

- b. The creation of new civil-service positions at the provincial level, the broader reorganization of state institutions, and changes in lines of authority should be conducted so as to minimize the potential for friction among communities and groups. The demands of ethnic minorities for inclusion and an end to discrimination should be addressed in ways that also acknowledge other groups (such as the Brahmins and Chhettris)'s legitimate fears of reverse discrimination and marginalization. Erring on one side or the other of that fine line could create conditions favorable to radical mobilization and to the ability of VE groups to gain traction. It is important, in particular, that Pahadis (whose higher levels of educational achievement and professional experience provide them with advantages other communities lack) do not take a disproportionate share of the new positions to be established. Attendant changes should provide meaningful opportunities for inclusion of historically marginalized groups (e.g., Madhesis and Tharus in the Tarai) into the new federal institutions. At the same time, inclusion should not translate into providing unfair advantages to less qualified candidates for civil-service positions – which would exacerbate grievances among Brahmins and Chhettris and likely trigger a further reduction in government effectiveness. If state restructuring is to address simultaneously the imperatives of inclusion, fairness and performance, historically disadvantaged groups will have to experience an increase in their ability to compete on merit for jobs in the public administration. Technical assistance could play an important role in facilitating this process.

4. USAID, the USG and other donors also should support continued improvements in the capacity of law-enforcement agencies. As highlighted earlier, those improvements have been a major driver behind the decrease in activities by non-state armed groups. The Nepal Police (NP) still lacks basic resources, skills and equipment, and its budget remains inadequate. In light of the country's population and rugged terrain, and considering the damage done to the NP over the course of the civil war, that institution still requires a significant upgrading of its current capacities if it is to act as a reliable deterrent on VE activity and the prospect of renewed insurgency. Technical assistance in the form of training, restoration or improvement of facilities, and the provision of equipment represent logical interventions in this context. Equally critical, however, is more sensitive and complex programming aimed at reducing both political interference in police affairs and the nexus between criminality, politics, and law-enforcement agencies. The culture of the police, too, needs to be changed. Historically, the NP has operated on a model that entailed the forced subjection in the "periphery" of ethnic minorities and indigenous groups regarded with disdain and suspicion by the more privileged constituencies that controlled the government at "the center." This policing model was almost "colonial" in style – it was based, in particular, on inspiring fear among "subject populations," and, when necessary, brutally suppressing their demands (even legitimate ones). That model clearly is no longer appropriate to the current environment, and, thankfully, the NP has begun to move away from it. But more remains to be done in such areas as building trust and mutual

respect between the police and local populations. State restructuring, and the reorganization in chains of command that it will entail, provides an opportunity to accelerate and institutionalize changes in the culture of policing. Technical assistance can play a role in facilitating this process as well.

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