

*United States Institute of Peace*

**National Peace Essay Contest  
Awards Program**



Governance, Corruption and Conflict  
**Simulation on Nepal**  
June 20-22, 2011

**Scenario and Background**

# Table of Contents

<b>I. SIMULATION INTRODUCTION .....</b>	<b>1</b>
<b>II. SIMULATION SCENARIO .....</b>	<b>4</b>
SCENARIO ASSIGNMENT.....	4
SCENARIO BACKGROUND.....	6
ISSUES FOR DISCUSSION.....	8
<b>III. NEPAL QUICK FACTS.....</b>	<b>10</b>
<b>IV. POLITICAL HISTORY OF NEPAL .....</b>	<b>11</b>
MONARCHY.....	11
DEMOCRATIC MOVEMENT .....	11
CIVIL WAR/THE NEPALESE PEOPLE'S WAR .....	11
COMPREHENSIVE PEACE ACCORD.....	12
<b>V. NEPAL IN 2011 .....</b>	<b>14</b>
REGIONAL IMPORTANCE .....	14
CURRENT ACTORS.....	15
CHALLENGES TO PEACE .....	17
<b>VI. KEY ISSUES IN NEPAL .....</b>	<b>19</b>
JUDICIAL SYSTEM AND RULE OF LAW.....	19
ECONOMY .....	19
CASTE SYSTEM & DALITS .....	21
ISSUE OF THE LANDLESS .....	21
GENDER.....	22
ENVIRONMENTAL ISSUES .....	22
MEDIA FREEDOM .....	23
<b>VII. NEPAL'S KEY RELATIONSHIPS .....</b>	<b>24</b>
NEPAL'S POLITICAL CLASS: ONGOING STRIFE.....	24
NEPAL AND ITS NEIGHBORS: INDIA AND CHINA.....	24
NEPAL AND THE INTERNATIONAL COMMUNITY: DONORS, AND PRIVATE INVESTORS .....	25
<b>VIII. OVERVIEW OF GOVERNANCE, CORRUPTION AND CONFLICT IN NEPAL .....</b>	<b>27</b>
GOOD GOVERNANCE.....	27
CORRUPTION .....	27
ANTI-CORRUPTION EFFORTS IN NEPAL.....	27
CORRUPTION AND INSECURITY .....	28
GOOD GOVERNANCE AND PEACE.....	28
CONSEQUENCES OF POOR GOVERNANCE IN NEPAL .....	28
<b>IX. APPENDICES .....</b>	<b>30</b>
APPENDIX A: 16TH AMENDMENT TO NEPAL'S CONSTITUTION .....	30
APPENDIX B: TREATIES, CONVENTIONS, AND CODES OF CONDUCT .....	31
APPENDIX D: WHAT IS GOOD GOVERNANCE? .....	UNESCAP DOCUMENT
APPENDIX E: NEPAL'S FITFUL PEACE PROCESS.....	INTERNATIONAL CRISIS GROUP DOCUMENT

## Glossary of Terms

AC	Advisory Council (international)
CA	Constituent Assembly
CIAA	Commission for the Investigation of Abuse of Authority
CERD	Convention on the Elimination of All Forms of Racial Discrimination
CPA	Comprehensive Peace Accord
CPI	Corruption Perception Index
CPJ	Committee to Protect Journalists
CPN-M	Unified Communist Party of Nepal-Maoist
CPN-UML	Communist Party of Nepal-Unified Marxist Leninist
CSR	Corporate Social Responsibility
DANIDA	Danish International Development Agency
DCN	Dalit Confederation of Nepal
DFID	Department for International Development (UK)
GDP	Gross Domestic Product
GE	General Electric
GMIC	Governance Monitoring and Implementation Commission (domestic)
ICCPR	International Covenant on Civil and Political Rights
ICT	International Campaign for Tibet
ICESCR	International Covenant on Economic, Social and Cultural Rights
IGETC	Inter-Governmental Economic and Trade Committee
ILO	International Labor Organization
LTRF	Landless Terai Rights Forum
MFN	Media Freedom Network
NC	Nepali Congress
NCC	Nepal Chamber of Commerce
NGO	non-governmental organizations
OECD	Organization for Economic Co-operation and Development
PLA	People's Liberation Army
PM	Prime Minister
PU	Purbanchal University
RPP	Rastriya Prajatantra Party of Nepal-Royalists
SAARC	South Asian Association for Regional Cooperation
SPA	Seven Party Alliance
TI	Transparency International
UN	United Nations
UNESCAP	United Nations Economic and Social Commission for Asia and the Pacific
UNMIN	United Nations Mission In Nepal
UN-OCHA	United Nations Office for the Coordination of Humanitarian Affairs
USAID	United States Agency for International Development
WB	World Bank
WSR	Women Seeking Refuge
WTO	World Trade Organization

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**Governance, Corruption and Conflict: Simulation on Nepal**

## **I. Simulation Introduction**

From June 20-22 you will participate in a 9-hour simulation that will provide a deeper understanding of the topic for which you have written an award-winning essay. The simulation will be based on a fictional summit being held in Kathmandu, Nepal.

Nepal is plagued with both prolonged violent conflict and weak governance. However, with the recent cessation of conflict and a new Constitution, Nepal is now at a turning point. Reflected in the new Constitution is Nepal's desire to address critical issues of governance and corruption that fuel divisions and hamper peace and progress.

The summit is being held to initiate a new body, Nepal's Governance Monitoring and Implementation Commission (GMIC), which has been established in Nepal's new Constitution. This body is made up of Nepalese who represent key stakeholders from both inside and outside the government. An international Advisory Council (AC) that will assist the GMIC has also been created. Domestic and international actors will convene to author GMIC's Charter, which will serve as a roadmap on how to improve governance and initiate reforms. The summit will also produce the Commission's first set of recommendations for reform. A successful Charter and recommendations will guide GMIC's implementation of lasting reforms and demonstrate to both the Nepalese society and the international community the government's commitment to good governance and transparency.

As a participant in this summit, you will contribute to the creation of the Governance Monitoring and Implementation Commission's Charter with the agreement of all Nepali parties present, and the endorsement of the representatives of the international community present. The summit will provide a platform for all groups present to share and advocate for their perspectives on governance and corruption, and for how the various groups might work together to achieve common goals in the future. Those of you developing this Charter are asked to layout the mission of the GMIC, its mandate, its goals, and the rules and procedures that will govern how the GMIC will work and on what basis decisions are taken and policies determined. In doing so, you should consider the implications, mechanisms, conditions for, and repercussions of implementing reforms.

The summit will consist of two sessions over the course of three days. On Day 1, both domestic and international actors will meet amongst themselves in two separate plenary sessions to discuss common objectives and strategies for the summit. The domestic actors plenary will bring together the membership of the GMIC: members of the government, representatives of the civil society, and other relevant stakeholders in the struggle to reform governance in Nepal. Members of the Advisory Council, which has been convened to assist the GMIC in devising and implementing reforms, will attend the international actors plenary session. The AC consists of representatives from international organizations, high-level officials of regional governments, anti-corruption experts, foreign investors, as well as representatives from international media and education companies. The goal for each plenary session will be—as much as possible—to consolidate each of the participants' agendas into one platform that addresses the needs and interests of the group as a whole. The platform from the Advisory Committee plenary and the platform from GMIC plenary will then be presented and further debated during the full summit to determine the final content of the GMIC's Charter.

On the second and third days of the summit, participants from the two groups will come together. On Day 2, members of the GMIC and the AC will have a chance to hear from each other on their

**National Peace Essay Contest 2011 Awards Program**  
**Governance, Corruption and Conflict: Simulation on Nepal**

experiences in the first day's plenary. GMIC members will discuss some of the key issues they believe need to be addressed by the Commission's Charter. AC members will have the chance to contribute their perspectives on governance and corruption, and any pertinent experience they can bring to bear.

On Day 3, the actual crafting of the Charter language will occur. At the end of the three-day summit, Nepali participants will ratify a Charter for the Governance Monitoring and Implementation Commission and present it along with the prioritized recommendations via a televised press conference on June 28, held on the one-month anniversary of the new Constitution. Following the statement, the media will no doubt comment on and evaluate the work of the Commission, its new Charter and its recommendations. It's therefore vital to the reputation of the new Commission, and the faith the Nepali people place in governance reform as a whole, that the Commission's work is viewed as credible and realistic. If so, the government will feel obligated to accept all of its recommendations.

Both groups will have a head of delegation during Day 1's plenary session, and those heads of delegation will then co-chair the full summit on Days 2 and 3. The co-chairs will help to moderate the discussions during the full summit, helping to identify areas of convergence and divergence between the GMIC and the AC, and keeping conversation moving. While each co-chair will have the ability to intervene where they think necessary, all summit participants will and should contribute to the overall discussions.

A successful Charter will:

- Lead with the **mission statement** of the GMIC. The mission statement will broadly explain (in one or two sentences) the goals of the Commission, how it will achieve these goals in, and for the benefit of whom.
- Establish the GMIC's **mandate**. A mandate defines the scope of the Commission's work, and what authority it has to enact reforms.
- Prescribe the GMIC's **membership**. It will establish who is eligible to be a member of the Commission, how members get assigned to the Commission, and how long their terms of service are.
- Lay out the **specific goals** that all GMIC reforms must seek to achieve.
- Determine the **frequency** with which the Commission will reconvene and issue new reports and recommendations.
- Finally, be **endorsed** by each representative at the summit.

A successful set of recommendations will:

- Outline the first batch of **reforms** it has prioritized and recommends for implementation.
- Reflect the **goals and perspectives** of all the Commission's members, to the greatest extent possible.

**National Peace Essay Contest 2011 Awards Program**  
**Governance, Corruption and Conflict: Simulation on Nepal**

Enclosed, you will find the necessary materials to prepare for the three-day simulation:

- ✓ Simulation Scenario
- ✓ Issues for Discussion
- ✓ Background Issues and Readings
- ✓ Public Roles
- ✓ Private Role (Your assigned role)

**This simulation is based on fact, but is fictional. The simulation assignment is fictional, as are any descriptions used to describe the make-up of the Governance Monitoring and Implementation Commission. Several of the organizations represented by the characters in this simulation are real; however, the descriptions of the interests and motivations of their representatives, as well as their goals, are fictional. **The fictional portions of the scenario and background have been highlighted in red.** We encourage you to take the scenario and the roles seriously while keeping this in mind.**

In preparing for and throughout the simulation, it is critical that you identify the key issues and motivations of other parties to the summit, as well as understand the role that you must play in outlining the requirements for the successful implementation of reforms. Be sure to consider the impending short and long-term effects on Nepal's peace process of both successful and unsuccessful implementation of reforms. Think also about the effects of your contributions to or dissent from the terms agreed to in the Charter and the recommendations for reform. To that end, you are being provided with summaries of the public positions of the other attendees to the summit. In addition, you alone are being given a private role sheet detailing specific concerns and objectives that you and your organization have regarding the implementation of reforms.

As you read through the background materials and roles:

- Consider the goals and interests of the individual you are playing; determine what the organization or institution you represent wants to accomplish during all three days of the summit.
- Take notes on how and where your perspective and interests can be addressed, and how your interests may be in conflict or in alignment with those of others in the simulation.
- Try to identify specific approaches to these issues and come up with possible actions that can address your interests, and consider how you can best advocate for them in the summit.
- Consider what set of expertise and resources each group brings to the table and how they can be most effectively used for the drafting of the Charter to help bring about an end to corruption and poor governance.

During the simulation, attendees will identify solutions to address the needs and interests of different constituencies. It is important that you anticipate these differences and consider how they will impact the recommendations for drafting the Charter. You will need to stay focused on the overall objective of the summit while honoring your own unique interests.

## II. Simulation Scenario

### Scenario Assignment

Partly due to its very fragmented society, Nepal has had a long history of political strife. After a ten-year-long civil war, which abolished the monarchy, a Comprehensive Peace Accord (CPA) was signed between Nepal's Prime Minister Girija Prasad Koirala and Maoist leader Pushpa Kamal Dahal (*Prachanda*) in 2006. However, poor governance and political discord have severely impeded the work of the Constituent Assembly (CA), which was created within the framework of the CPA. Inefficiently implementing its mandate, the CA has increasingly jeopardized the completion of the CPA.

The CA—similar to a parliament—was created in 2008, when Nepal became a federal republic, and was tasked with drafting Nepal's new Constitution by May 28, 2010. However the CA failed to draft the permanent Constitution on time and the deadline was extended for one year. The political strife intensified in 2010 and resulted in a deadlock for seven months, during which Nepal was unable to elect a new Prime Minister (PM).

The parties were finally able to come together and Nepal's new Prime Minister was elected on February 3, 2011. **Quickly moving forward thereafter, to much fanfare, the CA finished drafting the Constitution and it was enacted on May 28, 2011. Seeking to end discrimination based on caste, language, class, gender, culture, religion, and region, the 16<sup>th</sup> Amendment of Nepal's Constitution called for the creation of a Governance Monitoring and Implementation Commission.** The Commission's job is to ensure that the provisions of the new Constitution are properly implemented, while promoting a system of governance that is democratic and inclusive.

Given Nepal's track record of poor governance and political strife, failing to capitalize on the momentum created by the enactment of the new Constitution may mean a rapid return to chaos and further instability. Bribery, favoritism, smuggling, trafficking, and unchecked damage to public and private resources have long prevented Nepal from its democratic, economic, developmental and social goals. Furthermore, if the people of Nepal do not notice a significant change brought about by the new Constitution, they may lose faith in the system once and for all, and could organize widespread national strikes, which would paralyze the country. In turn, strikes will deter international assistance and cripple industries, such as tourism, further exacerbating the already disastrous economic conditions of Nepal. Such paralysis could then lay the foundation for a return to domestic chaos and violence.

The international community is also concerned about Nepal's stagnant progress. Contributing to those concerns is that poor governance is inhibiting development, social and economic growth; the level of corruption in Nepal has increased at an alarming rate in 2010. **Hence, several prominent international aid agencies have announced they would stop financing projects in Nepal starting July 2011, unless the country made a considerable commitment to better governance**

**The Commission's initial membership has already been composed by the CA, and in accordance with the 16<sup>th</sup> amendment, includes representatives of Nepal's political parties, judiciary and civil society. As such, the 14-member Commission includes a member from each of Nepal's main political parties—the Unified Communist Party of Nepal-Maoist (CPN-M), the Nepali Congress (NC), the Rastriya Prajatantra Party of Nepal-Royalists (RPP), and the Communist Party of Nepal-Unified Marxist Leninist (CPN-UML). The Commission also includes members of the**

**National Peace Essay Contest 2011 Awards Program**  
**Governance, Corruption and Conflict: Simulation on Nepal**

civil society from different sectors. Since corruption is a major setback to implementing effective systems of governance, and has plagued Nepal for several years, the government further decided to include a representative from a national corruption agency.

In order to avoid elevating one party or group to the position of Head of Delegation for the GMIC, and in order to demonstrate to the South Asian region and the world that Nepal is making earnest efforts at reform, the CA decided to invite the South Asian Association for Regional Cooperation (SAARC) Secretary General to head the GMIC's delegation at the summit. While not granting SAARC official membership in the GMIC, the Government of Nepal has agreed to cede to the Secretary General the one condition on which she agreed to head the delegation: that she have the authority to determine members of an international Advisory Council that will help guide the work of the GMIC in instituting Constitutional reforms. Nepal's recent developments have gotten a lot of attention from the international community. SAARC is especially concerned about political and economic stability in South Asia, and has been watching the political evolution of Nepal closely. Demonstrating Nepal's new and improved system of governance will in turn help the country continue to gain assistance from international actors, who have been increasingly wary of delivering aid or making investments in Nepal, since graft and wastage mean that their contributions are often misdirected.

Subsequently, Raya Hadibappa, the SAARC Secretary General, contacted members of the international community who have a vested interest in Nepal, and created the 12-member Advisory Council to meet in a plenary session on Day 1 of the summit. Members include international donors and non-governmental organizations (NGOs), corporate investors, and representatives of SAARC member countries, as well as anti-corruption and governance experts. Their perspectives on development, economic growth and social justice will be a resource for the members determining the GMIC's Charter. And although they are not members of the Commission, their support for the Charter is crucial for the Commission, which desperately needs the continued assistance, cooperation, and expertise of the international community to continue on a path of growth. They are also keen to get the AC's approval, since it is important that Nepal's image on the world stage begin to improve.

Based on subsequent discussions among the government and the SAARC Secretary General, the parties determined that the general session during Days 2 and 3 of the summit should be co-chaired by a neutral, high-ranking member of the UN in order to maintain impartiality and command respect and international attention to the proceedings. The SAARC Secretary General reached out to the Director of the departed United Nations Mission in Nepal (UNMIN), Rania Pasic, to co-chair the summit, and also to moderate the plenary session of the AC on Day 1. Rania Pasic accepted the invitation from Raya Hadibappa.

Its initial members and leadership in place, and the Advisory Council present to guide and endorse, the GMIC now needs to adopt its charter and outline its first set of recommendations. The Charter will specify the Commission's mission, mandate, membership, specific goals, and the frequency of its meetings and reports. Since the 16<sup>th</sup> Amendment required that the GMIC submit regular reports and recommendations to the government and the people of Nepal, the Charter might dictate that the GMIC publish a quarterly or annual report that informs the Nepalese government and people about the progress of the Commission, offers new recommendations for reforms, and proposes a date for the next GMIC's meeting. As this summit will be the GMIC's first official meeting, the summit should produce, along with the Charter, the new body's first set of recommendations. Failure to produce a Charter or recommendations



**National Peace Essay Contest 2011 Awards Program**  
**Governance, Corruption and Conflict: Simulation on Nepal**

because the parties cannot agree would be disastrous for the future of the new Commission, and for the new Constitution as well.

On June 20, 21 and 22 you will attend a one-day preparatory plenary meeting together with your peers, followed by a two-day summit with all of the other participants in Kathmandu. On Day 1, both the GMIC members and AC members will meet amongst themselves in special plenary sessions to discuss common objectives and strategies. On Days 2 and 3, all participants will meet together to tackle the broader issues necessary to arrive at the GMIC's Charter. You will contribute to the overall discussion with the objective of producing the Commission's Charter that includes a set of principals, which have been agreed upon by all member parties and should guide both the Governance Monitoring and Implementation Commission and the AC by the end of the three-day summit.

For attendees of the plenary session lead by SAARC Secretary General Ms. Raya Hadibappa: Working alongside members of the different political parties, and several representatives of civil society, you will be tasked with drafting the Governance Monitoring and Implementation Commission's Charter. In order to ratify a Charter that follows an inclusive and democratic model of governance within your plenary session, it will be important to agree on what sectors the government will focus its reforms, how the Commission intends to prioritize reforms, and what the specific mandate of the Commission will be. In line with building a more inclusive and democratic model of governance, the group will also need to discuss specific actions it will take to address the issue of widespread corruption. (See also Issues for Discussion on page 8.)

For attendees of the plenary session lead by the United Nations' Rania Pasic: Working alongside other international representatives from all interested sectors, you will be tasked with drafting a series of recommendations to help improve Nepal's model of governance; identifying which sectors Nepal's government should focus its reforms on; proposing options for reforms that will satisfy the international community; and deciding which exact conditions the GMIC will need to meet in order for your council to endorse the Commission's Charter. Together, you will recommend ways in which the GMIC may ensure that the process of constitutional reforms is inclusive, democratic, and serves the interests of the Nepalese society at large. (See also Issues for Discussion on page 8.)

On June 21, 2011, all of the participants will be seated around a conference table at the summit meeting to begin Days 2 and 3 of the summit, with their plenary sessions behind them. Although you are not personally acquainted with many of the participants, you have studied the areas of common interest and individual commitments of many of the participants. With a clear vision about your critical contributions to the meeting, you look forward to lively discussions and intensive negotiations.

### **Scenario Background**

Leading up to the adoption of Nepal's new Constitution, the country's poor system of governance was put in the spotlight and almost caused the collapse of the entire peace process. The political climate became seriously deadlocked, with the parties continuously failing to form a coalition government, and leaving Nepal without a Prime Minister for several months. The political stalemate was aggravated by the departure of the United Nations (UN) Mission in Nepal (UNMIN), which put additional pressure on Nepal's governance capabilities. Following the signing of the CPA, UNMIN was established in January 2007 to monitor the disarmament of

**National Peace Essay Contest 2011 Awards Program**  
**Governance, Corruption and Conflict: Simulation on Nepal**

Maoist rebels assist with the elections of the CA members. UNMIN renewed its mandate several times in following four years but UNMIN and Nepal's political parties agreed in September 2010 that UNMIN's mandate would end in January 2011, after the Nepalese government and the Maoists pledged to complete the tasks of the peace process by January 15, 2011. However, the parties had made little progress towards ending the peace process when UNMIN left because the departure of UNMIN left its monitoring responsibilities in the hands of the Nepal's government, which strongly disagreed on how arms should be monitored and former Maoist combatants reintegrated. Meanwhile, the endless rounds of prime ministerial elections were broadcasted all over the world, worrying international organizations and investors.

Domestically, the government's repeated failures and political stalemate have provoked a general feeling of despair among the Nepalese people, who said they had lost faith in the government. It took seventeen rounds for the government of Nepal to elect Khanal as the new Prime Minister, so in the weeks leading up to Khanal's elections, some Nepalese ridiculed the government by racing each other in the streets and declaring the winner the new PM of Nepal. More recently, the sentiment of despair grew into anger and a former supporter of the CPN-UML slapped Khanal in public, the day he was elected as the new PM.

Khanal's election itself was overshadowed by corruption. In order to obtain the support of the Maoists and win the election, Khanal made a seven-point secret pact with them. Among other things, Khanal promised the Maoists, without consulting his party, to cede them the Home Ministry, to create a separate Maoist military force, and talked with them about the idea of a rotational leadership of government. However, once Khanal was sworn Prime Minister, he did not fulfill his promises, and the Maoists threatened to withdraw their support. The public revelation of the pact caused yet another political crisis and the new government almost collapsed because the different parties couldn't agree on the formation of the cabinet.

Corrupt business practices are widespread in Nepal, and foreign media companies have many times attempted to shed the light on Nepal's corruption problem but are often repressed for doing so. Furthermore, Nepal's political parties are often found guilty of blocking the publication and distribution of newspapers, which denounce illegal business practices. This phenomenon has caused Freedom Forum to express its grave concern over the violation of press freedom in Nepal.

However, fighting corruption in the business sector is complicated by the fact that when foreign companies invest in Nepal it's because many anticipate that they will receive kickbacks from the government. Therefore, eliminating corruption, or beefing up regulation, may drive foreign investment away. In the meantime, local businesses, which face the competition of foreign companies, are struggling to stay in business and have been organizing successive strikes in the last couple of months. Strikes are very disruptive and the government is worried that they may quickly become a threat to peace and stability. The last strike, which occurred earlier this month, caused the schools to close for several days, and forced government activities to shut down.

The CA has pushed the newly elected government to set a new precedent for good governance by effectively enforcing the new Constitution's 16<sup>th</sup> Amendment. SAARC Secretary General Hadibappa, who has maintained good relations with both the government and CA members but has no political agenda and hence remains neutral in the matter at hand, has agreed to facilitate discussions among the Governance Monitoring and Implementation Commission's members—recognizing that the newly formed GMIC could benefit from her public policy expertise.

**National Peace Essay Contest 2011 Awards Program**  
**Governance, Corruption and Conflict: Simulation on Nepal**

She has invited as a co-Chair of the overall summit Director of the departed UN Mission in Nepal, Rania Pasic. Participants will include leaders from the Nepalese government, members of civil society, anti-corruption experts, members of the international business community, as well as representatives from international organizations and NGOs, international media representatives, foreign investors, and other relevant stakeholders. Those present will acknowledge the ongoing threats to peace and stability caused by poor governance and corruption for all Nepalese, and the opportunity for improvement by participating in the drafting of the GMIC's Charter. The goal is to consolidate diverging priorities into one common mission, subsequently draft a Charter that will be endorsed and deemed valid by all parties present, and that will be binding on the Governance Monitoring and Implementation Commission.

**Issues for Discussion**

For this summit, SAARC, the UN, and government members have identified a number of key issues that are central to the promotion of good governance and the promotion of anti-corruption measures. These issues will be at the forefront of discussion at the summit:

***Issues for Discussion in the Governance Monitoring and Implementation Commission Plenary (Day 1)***

- What is your overall mission statement?
- What is the Commission's mandate? How long will the commission exist? Are the members permanent, or will new members need to be selected after a certain period of time elapses? If so, how and when will new members be selected?
- What sectors will you reform first?
- What steps will you take to fight corruption at the different levels of society?
- How will you ensure that the reform process is inclusive and democratic?
- Should you set specific deadlines or timeframes for the implementation of reforms?
- What conditions are required for your group to come to agreement?
- How will you manage to continue attracting foreign investment while showing your commitment to fighting corruption?
- What treaties, agreements, or conventions do you think Nepal may consider ratifying?

***Issues for Discussion in the Advisory Council Plenary (Day 1)***

- How should you guide the GMIC in formulating its mission, mandate, objectives, and administration?
- What sectors should you encourage Nepal to reform first?
- Based on your knowledge, expertise and practice, are there recommendations or advice you may give the Commission in regard to establishing a system of good governance, and implementing anti-corruption reforms? If so, how will you manage to keep projecting a neutral image, and convince the public that you respect the principle of not interfering in another state's domestic affairs?
- What conditions are required for your group to come to agreement with the other groups in the plenary session?
- How can the fight against corruption and the need for external investment be reconciled?
- What leverage does the international community have to ensure that the government signs and abides by certain key or minimum reforms? How and when should the leverage be used?

**National Peace Essay Contest 2011 Awards Program**  
**Governance, Corruption and Conflict: Simulation on Nepal**

- Should Nepal be required ratify specific international treaties and conventions before it can continue to receive international aid? If so, which of these treaties/conventions should Nepal ratify?
- What kind of incentive package can the international community offer if the GMIC includes some or all of your recommendations in its Charter?

***Issues for Discussion in the General Session (Days 2 and 3)***

The Governance Monitoring and Implementation Commission's Charter and recommendations must address the following questions:

- What are the overall mandate, mission, and functional objectives of the Commission?
- What sectors will be reformed first?
- What steps need to be taken to fight corruption at the different levels of society?
- How can the process of reforms be made inclusive and democratic?
- Should specific deadlines or timeframes for the implementation of reforms be set?
- What conditions are required for both groups to reach consensus and reach an agreement? For example, will the AC endorse the GMIC Charter at the end of the summit, on the conditions that the Nepalese Government agrees to certain key reforms?
- How can Nepal balance anti-corruption efforts with the need for external investment?
- Should Nepal have to ratify any treaties and or agreements to remain eligible for international aid?
- What tangible commitments and actions must Nepal's new government take to eradicate corruption and develop a system of good governance?
- What consequences or pressure will Nepal face from international actors if it does not implement better governance and substantial anti-corruption measures?

The mission of the GMIC is to draft a Charter that will guide its work towards improving governance and reducing corruption in Nepal. Meanwhile, the Commission is well aware that corruption not only takes place within the government, but also that it is the very practice of corruption that has attracted foreign investors in such high numbers. Therefore, the Commission is wary of implementing reforms that will drive foreign investors away, but is willing to work with other stakeholders in order to regain the support from international organizations and earn the confidence of the Nepalese people.

Hence, unification of all parties around the issue of governance and corruption is a critical goal of the summit. From the commission's perspective, the decision to improve governance at all levels of society, decrease corruption, and ensure political stability for the successful completion of the peace process is of the utmost importance. However, getting the various representatives of government, civil society, and international actors in Kathmandu to agree on a Charter for the GMIC will not be easy. In order for the summit to be successful, you must find a balance between the demands of the various groups. In addition, the attendees should all acknowledge the common objective of creating more stability and a lasting peace in Nepal through improved governance and the reduction of corruption.

### III. Nepal Quick Facts



The Basics	
<b>Population:</b>	25,371,000
<b>Capital:</b>	Kathmandu
<b>Area:</b>	147,181 square kilometers (roughly the size of Iowa)
<b>Language:</b>	Nepali, English, many other languages and dialects
<b>Religion:</b>	Hindu, Buddhist, Muslim
<b>Currency:</b>	Nepalese rupee
<b>Life Expectancy:</b>	66.8
<b>GDP per Capita:</b>	U.S. \$1,400
<b>Literacy Rate:</b>	45%

#### Economy

**Industry:** Tourism, carpets, textiles, small rice, jute, sugar, oilseed mills, cigarettes, cement and brick production. **Agriculture:** Rice, corn, wheat, sugarcane, milk. **Exports:** Carpets, clothing, leather goods, jute goods, grain. **Percent of population living below international poverty line (<\$1.25/day):** 55%

#### Land

**Land use:** 17% arable land; 15% permanent pastures; 42% forests and woodland. **Geography:** located between India and Chinese-occupied Tibet; diverse terrain of fertile plains and broad valleys; landlocked; containing eight of the world's ten highest peaks. **Climate:** Subtropical summers with mild winters in the southern lowlands; an alpine climate with cool summers and severe winters in the mountains

#### People

**Ethnic Groups:** Earliest inhabitants were the Newars of the Kathmandu Valley and aboriginal Tharus in the southern Terai region. Indo-Nepalese, ancestors of the Brahman and Chetri castes that account for 80% of the population, emigrated from India. The Tibeto-Nepalese constitute the remainder and trace their origins to central Asia and Tibet. **Distribution:** 45% in the hilly central region, 47% in the Terai plain, 8% in the mountains

**National Peace Essay Contest 2011 Awards Program**  
**Governance, Corruption and Conflict: Simulation on Nepal**

IV. Political History of Nepal

**Introduction to Nepal**

Nepal officially became the Federal Democratic Republic of Nepal by election in 2008. The country has a long history of political strife resulting from its disparate multicultural society, its unpopular monarchy and civil war. Nepal's population of nearly 30 million people is mostly Hindu and Buddhist, and divided into myriad groups along ethnic and caste lines. Political groups including the Nepali Congress and the Communist Party of Nepal - Unified Marxist Leninist have struggled to find common ground on many contentious issues and to form a working government. Though the war ended in 2006, it bequeathed to Nepal's leaders a devastated economy and infrastructure, and the current government faces significant barriers to effective operation due to continued political infighting.

**Monarchy**

Originally a land of many small kingdoms and settler groups, Nepal was ruled by a series of kings throughout several dynasties. Prithvi Narayan Shah of the Gorka set out to unify the kingdoms of the Kathmandu Valley and successfully created a single state in 1768. His rule became the Shah dynasty, a movement that expanded to determine Nepal's borders. Initial dispute over the mountain passes resulted in Nepal ceding the area to Tibet and paying reparations to China. Similar skirmishes over the southern region ended with Nepal's defeat at the hands of the British. Despite their defeat, the Nepalese "Gurkhas" soldiers' effort rewarded them an international reputation as fierce and merciless fighters.

Gorka rule gave way to the Rana dynasty in 1846 when the military leader Jung Bahadur Rana overthrew the reigning queen of the royal family. Rana dynasty lasted for nearly a century. The Ranas were strong supporters of the British and assisted the army in maintaining control during the Sepoy Rebellion in India. This relationship led to Britain's formal recognition of Nepal's absolute independence in a friendship agreement in 1923.

**Democratic Movement**

In the 1940s and 50s, an educated elite began to voice dissatisfaction with the Rana dynasty. The Democratic Movement to end the monarchy gained support from exiled Nepalese patriots, including marginalized Ranas, and it was among the exiled that some of Nepal's political parties originated. 1959 marked the year King Mahendra issued a new constitution and held the first democratic elections in the country's history. The Nepali Congress rose to power in these elections but the King soon dissolved the government and returned Nepal to a partyless system known as *panchayat*.

With the monarchy still firmly in place, centralization of political power continued to spread wealth and opportunity disproportionately. Student protests and anti-regime demonstrations indicated the people's unmet demand for a representative government. The *panchayat* system prevailed under King Birendra's monarchy with growing civil unrest. Minor reforms including the establishment of a prime minister and parliamentary elections failed to pacify the population. The monarchy's tenure could not withstand the agitation of civil society.

**Civil War/The Nepalese People's War**

Civil unrest intensified under economic chaos, inflation and unemployment in the early 1990s. More recruits joined the radical left as they witnessed the Nepali government's response to the



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**Governance, Corruption and Conflict: Simulation on Nepal**

movement: promises were broken, police unleashed on demonstrations, and activists killed. The Communist Party of Nepal, also known as Maoists, initiated the civil war in 1996 in attempt to overthrow the Nepalese monarchy. The Maoists also targeted the incumbent government and the national defense forces. The Communist Party grew out of the militant wing of a united Communist front which had pledged itself to protracted armed struggle for a democratic revolution.

The government authorized the Nepal Police to respond to the Maoist insurgency, which took the form of attacks on state headquarters and offices. When the Maoists attacked an army barracks following the failure of peace talks in 2002, the Nepal Royal Army responded in kind. Throughout the war, the army controlled the main urban centers, where government presence was traditionally focused. The Maoists maintained control over the rural areas, pushing towards the capital. The insurgency reached Kathmandu in 2004 when the Communist Party prepared to blockade the city.

Violence escalated at the introduction of the army, while King Gyanendra further curtailed civil liberties, trying in vain to snuff out the rebellion. Wishing to avoid an unstable 'failed state' in the region, the U.S. and India provided material support to the Nepal government during the civil war. These countries quickly withdrew funding when King Gyanendra declared a state of emergency in 2005 and took total control of the country. A curfew was imposed, journalists imprisoned, and communication technology disabled. The intensity of violence and public demonstrations increased in defiant opposition to the crackdown on individual rights.

The dissolved parliament formed an alliance, the Seven Party Alliance (SPA), against King Gyanendra's takeover. The Maoists teamed with the Seven Party Alliance declaring a joint commitment to a multiparty, democratic system. Protests and tax boycotts were waged as the Maoist fighters had reached a stalemate in combat. This new partnership between the SPA and the Communist Party, in combination with a series of ineffective ceasefires, paved the way to King Gyanendra's surrender of power in 2006. The Civil War had claimed over 16,000 lives.

### **Comprehensive Peace Accord**

The war officially ended with the signing of the CPA in 2006. Prime Minister Girija Prasad Koirala of the Government of Nepal, and Pushpa Kamal Dahal (known as *Prachanda*, "the fierce") leader of the Unified Communist Party of Nepal, signed the agreement. The CPA allowed Maoists to participate in the government, but placed Maoist People's Liberation Army fighters in temporary camps to be reintegrated into society. The rehabilitation process, like much of the CPA, has been inadequately implemented and the future of PLA soldiers remains an unsettled issue.

Under the CPA, the King was divested of all his power and the Maoists disbanded the parallel political system they had established throughout rural Nepal. Both sides pledged to uphold human rights with the assistance of the UN Office for the Coordination of Humanitarian Affairs (UN-OCHA), UNMIN and a National Peace and Rehabilitation Commission in addition to similar state-run agencies. The persistent problem of land reform closed with an end to the old feudal system and incorporation of a policy of land distribution. The CPA mandated respectful reintegration of those displaced during the civil war.

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**Governance, Corruption and Conflict: Simulation on Nepal**

In spite of the broad and optimistic reforms dictated in the CPA, little progress has occurred. The UN has appropriated arms from both the Nepal Army and the PLA, yet property confiscated by the Maoists has not yet been returned as promised. PLA fighters are only just being released from cantonments, with no concrete plan for their reintegration and rehabilitation. The National Peace and Rehabilitation Commission was never established. The CPA's halfhearted implementation indicates that although the war ended, Nepal is still in danger of backsliding into conflict.



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**Governance, Corruption and Conflict: Simulation on Nepal**

## **V. Nepal in 2011**

The CPA in place, parliament was reinstated with the Seven Party Alliance in control, and King Gyanendra was stripped of all power. Ending 240 years of monarch rule, Nepal officially became a Federal Republic and voted in a new CA to replace the unicameral interim legislature in 2008. The Communist Party of Nepal (Maoist) won the most seats with a slight majority over the Nepal Congress and the Communist Party of Nepal - Unified Marxist-Leninist. Former revolutionaries and members of the ruling party joined together under President Ram Baran Yadav of the Nepali Congress and Prime Minister Pushpa Kamal Dahal, the Maoist leader.

Upon creation of the Republic of Nepal, the nation's foremost political parties agreed to write a constitution. This effort has so far been unsuccessful, in part because of the lack of cooperation and compromise between parties. The Maoist Prime Minister Pushpa Kamal Dahal quit the government in response to a dispute with the head of the army, with his party close behind. A series of Prime Ministers has followed, each one elected resigning amid a political impasse, leaving more turmoil and despair for the future of the young democracy in his wake. President Ram Baran Yadav currently presides over a multiparty CA that continues to spar over political issues with no end in sight.

### **Regional Importance**

Nepal's strategic location between India and China has played a significant role in attracting international influence. The nation's neighbors are no exception. Nepal has balanced the competing interests from India and China with care, keeping each super-power vying for favoritism. Religious, political and cultural ties between India/Nepal and China/Nepal keep political provocations from ever reaching a crescendo.

India has a close relationship with Nepal, illustrated by the 1950 Indo-Nepal Treaty of Peace and Friendship. In recent years this relationship has been fraught with tension due to conflicts over trade, investments, and outside allies, as well as the general power imbalance between states of vastly different size. India has had trouble with Maoists within its own borders, and the Nepal Maoists' ideological affinity with China has created discomfort for India. However, a large percentage of Nepal's foreign direct investment is from India and the countries share strong cultural and religious bonds in addition to thousands of miles of border between them. India has its own civil unrest to worry about should the peace in Nepal break down.

Conflicts over Tibet have largely influenced Nepal's relations with China over the years. Nepal invaded Tibet in 1854 and supported India's invasion of Tibet in 1908; both instances ended in Chinese intervention. When China officially invaded Tibet in 1950, India and Nepal banded together in mutual concern for security. China responded by restricting Nepalese entry into Tibet and lending financial support to the Unified Communist Party of Nepal (Maoist) to indicate their displeasure with the Nepal government. As Nepal's relations with India have ebbed and flowed over the century, China has remained a constant presence to complicate the interplay. In spite of their support for the Communist Party in Nepal, China was quick to dispatch arms to the Nepal government when former international donors the U.S., the U.K. and India pulled out during the Nepal civil war. The Maoist-led Nepal government has declared their intent to rekindle close ties

**National Peace Essay Contest 2011 Awards Program**  
**Governance, Corruption and Conflict: Simulation on Nepal**

with China. Construction is underway on the Chinese-built 770 meter railway connecting a Nepalese border town to Lhasa, Tibet and the larger Chinese railway network.

## **Current Actors**

### **Maoists**

The United Communist Party of Nepal (Maoist) was the political driver behind the Nepalese civil war. Party members served as guerillas in the People's Liberation Army, political dissidents and activists, all operating under the CPN banner to bring down the Nepal government. The Maoists follow the creed of Mao Zedong, who proclaimed, "Political power grows out of the barrel of a gun."<sup>1</sup> The Party created an original political doctrine known as the *Prachanda Path*, an amalgamation of Maoism, Leninism and Marxism presented by and affiliated with Maoist leader Prachanda. Inspired by radical communist parties worldwide, the CPN-M retains paramilitary roots even as it has become a legitimate political actor in Nepal. The Party has refused to disband its guerilla army, raising suspicion that it plans to use force to achieve political ends. The United Communist Party of Nepal has weathered internal factions and a self-imposed resignation from the Nepal government in recent years after the Peace Accord. The Maoist-led government collapsed when Prachanda walked out following a dispute with the President over his right to dismiss the head of the army. The CPN-M's nonconformist political tactics, hard-line priorities, and military PLA presence combine to make the Party an obstinate and unpredictable political body.

### **Nepali Congress**

This political party led the 1950 Democratic Movement and later held power in exile when the King outlawed government in favor of the *panchayat* system. A reform-oriented centrist party, the NC party worked for socioeconomic development, moving Nepal away from the feudal economic system of the monarchy and favoring the nationalization of industries as well as the institutionalization of progressive taxes on land, urban housing, salaries, profits and foreign investments. It continued to support democracy and boycotted several elections in the 1980s to protest decidedly un-democratic processes. Though the NC was not above organizing with communist factions, it ultimately resisted collaborating or ever power sharing with the Maoists. Today several members of the current CA including the President Ram Baran Yadav are members of the NC party. Members did not gain as many seats in the 2008 election as hoped; the reduction in political leverage was evidence of popular hostility to the incumbent NC. The party's general distrust of Maoists and their latent military presence as well as their political methodology are the main obstacles to creating a constitution.

### **Communist Part of Nepal - Unified Marxist Leninist**

The last of the top three political parties in the CA is the Communist Part of Nepal - Unified Marxist Leninist (CPN-UML). The CPN-UML originated during the People's Movement, *Jana Andolan*, in which communists joined with the NC to fight for a democratic Nepal. Today, the CPN-UML is one of Nepal's largest communist parties and holds a moderate leftist attitude. The CPN-UML rejected the proposal of electoral alliance with the Maoists for the April 2008 CA election. Subsequently, the party did not fare as well as it expected in the CA elections, and continues to this day to have difficulty asserting or even streamlining its political goals. Nevertheless, Khanal who is both the Chairman of the CPN -UML and Leader of the CA

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<sup>1</sup> <http://lazacode.com/organizations/unified-communist-party-of-nepal-maoist-part-2-objectives>

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**Governance, Corruption and Conflict: Simulation on Nepal**

Parliamentary Party of the CPN-UML, was able to secure the support of the Maoists in the 17<sup>th</sup> round of the last prime ministerial elections and became Nepal's new Prime Minister in February 2011.

### **Royalist Party of Nepal**

The Royalist Party of Nepal (RPP) is a right wing, conservative party that supports the restoration of the Hindu monarchy. The RPP registered before the Election Commission of Nepal before the CA elections in April 2008. The RPP only won four seats in the CA but they nonetheless enjoy support among members of the population who lost social standing with the abolition of the monarchy. On May 28, 2008, the RPP was the only party to oppose the promulgation of a republic. Since then, the RPP has been strongly advocating a return to the monarchy, claiming that Nepal would an imminent disaster unless the King returned to power. The party thus boycotted the July 2008 presidential elections. Despite its minimal representation in Nepal's government, the RPP still impedes political progress and may pose a threat to the establishment of good governance programs. Indeed, in February 2011, the RPP enforced a general shutdown in Kathmandu and two neighboring districts, requesting a referendum to decide on republicanism, federalism and secularism. The pro-monarchy protest was the largest one since the abolition of the monarchy in 2008.

### **Other Political Parties**

There are more than twenty additional political groups represented in the CA including those with specific agendas to create an autonomous state for the Madhesi, and to eliminate federalism, among others. There are many offshoots of the main communist parties due to splintering throughout the tumultuous political history of the country.

### **Nepali Army**

The army has played a central role in shaping Nepal's political environment. Formerly the fundamental prop of the monarchy, the army's current refusal to integrate PLA fighters as a group has provided the state military with a formidable chunk of power. Army general Rookmangud Katawal's clasp on his position caused the Maoists to quit their newly formed government in 2008. This particular situation highlighted the army's boldness in responding to any attempt to subvert it. Army brass have made it known they hold confidential meetings to discuss an army contingency plan in the event that a constitution fails to emerge soon. Instead of losing recruits, the army has grown in recent years. The government's failure to make good on promises to charge the economy and create employment opportunities have led to a resurgence of the military as the only career option.

### **Civil Society**

Nepal has a rich spectrum of civil society organizations and groups including those with religious, human rights-based, environmental, professional and cultural roots. Many of these groups have been specifically denied services and representation by the ruling class for centuries. Just as certain businesses have flourished because of favoritism, certain civil society groups and the media have suffered countless abuses. Civil society has many causes for complaint with past governments, namely lack of infrastructure, education, health care, unemployment, human trafficking, environmental degradation and civil unrest. Each new rendition of government has promised improvements to civil society and failed to deliver. Citizens of Nepal have held protests and rallies for decades trying to voice their needs on the national and international stage, but to no avail. Public protests regarding the King's rule have evolved into protests to show dissatisfaction

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**Governance, Corruption and Conflict: Simulation on Nepal**

with government actions. The economy and services are as bad as they have ever been and Nepal's poverty ranking remains stagnant.

### **Challenges to Peace**

#### **PLA Fighters**

Disagreement between the Maoists and other political parties in government has resulted in the preservation of the Maoist People's Liberation Army (PLA) fighters in cantonments four years after the end of the People's War. At the present time there are nearly 20,000 fighters held in 28 camps throughout Nepal. Though over 4,000 have been discharged into society over the past year, they remain outcasts, unable to get work or education. The rehabilitation and reintegration of PLA fighters into civilian life was a central component of the Peace Accord that would promote peaceful society, yet has failed to progress due to the lack of consensus from the CA. Following the signing of the Peace Accord, the UN mission disarmed the PLA, but the Maoist party has so far refused to disband fully their former guerilla army, arguing for power-sharing arrangements as a prerequisite for doing so. The current head of the Nepal Army prohibits the PLA fighters from being integrated into the standing military forces en masse at the risk of losing control. General Chatraman Singh Gurung felt that inclusion of the PLA in the Nepal Army would "divide the security agency on political lines and ultimately disintegrate the country."<sup>2</sup> With no future in the Army and no hope to be integrated successfully back into civil society, the PLA fighters are left to languish in cantonments indefinitely. In early 2011 the PLA and the problem of its uncertain future was formally handed over to the Special Committee on Integration and Rehabilitation of Maoist Combatants.

#### **Federalism**

One of the main catalysts spurring the Maoists to a decade of insurgency was the issue of federalism. Nepal's state government had formerly been divided up along geographic lines with severe centralization of power. The Maoists sought to change this and have held out for a reorganization of state administration along ethnic and cultural lines, a bold change that would transfer some power directly to those minorities and marginalized ethnic, social and economic classes to whom it has long been denied. Some believe that federalism will enhance political participation and autonomy while minimizing conflict between social and ethnic groups. Others worry that a federal system will destroy the nation's unity and hand over too much authority to these marginalized groups with greater representation. The division of power under the monarchy was historically misrepresentative and misunderstanding of most minority groups such as the Madhesi people, but the case is not clear that federalism will succeed in that regard.

#### **Constitution**

Just as the Federal Democratic Republic of Nepal is a nation reborn, the brand-new political system is starting from scratch. There is no established process for political participation, as made evident in the complete lack of collaboration between parties in the CA. The first deadline to construct a constitution was May of 2010, but this was pushed back another year. Several major obstacles to the creation of Nepal's constitution stand in the way. One is the absence of reconciliation over war crimes and human rights violations perpetrated during the war. Though the Maoists became an official political party, their identity as former insurgents creates a

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<sup>2</sup> Sunil, W.A. "Political standoff in Nepal over constitution." 17 March 2010, <http://www.wsws.org/articles/2010/mar2010/nepa-m17.shtml>

**National Peace Essay Contest 2011 Awards Program**  
**Governance, Corruption and Conflict: Simulation on Nepal**

complex dynamic within the government. Nepal's current CA is a new political structure that has proven to have several weaknesses, such as the rapid turnover of Prime Ministers. Weak systems of law and order and rampant corruption throughout the government further diminish the possibility of an effective and lasting constitution being established.

**National Peace Essay Contest 2011 Awards Program**  
**Governance, Corruption and Conflict: Simulation on Nepal**

VI. Key Issues in Nepal

**Judicial System and Rule of Law**

Nepal's government has failed to take action on thousands of extrajudicial killings, torture, and enforced disappearances during the ten-year civil war that ended in 2006. A lack of political will and consensus, prevailing political instability, and a lack of progress in the peace process have resulted in the government's failure to fulfill its promises from the 2006 peace agreement to prosecute the crimes from the civil war. This lack of accountability has subsequently contributed to a breakdown of law and order in many parts of Nepal. Police are untrustworthy, the court system unjust. More alarming is the fact that this environment of impunity has carried on to new crimes, thus leaving many citizens without access to a fair and proficient judicial system. In addition, corruption at many levels of the judiciary has led to many cases going either uninvestigated or simply dismissed without reason. Weak legal enforcement mechanisms allow government officials to get away with intimidation and threats of people such as journalists.

The lack of rule of law also directly ties into the problem of corruption, which is pervasive in all sectors. Indeed, Transparency International ranked Nepal 146 out of 180 countries on corruption, making Nepal one of South Asia's most corrupt countries. As corruption remains unpunished, Nepalese suffer daily from its impact. For instance, large businesses bribe officials to bypass regulations, forcing local owners to shut down. If Nepal is to end impunity, it might need to consider implementing substantial reforms in the judiciary sector, such as constitutional amendments guaranteeing independence of the judiciary, protections for marginalized groups, or mechanisms for strengthening enforcement.

**Economy**

Ranking 208 out of 229, Nepal is among the poorest and least developed countries in the world, with a Gross Domestic Product (GDP) per capita of about \$1,200. Roughly 46% of Nepal's population is unemployed and about 25% of its population lives below the poverty line. Accounting for a third of Nepal's GDP, agriculture is the mainstay of the economy, and provides a livelihood for 75% of the population. Industrial activity represents 15% of the overall economy and mainly involves the processing of agricultural products, including sugarcane, tobacco, jute, and grain.

Nepal has considerable potential for exploiting its hydropower resources, with an estimated 42,000 Mega Watts of feasible capacity, exponentially more than the 600 Mega Watts it currently produces. However, political instability hampers foreign investment. Furthermore, Nepal has great opportunities to boost its tourism industry but political unrest and security threats have deterred potential tourists for years. Additional challenges to Nepal's economic growth include its landlocked geographic location, civil strife and labor unrest, along with its susceptibility to natural disaster. The increasing prevalence of drought, which hit hard in 2009, and earthquakes which occur regularly in the region, brings the risk of natural disaster to light. In order to boost the economy, the Nepalese government might consider reducing its investment in the agricultural sector, and devoting a higher part of its budget to develop hydropower technology and expand the tourism industry. Furthermore, reforms that may curtail unemployment include providing financial incentives to local entrepreneurs and improving literacy by investing more money in education.

**National Peace Essay Contest 2011 Awards Program**  
**Governance, Corruption and Conflict: Simulation on Nepal**

The labor force participation rate of 72% is fairly stable and is comparable to those of similar economies. Nevertheless, with the labor force growing annually at 3.3%, Nepal's economy is under pressure to create new jobs. Lack of opportunity and underemployment incite workers to migrate overseas for more attractive economic opportunities. Yet, although Nepal desperately needs to increase employment, the country's rigid labor regulations pose significant obstacles to increased job creation. Indeed, less than half of Nepali businesses abide by the existing labor laws, due to the difficulty they have in implementing them. For example, the probationary period of any new business employee lasts 9 months, which is much longer than in most other countries. Reform of the labor laws is essential to Nepal's competitiveness and must be initiated with all stakeholders engaged. Nepal has initiated discussions about labor law reforms for the past five years, and sought the input of the International Labor Organization in the process. Nonetheless, Nepal hasn't set a specific timeline for the implementation of labor law reforms.

Despite Nepal's relatively high participation in the labor force, economists predict that the prospect of high economic growth remains only a dream for the foreseeable future. Many cite the country's economic and monetary policies, as no remarkable capital expenditures or capital formations exist. Low savings and investments, low business confidence and low productivity, symptoms of an ailing business environment and antiquated infrastructure, are all predicted to impede the economy from creating a sustainable future. Nepal's reliance on foreign jobs is also dampening its growth, as weakening demand can slow economic investment and stability. Though Nepal received nearly \$2BN in remittances last year, many worry that current unrest in the Middle East could reverse the trend of youth going overseas for jobs.

Nepal's commercial sector continues to face a number of problems that impede its development. Among the most obvious reasons cited as major hurdles to doing business in the country include forced bribery, a culture of impunity, and insecurity, however, the country's energy crisis, and labor disputes are also exacting a huge toll.<sup>3</sup> A liquidity crunch in Nepal's banking system has become a regular phenomenon and a huge trade deficit with India has weakened the Nepali rupee against the Indian rupee. The adverse effects of successive changes in government and post-conflict transition have also resulted in an extremely difficult political environment for reforms in the Banking sector.

Relative prosperity in urban areas is being credited to more financial intermediaries making it easier for some citizens to access a formal financial system, but access for the rural populace is lagging. Rural populations in many cases can't access a formal system which forces them to resort to informal financial channels that charge huge interest rates, further depleting their economic condition. Lack of financial intermediaries also diverts remittances through informal channels rather than Nepal's foreign reserves.<sup>4</sup>

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<sup>3</sup> Insecurity, Donation Throttling Business, Himilayan Times, April 20 2010  
<http://www.thehimalayantimes.com/fullNews.php?headline=Insecurity%2C+donation+throttling%09businesses&NewsID=240155>

<sup>4</sup> Financial Access Still Eludes Poor, Himalayan Times, May 1, 2011  
<http://www.thehimalayantimes.com/fullNews.php?headline=%26acute%3Bfinancial+access+still+eludes+poor%26acute%3B&NewsID=286277>



**National Peace Essay Contest 2011 Awards Program**  
**Governance, Corruption and Conflict: Simulation on Nepal**

**Caste System & Dalits**

One integral aspect of Nepalese society is the existence of the Hindu caste system, modeled after the ancient and orthodox Brahmanic system of the Indian plains. Based on his own parents' caste, an individual's caste is pre-determined at birth, and defines his socio-economic status and cultural class. The lower someone is on the caste system, the more likely he is to be discriminated against. Unfortunately, mobility between classes is low, thus decreasing the chances for someone who belongs to a low caste to move up the socio-economic ladder. Although Nepalese Law now bans it, the caste system still operates in a social context, and contributes to discrimination in many parts of Nepal. The caste system is only being slowly eliminated thanks to education and gradual empowerment. Tourism, contact with other countries, and the international community's influence have also played a role.

Dalits, or "untouchables", occupy the bottom rung of the caste system and have been victims of human rights abuses in virtually every sphere of life in Nepal. Dalits are discriminated against in marriage, religious practice, access to land, and access to education. There are eight major caste groups and twenty-five identified sub-castes within the Dalit community of Nepal. Discrimination against Dalits affects about 15% of the entire population of Nepal, a significant number. While Dalits have been oppressed in Nepal for centuries, this was exacerbated during the civil war. The government saw Dalit activism as tied to the principles of the Maoist insurgency, and thus suspected Dalits of supporting the rebels. This subsequently led to Dalits falling under attack from government security forces.

At present, Dalits continue to be extremely marginalized and discriminated against. They are often segregated from public facilities and services, and denied access to public tap water or basic health services. Furthermore, Dalits are often allocated parcels of lands through their feudal social structure that are not conducive for agriculture, further aggravating Dalits' precarious life conditions. All of these contribute to a high infant mortality rate and a low life expectancy among Dalits. Social reforms the government may implement include affirmative action programs or quota policies to increase the inclusion of marginalized groups and give them access to education, employment, land and social services. They could also choose to give Dalits special protections under the law.

**Issue of the Landless**

About one million families (almost 25% of all families) in Nepal do not have land at all. Furthermore, most of the small-land holders could easily be considered landless. For example, over 17% of households hold less than half an acre of land. Fragmentation due to succession and indebtedness means that most of these households are likely to progressively fall under the 'landless' category. In the past (and still today to some extent), landless people have reacted to their situation by trespassing and squatting on public land. For instance, landless people engaged in large-scale illegal clearing of forests to find space for settlement during the 1960s and 1970s.

In order to address the problem of land scarcity and landless people, the government has in the past allotted land to many landless households, flood victims, landslide victims and victims of other calamities --particularly from the hills -through planned resettlement schemes by clearing the *terai* (plain) forests.

After the restoration of multi- party democracy in 1991, the government formed several high-powered commissions to solve the problem of squatters and landless. The various commissions



**National Peace Essay Contest 2011 Awards Program**  
**Governance, Corruption and Conflict: Simulation on Nepal**

did work very hard to fulfill their mandate but the issue still remains unresolved. Even though land availability is relatively scarce in the hills, landlessness is particularly a problem in the Terai region, which represents about 17% of Nepal's total area. While 3% of the households are absolutely landless in the hills, 18% of households are landless in the Terai region alone. Most landless households have little or no access to basic social services such as primary health care, education, clean drinking water and sanitation services. Some households that have access to a small piece of land (on average, 0.8 hectare) try to engage in fragmented subsistence farming but life remains a constant struggle for survival. These land-related issues in Nepal indicate that there is a strong need for reforms but just providing land access to the landless and small-land holders alone may not be enough. Some other initiatives might include: improving land productivity, increasing employment, and encouraging land owners to invest in land improvement and to adopt improved technology. Furthermore, since many landlords rent their lands to both the landless and small-land-holders on a mixed tenancy (share-cropping) basis, where families earn their keep through tilling the land, the government may also need to address the problem of dual ownership and land fragmentation.

### **Gender**

Women make up a little over half of Nepal's total population, and almost all of them suffer from exploitation, discrimination and subordination by their male family members. Strong traditional values in favor of males are generally ingrained into Nepalese society. Consequently, gender disparity is inherently very wide. Despite their more recent achievements of literacy, social mobility and awareness, women still remain restricted to their traditionally prescribed and socially acceptable roles, lower status and subordination to men within the patriarchal socio-cultural, economic, political and legal frameworks.

The inadequate representation of women in the national legislature has somewhat positively motivated the enactment of gender-sensitive legislation such as the women's property right bill. Nepal's Constitution contains a provision forbidding discrimination against women in regard to remuneration and social security, and calls for the enactment of laws for the protection, empowerment and advancement of the interests of women. However, in reality, discrimination against women still happens at many levels of society (with Dalit women being affected the worst) and gender justice is far from being secured. Therefore, it is essential for the Nepalese government to not only encourage women's empowerment through reforms, but also to allow for the participation of women in political processes. In order to do so, the government might implement constitutional reforms that guarantee gender equality in all aspects of society, and establish legally enforceable quotas in sectors where women are typically underrepresented.

### **Environmental Issues**

Apart from manmade hazards, Asian cities are already the most vulnerable in the world to natural disaster. Pollution, with its effect on monsoon and rainfall pattern has had a significant impact on cities in China, India, and Nepal. Unsustainable public transport, the proliferation of conventional motor vehicles, air conditioning and inadequate buildings structure exacerbate the problem of green house emissions and harmful air warming effects. Together with rising sea level, these conditions turn millions of Asian urban dwellers into 'environmental refugees' virtually overnight. Due to their very limited resources and currently available options, adapting to environmental change is a vital challenge for poorer Asian countries like Nepal. Nonetheless, addressing environmental issues, including stewardship, and the concurrent issue of environmental refugees is essential for Nepal to achieve a more prosperous and stable future.

**National Peace Essay Contest 2011 Awards Program**  
**Governance, Corruption and Conflict: Simulation on Nepal**

Nepal's government may want to address environmental issues by investing in green technologies, and in research that focuses on limiting the effects of pollution and degradation. Improving irrigation and water management as well as reducing the amount of landless people who are doing damage to lands that should be held in public trust could also ease the problem.

**Media Freedom**

Journalists and freedom of the press remain under attack in Nepal following the country's transition to democracy. Another turbulent year in Nepali politics between 2010 and 2011 created a leadership vacuum within the country, and brought with it more threats against press freedom. While Prime Minister Khanal continues to struggle to form a new government, little progress has been made to reverse an atmosphere of impunity promoting attacks against the media. Both crooked politicians and crime syndicates routinely pressure journalists to tailor reports toward their favor, and those who write something that is threatening to one of these elements are vulnerable to harassment and violent attacks. Three media owners were murdered in 2010 in unrelated incidents, and a number of other confrontations were part of an extremely concerning trend to outside observers. The Committee to Protect Journalists (CPJ) placed Nepal eighth on its Impunity Index of countries where journalists are killed regularly, and governments fail to investigate the crimes. Media freedom advocates have called on politicians to take steps to enshrine media freedom within the constitution, and build on the peace process that's followed Nepal's decade-long civil war. The most effective way to promote media freedom is to implement constitutional amendments that guarantee and protect the rights of journalists, filmmakers, and other media representatives.

**National Peace Essay Contest 2011 Awards Program**  
**Governance, Corruption and Conflict: Simulation on Nepal**

VII. Nepal's Key Relationships

**Nepal's Political Class: Ongoing Strife**

Jhala Nath Khanal, Chairman of the CPN-UML was elected as Nepal's new Prime Minister in February 2011 after 17 rounds of elections. The CPN-UML and the Maoists have traditionally been allied, but in the last year, the parties have repeatedly clashed over priorities for the new Constitution. Specifically, the parties have been unable to agree on the reintegration of former Maoist combatants and the monitoring of the PLA after the departure of the United Nations' Mission in Nepal.

Before the final round of voting, Khanal made a seven-point secret pact with the Maoists promising them not only the formation of a separate army for the PLA ex-combatants, but also the leadership of the Home Ministry. Hence, the Maoists supported Khanal during the 17<sup>th</sup> round of elections, which gave him enough votes to gain the prime ministerial post. Shortly after he was sworn in, the pact was leaked to the public. The CPN-UML rejected the conditions of the deal and Khanal was frowned upon by the members of his own party for not consulting them before striking a deal with the Maoists.

Meanwhile, the NC, which was very angered by the existence of a secret pact, and decided to stay in opposition. Khanal then publicly rejected the promises he had made to the Maoists. The Maoists in turn threatened to retract their support to the new Prime Minister. In March 2011, Khanal subsequently came back on his position and threatened to step down, unless he was able to fulfill his promise of giving the Home Ministries to the Maoists. Therefore, the parties came once again to a complete deadlock and the new government almost collapsed. Although the parties eventually worked out their differences and a consensus government was formed, ongoing discord between parties is still very much a part Nepal's political landscape today.

**Nepal and its Neighbors: India and China**

Nepal's neighbors India and China have always had an important influence on Nepal's economic and political context. India and Nepal's ties are bound by shared cultural and religious heritage. Politically, Nepal and India have overall maintained a friendly yet complicated relationship. Nepal has at times accused India of working to upset the existing harmony between nationality and democracy. Over the decades India has consistently sought to influence Nepalese politics, sometimes directly, but more often indirectly. For example, on one hand, India was instrumental in helping the Nepalese monarch regain his traditional power and reduce the powers of the powerful dynasty, the Ranas. On the other hand, while supporting the Nepalese monarchy, India also gave refuge to the NC party for decades and helped the democratic movement. This often led to tension and friction between Kathmandu and New Delhi. Furthermore, Indian strategists and policy makers, who consider Nepal as critical to India's security, have blamed Nepal for Maoist insurgencies in India.

Nevertheless, the two countries maintain close relations, enshrined by the 1950 Nepal-India Treaty on Peace and Friendship, which allows for the free movement of people and goods between the two nations and a close relationship and collaboration on matters of defense and foreign affairs. India offers Nepal large amounts of aid, to schools, hospitals, for infrastructure development, and to improve Nepal's security sector. Ensuring that Nepal does not regress back into conflict has its benefits to India, in the form of a stable, secure and economically viable neighbor. India also values its relationship with Nepal because it deflects the influence of its

**National Peace Essay Contest 2011 Awards Program**  
**Governance, Corruption and Conflict: Simulation on Nepal**

regional competitor, China. Wary of the negative effect a clash between India and China could have on deadlocked Nepal, and willing to maintain good relations with its ancient ally, the Nepalese government would hope to ensure that India shows its support for Nepal's reforms.

Nepal and China have a more transactional relationship, mainly based on trade relations. Politically, the monarchy had forged close links with Chinese political leaders, but now that new leaders are in place, China seeks to engage new partners in old agreements. Nepal had been supporting China on the issue of Tibetans. Indeed, Nepal is home to more than 20,000 exiled Tibetans and the country serves as one of the major passages to enter the site where the Dalai Lama resides, in India. The Tibetan community and pro-Tibetan organizations blame Nepal for not adhering to a decade-long, U.N.-brokered agreement to provide safe passage to refugees headed to India. Nepalese leaders have responded claiming that they are adhering to the "One China" policy, meaning that Tibet is Beijing's concern. In 2009, the Washington-based International Campaign for Tibet (ICT) produced reports suggesting that shifting politics between China and Nepal created dangers for Tibetans in exile. As a result, the Nepalese government has adopted a hard line against expressions of the Tibetan identity in Nepal despite strong cultural and religious ties among the Himalayan peoples that have existed for centuries.

Long-standing Tibetan refugees in Kathmandu and in settlements close to the Tibet-Nepal border are increasingly demoralized and fearful, as the Nepalese government relinquishes its historic and sovereign interests in response to incentives and political pressure from Beijing and its sympathizers. Furthermore, the recent prime ministerial elections raised suspicions over Maoists asking Chinese officials for 500 million Nepalese Rupees in order to bribe over four dozens Nepalese MPs ahead of the polls. Therefore, China continues to play, both through formal and back channels, an essential role in Nepal's politics.

**Nepal and the International Community: Donors, and Private Investors**

Implementing reforms usually implies significant costs, which requires the international contribution of both resources and expertise. For example, Nepal's civil war has seriously weakened Nepal's judicial institutions, which will need to be reformed so that the judicial system can acquire a system that creates equal accountability under the law, and an efficient and transparent system for investigating, prosecuting and carrying out that law. However, the government has allocated very close to no financial resources for fixing it and will most likely need to appeal to international agencies for financial support.

Many international agencies have been heavily involved and play an essential role in funding projects for Nepal's developments. For instance, the United States Agency for International Development (USAID) assists Nepal's development by supporting key structures such as economic growth, agriculture and trade, global health, democracy, conflict prevention and humanitarian assistance. In achieving its goals, USAID works closely with local and international private voluntary organizations, indigenous organizations, universities, American businesses, international agencies, other governments, and other U.S. government agencies.

Investors see the potential for economic gain in Nepal, but are concerned that too much regulation could stymie growth. If Nepal wants to develop and grow its economy, it needs to shift from a heavy reliance on the agricultural sector to the development of other sectors, such as the energy sector. Therefore, it would be ideal for Nepal to seek investment from global corporate firms that

**National Peace Essay Contest 2011 Awards Program**  
**Governance, Corruption and Conflict: Simulation on Nepal**

focus on and have expertise in energy, technology infrastructure, and technological solutions for environmental issues.

**National Peace Essay Contest 2011 Awards Program**  
**Governance, Corruption and Conflict: Simulation on Nepal**

VIII. Overview of Governance, Corruption and Conflict in Nepal

Two of the main challenges facing the world's newest republic are lack of good governance and the pervasive corruption that comes with it. Each inflicts high costs for society at large, by thwarting gains toward peace in the post-conflict society. Poor governance and corruption allow limited resources to be squandered, and criminal networks to operate with impunity. Addressing each is especially important for building security in countries emerging from conflict, and many donors are cognizant of that. The quality of governance in a country is increasingly becoming an indicator for how major donors and international financial institutions determine aid and loans. Many are conditioned on reforms that are aimed at increasing good governance.<sup>5</sup>

**Good Governance**

“Good governance” is a term used within development literature that refers to how public institutions conduct public affairs and manage public resources. Good governance initiatives aim to ensure that the views of minority and the vulnerable populations are considered, and corruption is minimized. But the government is only one of the actors involved in governance, or as United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP) describes, “the process of decision making and the process by which decisions are implemented (or not implemented).”<sup>6</sup> Non-governmental organizations, cooperatives, financial institutions and the media can also play a role depending on the level of government under discussion. In rural areas, actors such as landlords and associations of peasant farmers are also involved. Lack of good governance is being increasingly regarded as a root cause of inequity within society, as it undermines the trust and shared values that govern a given society. This breakdown of trust undermines judicial, legislative and executive functions, and allows corruption to flourish.

**Corruption**

Nepal recently approved the UN Convention against Corruption, but corruption remains a challenge for the post-conflict nation. Transparency International (TI) defines corruption as, “the abuse of position, power or trust for personal or private benefit.” Corruption also includes bribery, nepotism, political excesses and illegal smuggling, fraud, embezzlement and favoritism. Corruption can also permeate multiple strata of society and the state. It is present when political leadership exploits the system to retain power, when bureaucratic institutions favor those of greater social and economic status, and when law enforcement and the judiciary fail to investigate and prosecute crimes.

**Anti-Corruption Efforts in Nepal**

Corruption in Nepal is prevalent in different forms and dimensions. It has been deeply rooted in society as a 'convention', 'tradition', 'psychological need' and 'necessity' with a regular practice not only in public service, but also in business transactions and other sorts of dealings. All levels of the Nepalese society have been adversely affected by corruption. Corruption also affects governance and effective management, thus controlling it the most urgent and imperative task to be accomplished in Nepal, in order to establish a fair and transparent governance system. As part of its anti-corruption efforts, Nepal established the Commission for the Investigation of Abuse of Authority (CIAA), which is an apex constitutional body responsible for diminishing corruption in the country. Nepal's 2007 Interim constitution empowered the CIAA to investigate and probe

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<sup>5</sup> <http://www.unescap.org/pdd/prs/ProjectActivities/Ongoing/gg/governance.asp>

<sup>6</sup> IBID

**National Peace Essay Contest 2011 Awards Program**  
**Governance, Corruption and Conflict: Simulation on Nepal**

cases against the persons holding any public office and their associates who are indulged in the abuse of authority by way of corruption and/or improper conduct. The CIAA has successfully investigated several cases against officials and business owners. Recently, the CIAA investigated a case on Vice chancellor of Purbanchal University (PU), Prof. Ramavatar Yadav and two others, who were accused of misappropriating millions of rupees. **However, the CIAA does not have the power to go beyond its role of investigator to prosecute perpetrators. If granted enforcement authority, the CIAA could arrest persons found guilty of corruption, try them, and impose punitive measures against perpetrators.**

### **Corruption and Insecurity**

Poor governance and corruption are cited as obstacles to development because they divert precious resources away from much-needed investments in infrastructure, utilities, healthcare and social programs. Funds aimed at increasing stability in the country are instead siphoned off through bribery and embezzlement. These resources are also said to be diverted in instances when political favoritism or poor transparency allow funds to be directed toward projects that may not fit most appropriately the needs of the people (e.g., funding for private projects such as shopping centers when a community is in greater need of a health center).

Corruption within law enforcement bodies poses great threats to both development and security. Security forces in Nepal have been heavily criticized for failing to live up to the people's expectations in providing security. Lawmakers have blamed the involvement of police personnel in criminal activities such as abduction and corruption for worsening security in Nepal. As Nepal strives to protect its marginalized caste and ethnic groups, and stem illegal trade, this is particularly problematic.

### **Good Governance and Peace**

Good governance principles are credited with offsetting corruption and helping to provide greater development and security by prizing components such as accountability, transparency, participation and rule of law. Accountability and transparency inside open and representative governments foster greater civic participation. Informed and organized participation helps to protect freedom of association and organize civil society; participation in public affairs alleviates conflict by making authorities accountable. Prioritizing rule of law takes steps toward fighting corruption, by ensuring that all persons and institutions, public and private are held accountable to the law, and that these laws are enforced. When rule of law is strengthened, citizens enjoy equal status under the law regardless of their social or economic power, ethnic background or political affiliation. Taking steps toward increasing good governance and targeting corruption are pivotal to development and a stable society.

### **Consequences of Poor Governance in Nepal**

Bad governance has permeated many key sectors of Nepal's society. The poor management of Nepal's public resources and the inefficient decision-making of politicians have directly impacted the national economy. For instance, in October 2010, the CA hit a political deadlock because parties could not forge consensus to pass the budget, thus causing the government to run out of money to pay its employees and finance the activities of certain offices. The budget eventually passed but was delayed because the Maoists did not support the process. The government's slow decision-making process, which is exacerbated by an even slower implementation of decisions, translates into the society's marginalized and disadvantaged groups waiting for change that may never take place.

**National Peace Essay Contest 2011 Awards Program**  
**Governance, Corruption and Conflict: Simulation on Nepal**

Unless the government quickly and actively improves its governance practices, the landless may never see land productivity increase, journalists may never have the constitutional right to freely publish their stories, Dalits and other marginalized groups may never have equal access to social services, women may never have a voice in Nepal's politics, and Nepal's environment may further degrade at an alarming rate. In addition, poor governance has seriously impeded the judicial sector, which is already plagued by corruption. In fact, many Nepalese have filed complaints and, years later, are still waiting for the security forces to start an investigation, and many crimes committed during the civil war remain unpunished. If the Nepalese government is to end the prevalence of impunity, the judiciary may need strong reform.



## *Constitution of the Federal Democratic Republic of Nepal*

### *Amendment XVI*

*Passed by the acting Constituent Assembly on 28 May, 2011*

*Not more than one month after the date of the ratification of this Constitution, representatives shall be apportioned among political and civilian actors to form a Governance Monitoring and Implementation Commission. The Commission shall be charged with ensuring that Nepalese society progresses toward equitable, efficient, and inclusive governance processes. The Commission shall be a reflection of the Nepalese people and society, and thus shall be populated by various representatives of the interests of all Nepalese citizens. The preliminary Commission shall be appointed by the Constituent Assembly and, as part of its mandate, determine its composition, reappointment structure and terms of service. The Commission shall assemble preliminarily with the guidance of an advisory council to assist in the drafting of the Commission's Charter, and steer the Commission toward its first set of recommendations. Reconvening on a regular basis, the Commission will review and evaluate governance and anti-corruption progress and deliver a report of findings and implementation solutions. The Commission is authorized to recommend the Constituent Assembly enforce sanctions upon requisite government actors or agencies as warranted.*

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**National Peace Essay Contest 2011 Awards Program  
Governance, Corruption and Conflict: Simulation on Nepal**

**Appendix B: Treaties, Conventions, and Codes of Conduct**

**I. United Nations (UN) Convention against Corruption**

The UN Convention against Corruption entered into force in January 2005 in order to promote and strengthen measures to prevent and combat corruption more efficiently and effectively. A Conference of the States Parties is responsible for reviewing implementation and facilitating activities required by the Convention. Nepal signed the convention in December 2003. However, it has never ratified, or officially accepted, approved, or acceded to the Convention. Therefore, Nepal has not yet been subject to a review.

**II. Transparency International (TI) Code of Conduct**

TI's national chapters are responsible for developing their own Codes of Conduct, which are consistent with the Movement's standards. In October 2010, TI's Nepal chapter decided to develop a national Code of Conduct in order to reduce corruption and irregularities in the country. More specifically TI Nepal decided to focus its activities on foreign assistance, development projects, fiscal discipline and revenue leakage. Eight months later, the Code of Conduct has yet to be established.

In addition, TI Nepal's strategic framework for 2008-2011 is based on three major dimensions—global, regional and institutional, and on nine strategic pillars: Constituent Assembly, national integrity, judicial reforms, political accountability, people mobilization, donor solidarity, research and education, local governance, and sustainability and empowerment. Although these nine pillars rest on the major areas the GMIC is trying to reform and improve, little progress has been made in line with the strategic framework.

**III. Organization for Economic Co-operation and Development (OECD): Convention on Combating Bribery of Foreign Public Officials in International Business Transactions**

The OECD Anti-Bribery Convention establishes legally binding standards to criminalize bribery of foreign public officials in international business transactions and provides for a range of related measures that make the application of the convention effective. It is the first and only international anti-corruption instrument focused on the 'supply side' of the bribery transaction. So far, only 4 OECD member countries and four non-member countries - Argentina, Brazil, Bulgaria, and South Africa - have adopted this Convention, and Nepal has the option to do so as well.

**IV. Convention to Suppress the Slave Trade and Slavery**

The Slavery Convention was established by the League of Nations, a pre-cursor to the UN, and seeks to abolish all forms of slavery. Nepal has been a party to the Convention since 1963, but does not meet with the Convention's goal to prevent "all acts involved in the capture, acquisition or disposal of a person with intent to reduce him to slavery". Trafficking and slavery, including child slave labor remains common in Nepal.

**V. International Labor Organization: Abolition of Forced Labor Convention**

The International Labor Organization (ILO) aims to provide employment opportunities for men and women and to ensure that work conditions meet international human and labor rights

**National Peace Essay Contest 2011 Awards Program**  
**Governance, Corruption and Conflict: Simulation on Nepal**

standards. The Abolition of Forced Labor Convention calls on signatories to refrain from using and completely abolish forced labor. Since this convention was passed by ILO, it is binding on ILO members. Nepal is a member of the ILO, however it is currently in violation of the 1957 Convention on the abolition of forced labor, as it engages in caste-based forced labor and a feudal system of sharecropping.

**VI. International Convention on the Elimination of All Forms of Racial Discrimination**

This UN convention protects any human being against distinctive, exclusive, restrictive, or preferential treatment based on a person's race, color, descent, nationality or ethnicity. The Convention is monitored by the Committee on the Elimination of Racial Discrimination (CERD). The CERD is a body of independent experts convened by the UN, that oversees and monitors the implementation of the Convention. However, Nepal does not recognize the jurisdiction of the CERD to receive and consider communications from individuals or groups of individuals within its jurisdiction claiming to be victims of a violation by the State. Therefore, currently, the CERD will not accept any communication from Nepal.

**VII. International Covenant on Civil and Political Rights (ICCPR) and International Covenant on Economic, Social and Cultural Rights (ICESCR)**

These two UN covenants together guarantee individuals the right to self-determination, thereby assuring that individuals have the liberty to choose their political status, family status, and the ability to freely achieve their social, cultural, and economic development. The ICCPR also covers individuals' rights to freely possess, trade, and discard their natural resources and wealth. Nepal has ratified the ICCPR but, by limiting freedom of expression, has not fully respected the clauses of the treaty.

**VIII. Convention on the Elimination of All Forms of Discrimination against Women**

This UN Convention aims to promote women's rights and to protect women against gender-based discrimination. Furthermore, the Convention seeks to ensure the equality of women with men. Although Nepal has ratified this convention, it has not taken the steps the Convention outlines "to seek to eliminate prejudices and customs based on the idea of the inferiority or the superiority of one sex or on stereotyped role for men and women."

**IX. Declaration on the Rights of Persons Belonging to National or Ethnic, Religious and Linguistic Minorities**

This UN Declaration calls upon states to maintain the existence, as well as the components that make-up the identity of minorities within their respective territories. The Declaration also urges states to foster conditions that are conducive to the promotion of these minorities' identity. This declaration is particularly pertinent to Nepal's diverse population and strict adherence to the caste system.