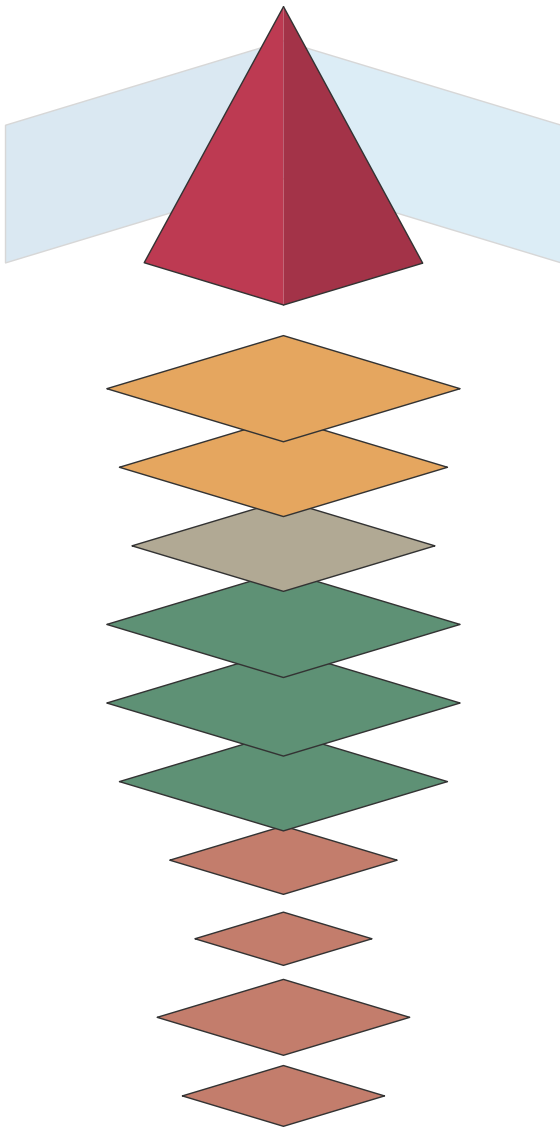




NEPAL



6.16 CRIMINALITY SCORE

35th of 193 countries
12th of 46 Asian countries
3rd of 8 Southern Asian countries



CRIMINAL MARKETS 5.70

HUMAN TRAFFICKING	7.00
HUMAN SMUGGLING	6.50
ARMS TRAFFICKING	6.00
FLORA CRIMES	7.00
FAUNA CRIMES	7.00
NON-RENEWABLE RESOURCE CRIMES	6.50
HEROIN TRADE	4.50
COCAINE TRADE	3.50
CANNABIS TRADE	5.00
SYNTHETIC DRUG TRADE	4.00



CRIMINAL ACTORS 6.63

MAFIA-STYLE GROUPS	4.50
CRIMINAL NETWORKS	6.50
STATE-EMBEDDED ACTORS	8.50
FOREIGN ACTORS	7.00



3.71 RESILIENCE SCORE

145th of 193 countries
35th of 46 Asian countries
7th of 8 Southern Asian countries



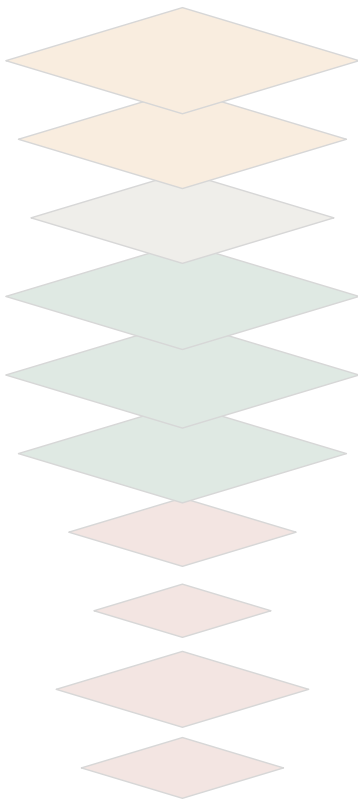
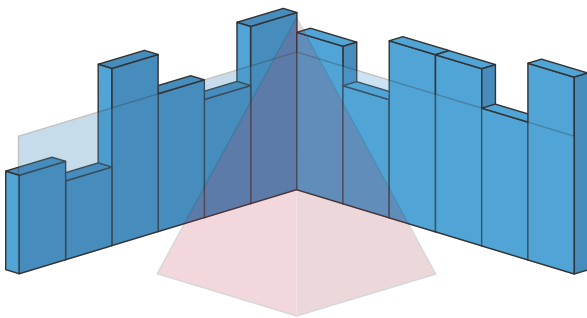
Funding provided by the United States Government.



ENACT is funded by the European Union and implemented by the Institute for Security Studies and INTERPOL, in affiliation with the Global Initiative Against Transnational Organized Crime.



NEPAL



3.71

RESILIENCE SCORE

145th of 193 countries
35th of 46 Asian countries
7th of 8 Southern Asian countries

POLITICAL LEADERSHIP AND GOVERNANCE	2.50
GOVERNMENT TRANSPARENCY AND ACCOUNTABILITY	2.00
INTERNATIONAL COOPERATION	4.50
NATIONAL POLICIES AND LAWS	3.50
JUDICIAL SYSTEM AND DETENTION	3.00
LAW ENFORCEMENT	4.50
TERRITORIAL INTEGRITY	4.00
ANTI-MONEY LAUNDERING	3.00
ECONOMIC REGULATORY CAPACITY	4.50
VICTIM AND WITNESS SUPPORT	4.50
PREVENTION	3.50
NON-STATE ACTORS	5.00



6.16

CRIMINALITY SCORE

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CRIMINAL MARKETS 5.70



CRIMINAL ACTORS 6.63



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CRIMINALITY

CRIMINAL MARKETS

PEOPLE

Human trafficking is a large and profitable market in Nepal, a country serving primarily as a source and transit point. Nepali men are often trafficked for forced labour in construction, agriculture and hospitality, whereas women and children are trafficked for similar forced labour roles, forced marriages and prostitution. The victims are usually moved into India, the Middle East, Asia and Europe. As many people live in remote and economically deprived areas in Nepal, they are particularly vulnerable to recruitment methods of traffickers. Domestically, victims are often subjected to bonded labour through the haliya and kamaiya systems, in which debts are created that victims cannot escape from. Government officials are known to systematically facilitate the practice of human trafficking and accept bribes.

Although not quite as large as the trafficking market, human smuggling is still widespread in Nepal due to push factors such as poverty, high unemployment rates and political instability. Nepali human smugglers are part of well-connected and sophisticated criminal networks that spread across countries and continents to manage the movement of people. Government officials are also implicated in this practice by accepting bribes to create false identity documents. Increasing environmental insecurity and natural disasters are also leading to more Nepali people seeking to be smuggled abroad.

TRADE

There is a market for illicit arms in Nepal, particularly for small arms, which are trafficked across the border with India, and to a lesser extent from China. Criminal gangs on both sides of the border work together to smuggle arms into Nepal. Small arms are a problem and circulate throughout Nepal, often seized from local gangs or are found to have been used in various forms of criminal activity, including theft, extortion and homicide.

ENVIRONMENT

Around 25% of Nepal is covered by forest, which creates plenty of opportunity for flora crimes, the most common of which are illegal timber and fuelwood harvesting, infrastructure development and overgrazing. Timber smugglers are often Nepali nationals living near forests close to the border with India, while some flora products are also smuggled into China. Furthermore, Nepal is a transit and source country for illicit fauna products, predominantly rare and endangered species, usually feeding into the

large Chinese market. Nepal nationals generally arrive in Kathmandu with poached wildlife to sell to racketeers, who eventually smuggle the contraband into foreign countries. Wildlife crime is driven by poverty, lack of conservation awareness and poor law enforcement of wildlife crimes.

Nepal is a major transit route for gold, due to its proximity to China and India, both of which have large gold markets. As India in particular generates a high demand for gold (where it sells for high prices), smugglers look to bring gold in from China and smuggle it through Nepal into India. Migrant workers returning to Nepal are increasingly being lured into the illicit activity due to its higher wages. The market features notable levels of violence as rival criminal groups fight for profits.

DRUGS

Cannabis is the largest drug market in Nepal, where locals receive seeds, money and fertilizers from India for its cultivation. The drug is then shipped back to India where the market for cannabis is large. Nepal is a source and transit country for opiates, with neighbours in China and India that have large markets for heroin. Nepal has developed a small and primitive production line generating quantities of low-grade heroin. Despite not being a significant producer or transit route for narcotics, Nepal's production and shipments of opiates have been growing.

Nepal is a transit country for synthetic drugs, particularly methamphetamines produced in South and East Asia. The trafficking and abuse of psychotropic substances is rising in Nepal, with large seizures of drugs such as diazepam being made every year. Nepal also remains a transit country for cocaine, and while it is not used or sold locally, trafficking to China, India, Thailand and other East Asian countries is increasing.

CRIMINAL ACTORS

Mafia-style groups in Nepal are mostly small organizations, as opposed to the sophisticated and widely networked groups operating in neighbouring countries such as India or Pakistan. Nepal's drug trafficking market is characterized by many small groups vying for a greater market share but with no group holding any sort of monopoly. Gangs are often active in development initiatives, including national and district-level infrastructure construction contracts. Nepali human smugglers have been apprehended in Malaysia and routinely run extortion campaigns. While such groups have not entirely penetrated law enforcement, they do receive cooperation and protection from certain members of the authorities to conduct their smuggling operations.

Criminal networks are especially involved in fauna crimes and work with individual Nepali hunters and poachers; middlemen who arrange the transport of the wildlife; and high-level Chinese and Indian brokers who manage operations, often out of Kathmandu. All levels of the state are heavily involved in corruption and are entwined with criminal groups. The political instability within Nepal has led to a severe lack of accountability and provided ideal conditions for all manner of corrupt practices, including financial crime and bribery from gold smugglers. The youth wings of political parties are also increasingly involving

themselves in extortion activities and are key players in the country's organized crime landscape.

There is a high level of involvement from foreign criminal actors in Nepal's criminal markets, with Chinese and Indian brokers essentially running wildlife trafficking within the country. There are also high levels of involvement from foreign actors in drug smuggling and moving contraband into and out of Nepal's borders into larger and more profitable countries and markets.

RESILIENCE

LEADERSHIP AND GOVERNANCE

The government's efforts to tackle criminal markets are very weak and often the political parties, and importantly their youth wings, are actively involved in these illicit economies and criminal networks. Levels of public trust in the political and financial systems are very low and the politicization of public bodies is widespread. The only area where the government has shown leadership is in tackling wildlife crime, being the first country to have brought down poaching to all its flagship species – elephants, rhinos and tigers, to zero. Corruption is rife, and Nepali political institutions are still mired in historical patronage networks that function through bribery, embezzlements and payments of *baksheesh*. Although Nepal boasts an inclusive anti-corruption legal framework, its implementation is poor. While there are transparency measures in place, such as the right to access information, the mechanisms are poorly defined and inconsistently enforced.

Overall, Nepal's international cooperation is adequate. The country is particularly involved in fighting illegal wildlife trade, especially with China and India. As an important source country for human trafficking and smuggling, Nepal relies heavily on, and is engaged substantially in, international cooperation in these matters. However, Nepal has failed to ratify treaties around the arms trade, and while it is often a participant in international cooperation, its enforcement measures are frequently lacking. Additionally, because of the lack of transparency and rife corruption, foreign aid is often diverted from its perceived destination. Although Nepal has national laws and policies in place pertaining to most forms of organized crime, they are usually insufficient and ineffective. Nepal's legislation focuses largely on human trafficking, but even in this regard the legislation is not comprehensive. The Nepali government has made amendments to its legislation to try to bring it in line with international standards in recent years, but there is still much improvement to be made. The illegal wildlife trade

stands as the only area of successful government action in combating organized crime.

CRIMINAL JUSTICE AND SECURITY

The Nepali judiciary is independent on paper; however, corruption permeates many of the country's courts, where the payment of bribes persists. Furthermore, many Nepalis have only limited access to justice. Courts are under-resourced and face serious backlogs and a slow appeals process. Nevertheless, in 2015, the Supreme Court of Nepal did impeach a number of political leaders on allegations of corruption and there has been a significant number of prosecutions for wildlife crimes.

After the civil war, the authorities struggled to maintain law and order, notably in rural areas. The state apparatus was controlled by privileged groups prone to political manipulation and corruption. Corruption is rife among the lower levels of the police, especially near border areas, and public trust in the police is very low. Furthermore, police effectiveness is limited by a lack of resources and training. Although the Ministry of Home Affairs has created some bodies to combat certain types of organized crime, they have limited effectiveness and do not stretch to all forms of organized crime. However, Nepal's response to wildlife crime has been highly effective, in large part due to an effective law enforcement response, namely by the wildlife crime control bureau. Nevertheless, this success is an exception, rather than the rule, in regard to effective policing. The long and porous border separating Nepal from India and China is difficult to police, has weak controls and is vulnerable to cross-border criminality, especially arms and drug trafficking. The Terai region which borders India is ideal for many criminal activities and is often used as a buffer province of India.

ECONOMIC AND FINANCIAL ENVIRONMENT

Nepal is one of the poorest and most underdeveloped states globally, whose economic growth has been adversely affected by political uncertainty, conflict and natural disasters. Furthermore, Nepal has a large shadow economy, with over half of businesses operating solely in the informal economy. While improvements have been made in regard to financial inclusion and access to credit, contract enforcement is still very poor, and despite the regulatory efforts that have been made in recent years, business confidence remains very low in Nepal.

Nepal is regarded as an ideal place for money laundering due to its lack of economic stability, weak interrogative system and an open border with high levels of informal transactions with India. Despite being among the most vulnerable countries in Southern Asia for money laundering, Nepal has made significant improvements in recent years due to the financial intelligence unit formally entering the Egmont Group and working more closely with banks and government departments. However, the improved institutional and legal frameworks around anti-money laundering legislation are weakened by the lack of detailed and digitized data held by banks, as well as a large informal economy and money transfer market.

CIVIL SOCIETY AND SOCIAL PROTECTION

While a number of measures have been implemented to support victims of organized crime, especially trafficking victims, significant gaps remain, such as inadequate funding for support centres for victims of human trafficking, and an overall lack of effectiveness. Nepal's witness protection legislation is sorely missing, which creates an environment where criminal groups can act with impunity. While Nepal was one of the first Asian countries to engage in drug harm reduction programmes, the rehabilitation services are privately operated and unaffordable to most people who use drugs, making them highly ineffective. The Nepali government's greatest achievement in the prevention of organized crime is in regard to the illegal wildlife trade, where the country boast great success. The importance placed on conservation, the creation of oversight bodies and the introduction of community-based anti-poaching units have been key to this success. However, while the country has been successful domestically, Nepal is still used as a transit point for the illegal wildlife trade and this has yet to be addressed. In so far as they exist, prevention measures with other forms of crime have been largely unsuccessful. Anti-trafficking committees lack the resources to be effective, and public awareness campaigns have not reached the most critical areas. The government has failed to ensure adequate labour inspections to root out exploitation, and has made minimal efforts to prevent child sex tourism. Drug use prevention methods have been limited to awareness campaigns in schools and have been ineffective.

NGOs play an active role in Nepal, from natural disaster response to pressuring the government to introduce measures to tackle human trafficking, and have been particularly successful in forcing the government to recognize organized crime-related issues and to widen the debate around them. While NGOs and civil society groups are strong, the persistence of government corruption and institutional cronyism obstructs their efforts. Since 2008, Nepal's government has taken a decidedly more authoritarian approach to censorship and civil liberties. Independent radio and print outlets show a bias towards particular political parties and there are reports of intimidation. While the internet is not censored, the country criminalizes libel and defamation, which has caused many journalists to self-censor.

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