

# NEPAL'S FALTERING PEACE PROCESS AND SWISS ENGAGEMENT

Nepal's civil war ended with a peace agreement in 2006. Following initial progress, the peace process has reached an impasse. Nepal's transformation into a democratic and federal state is being held up by political power struggles. The paralysis of the peace process is also overshadowing Switzerland's engagement for peace and development support in Nepal, which is regarded as a model due to its integrated approach.



*Deep political divides in Nepal: Demonstrators demand the resignation of Prime Minister Baburam Bhattarai. Kathmandu, 4 August 2012.*

REUTERS / Navesh Chitrakar

In 2006, the Maoist insurgents and the Nepalese government signed the Comprehensive Peace Accord (CPA), which ended a ten-year civil war. Local and international actors alike hoped that the CPA would provide a solid framework for the process of transforming Nepal from an autocratic monarchy to a pluralist, democratic republic. Indeed, a certain degree of progress has been reached in the past years: A resumption of fighting in the civil war has been avoided, the elections for the Constituent Assembly (CA) were held in 2008, and a solution was found for the controversial issue of integrating and rehabilitating former Maoist combatants.

The peace process has since reached an impasse. Both within and outside of Nepal, disillusionment is spreading. Despite sev-

eral extensions of its mandate, the CA has failed to produce a new constitution. After the last deadline had expired, Prime Minister Baburam Bhattarai announced that new elections would be held, for which the earliest date is in spring of 2013. However, due to deep divisions between the parties, it is uncertain whether it will be possible to conduct them.

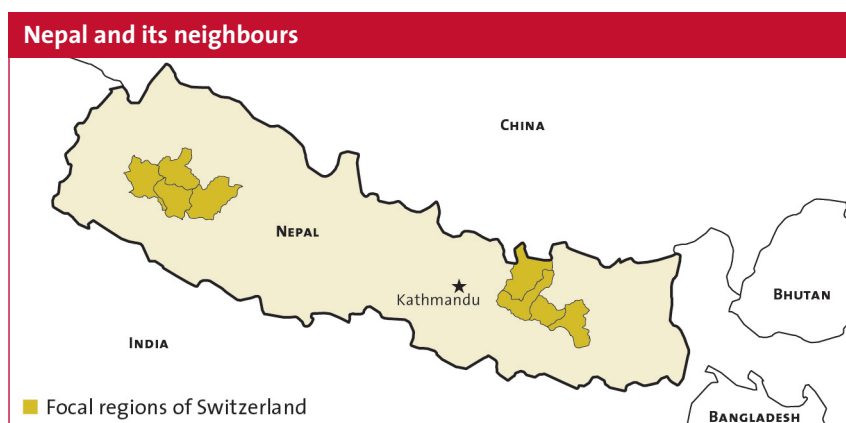
The blockade of the peace process also affects the Swiss engagement in Nepal. For Switzerland, it is a focal country both in the field of civilian peace support and in development cooperation. Mainly, though, ever since the first integrated strategy of 2005, Nepal has been a test case for Swiss efforts to pursue its foreign, security, and developmental policy goals in the framework of a Whole of Government Approach (WGA).

## Fragile transformation process

In which direction will Nepal develop? Will the actors manage to overcome the political deadlock and move ahead with building a democratic, federally structured state and thus create the basis for economic development? Or will the country break down due to the sheer size of the challenges involved and the lack of compromise among the political decision-makers, and risk developing from a fragile state to a failed one? Six years after the end of the civil war, this is the crucial question.

With a population of around 26 million and an area of 147,181 square kilometres, Nepal is quite small for an Asian country. It is divided geographically into the Mountain Region (ca. 56 per cent), the Hill Region (ca. 30 per cent), and the Terai, the Nepalese part of the Ganges plain (ca. 14 per cent). It is defined geostrategically by its situation between its two big neighbours, China and India. India has close economic and political links with Nepal and is a key influential player in developments within the country. The Indian perception of Nepal is strongly shaped by security considerations. The Nepalese Maoists' links to Maoist groups in India (Naxalites) have on occasion caused grave concerns in New Delhi. Relations between Nepal and China are less intensive. For Beijing, apart from economic relations, the main issue is to prevent the Tibetan diaspora in Nepal from engaging in pro-Tibet activities.

Nepal is one of Asia's poorest countries, despite some progress in recent years. Annual GDP stands at around US\$525



per capita. Approximately 57 per cent of the population live on less than US\$2 per day, and about 25 per cent are below the national poverty level (1996: 42 per cent; 2003: 31 per cent). This percentage varies depending on the population group. Average economic growth in the past ten years has been 4 per cent. On the Human Development Index for 2011, Nepal ranks at 157<sup>th</sup> place out of 187 states, one place behind Nigeria and one ahead of Haiti.

The population is subdivided into many ethnic groups, castes, religions, and languages. More than 100 languages are spoken. The population is 80 per cent Hindu, but also includes Buddhist, Muslim, Christian, and animist minorities. Ethnicity and caste are very important factors that constitute crucial criteria for access to political power and economic opportunity. Traditionally, the Caste Hill Hindu Elite (CHHE), which makes up about 31 per cent of the population, has a dominating influence. Discrimination based on ethnicity, caste, gender, and religion – e.g., towards the Dalits (“Untouchables”), indigenous groups, the Madhesi of the Terai, women, and Muslims – is still widespread in Nepal today.

Thus, two structural factors converge in Nepal that considerably increase the risk of civil war, according to empirical studies: Distinct poverty and distinct inequality between various population groups. In 1996, Maoist rebels took up arms against the autocratic Hindu monarchy. The rebels demanded the abolition of the monarchy and an end to the feudal system. After the accession of King Gyanendra in 2001, the situation was aggravated, and the violence increased. In 2005, Gyanendra dismissed the government, seized executive power for himself, and imposed a state of emergency. In doing so, he created the preconditions for an agreement between the Maoists and the main parties in parliament

based on common opposition to the monarchy. The peace agreement of November 2006 between Maoists and the Seven Party Alliance succeeded in bringing to an end the civil war in which about 16’000 people had died. The key elements of the CPA were the elaboration of a new constitution, a reorganisation of the state, more involvement of disadvantaged groups, the integration and rehabilitation of the Maoist combatants, the return of confiscated property, the revision of the structural reasons for the conflict, the protection of human rights, and a social, economic, and political transformation of Nepal.

Considerable progress was achieved in the implementation of this agreement between 2006 and 2008. Among the milestones were the integration of the Maoists into the political process, the approval of an interim constitution, and the elections for a constitutional assembly that were held in 2008. The elections were monitored by the United Nations Mission in Nepal (UNMIN), which had been present in Nepal since 2007, but only had a very narrowly defined mandate due to Indian concerns. To the surprise of the established parties, the Maoists emerged as the most powerful party. More than 20 parties were represented in the newly elected CA, which had 601 seats. The four strongest factions were the Communist Party of Nepal (Maoist) (CPN-M, 229 seats), the Nepali Congress Party (NC, 115 seats), the Communist Party of Nepal (Unified Marxist Leninist, UML, 108 seats), and the Madhesi People’s Rights Forum (54 seats). In May 2008, the CA abolished the monarchy, declared Nepal to be a secular, constitutional republic, and elected NC representative Ram Baran Yadav as its first president. Another breakthrough was achieved in 2011/12 on the controversial issue of integrating the Maoist fighters into the armed forces. Of the approximately 19’600 people whom the UNMIN had verified as Maoist

combatants, about 1’450 were ultimately accepted into the Nepalese army. The others were rehabilitated or given early retirement. In this way, the difficult situation of “one country, two armies” was resolved.

### Political deadlock

Currently, the implementation of the peace agreement is at an impasse. When the CA failed, even after the fourth extension of the deadline, to elaborate a new constitution, its mandate expired on 28 May 2012. The Supreme Court had ruled out a further extension. The failure of the CA was a heavy setback for the peace process. In addition, it created a legislative vacuum, as the CA had also had parliamentary functions. The elections that Maoist Prime Minister Bhattarai had originally scheduled for November 2012 have already had to be postponed. The next possible date currently under discussion is in April or May 2013. The parties are currently negotiating on a national unity government to prepare the elections. It is questionable whether the scheduled election date will be adhered to this time, which is cause for persistent uncertainty. Observers also fear that the election may give rise to new outbreaks of violence.

The main obstacle to drafting a new constitution is the question of the federal state structure as outlined in the interim constitution. Federalism is to form the basis for decentralising power and for better involvement of hitherto marginalised groups; it is also anticipated that a federalist structure would seal acceptance of Nepal’s ethnic and cultural diversity. However, federalism is a matter of controversy, both between and within the various parties.

Generally speaking, the CPN-M, the Madhesi, and certain ethnic and regional actors groups are in favour of federalism, while the NC, the UML, and the hitherto dominant ethnic groups and castes fear a loss of influence compared to the status quo. A number of proposals are currently in circulation. Among the controversial questions are the number, size, geographic disposition, names, and authority of the potential federal units. For instance, the Madhesi and indigenous groups demand regions in which they together are numerically superior to the population groups that have dominated so far. The Madhesi had even called for a unified Madhesi state that would comprise the entire Terai. In the meantime, they have given up this maximal demand. The NC and the UML are

warning that federalism based on ethnicity and identity would be divisive for Nepalese society. The proposed administrative units, they say, would not be viable economically and would jeopardise the integrity of the state.

Additional challenges are making the transformation process even more difficult. Deficiencies in good governance are a fundamental problem. Corruption is widespread. The human rights situation continues to be unsatisfactory, and the government failed at the end of 2011 to extend the mission of the Office of the High Commissioner on Human Rights (OHCHR). The mechanisms envisaged in the CPA for dealing with the civil war era in legal terms (“transitional justice”) have not been implemented. Political discourse is marked by severe disagreements between and rifts within the parties. Demonstrations and strikes are frequent occurrences. The strong fragmentation of the political landscape is also a source of instability, as seen in the frequent changes of government. Since 2006, there have been five prime ministers.

External observers attribute the stalling of the peace process mainly to the leaders of the political parties. Their lack of willingness to compromise on substance, the fact that their main priority is retaining power for themselves, the lack of involvement of the party base and the population at large, their rhetorical agitation – in short, the political brinkmanship on all sides – are largely to blame for the current situation. The future of the process is in considerable jeopardy because of the tendency of political decision-makers to adhere uncompromisingly to their respective strategies for maximising their interests. Additional problems besides the political deadlock are the parties’ increasing loss of legitimacy and the erosion of trust among the general public in the capability of the democratic institutions to resolve the existing issues. The growing frustration of many sections of the population constitutes a threat to the peace process. The litmus test for the future development will be the question of whether the elections can be conducted in an orderly fashion and whether a functioning parliamentary and constitutional assembly can once again be established.

### Switzerland’s role

Switzerland is strongly engaged in Nepal. This engagement is not just one of many in Swiss foreign relations, but enjoys a special status. First of all, Switzerland has

been present in Nepal since the beginnings of its national development aid programme in the early 1950s. Thanks to the decades-long development cooperation, it enjoys an unusual degree of trust and goodwill on the ground. Secondly, Nepal is a focal country for Switzerland both in terms of civilian peace support and in development cooperation. Thirdly, Swiss activities in Nepal have special significance because they constitute a test case for Switzerland’s implementation of a WGA.

The purpose of the WGA is to align the various instruments and activities of multiple national administrative units towards common goals, to subordinate them to a unified strategy, and to coordinate them better. The aim of this approach is to improve the effectiveness of the nation’s engagement and optimise the use of resources. In fragile contexts, moreover, the primary aim is to achieve better coordination of the security, peace support, and development agendas as originally expressed in the “3D” slogan (diplomacy, development, defence) coined by Canadian diplomats.

For decades, Switzerland and the Swiss Agency for Development and Cooperation (SDC) were engaged in Nepal mainly in agricultural and forestry activities, infrastructure projects (e.g., construction of bridges and roads), and in the fields of sustainable resource management and education. The outbreak of the civil war in 1996 placed at risk the results of decades of work. In Switzerland as in other donor countries and organisations worldwide, the result was a self-critical and sometimes tough examination of the interplay between its own development activities and the violent conflict. The notion of development cooperation being a mainly technical and apolitical process, which had been widespread among actors in development policy, could no longer be upheld.

Switzerland decided to continue its programmes even under these difficult circumstances. However, from 2002 onwards, it adapted them to the context of the conflict and introduced a conflict-sensitive programme management. This was designed, for instance, to prevent inadvertent stoking of a conflict, to ensure support for marginalised groups, and to protect the staff members associated with the Swiss efforts. Another question was how closely to cooperate with state institutions that had been discredited nationally and internationally after 2005.

### Key documents

- Comprehensive Peace Accord (2006) [↗](#)
- Interim Constitution (as of 2007) [↗](#)
- Swiss Cooperation Strategy for Nepal (2009–2012) [↗](#)
- Swiss Cooperation Strategy for Nepal (2005–2008) [↗](#)

Switzerland also put out feelers concerning civilian peace support activities, due to the Federal Council’s intention to become more strongly engaged than before in this area. Beginning in May 2005, a Senior Adviser for Peace Building in Nepal (SAPN) dispatched by Political Affairs Division IV (PA IV, now the Human Security Division) of the Federal Department of Foreign Affairs (FDFA) complemented the existing SDC Cooperation Office in Kathmandu. The trust enjoyed by Switzerland due to its longstanding activity in Nepal and its contacts with all parties to the conflict allowed the senior adviser to take on an important role as counsellor and informal facilitator in the run-up to the peace agreement. Switzerland was just one of many international actors including India, the UK, the US, the EU, or the UN that were also involved in bringing the civil war to an end.

Switzerland maintained its presence in Nepal after the conclusion of the peace agreement and has expanded its activities both in the area of peace support and in development. The main goals are to support the peace process and build up a democratic and federal state that observes the rule of law and safeguards human rights and human security. On the other hand, the aim is to promote the country’s socio-economic development, to reduce poverty, and to support selected Millennium Development Goals. In terms of geography, Switzerland is active across the country, though it has defined two focal regions. In its programmes, it works together with the Nepalese government as well as with local and international partner organisations.

For instance, the current SAPN is supporting the peace process in the framework of the Nepal Transition to Peace (NTTP) Initiative, which seeks together with local facilitators to maintain a dialog with the various actors, including outside of formal institutions and channels. Furthermore, Switzerland supplied an expert in constitutional issues and federalism and in 2011 invited high-ranking party representatives to negotiations in Switzerland. Furthermore, it supports the work of the Consti-

tution Information Centers, the purpose of which is to sensitise the population for constitutional issues. With projects in the fields of vocational training, infrastructure (maintenance and expansion of roads and bridges), and resource use (sustainable land management, marketing agricultural produce), it is hoped that marginalised population groups in particular can be given the opportunity to create a living for themselves. To a limited extent, Switzerland also extends humanitarian support to Nepal. Furthermore, between 2007 and the end of the mission in 2011, Swiss military observers were active in UNMIN.

Switzerland spent about CHF130 million on such activities between 2009 and 2012, for an average of CHF32 million per year. This annual contribution is scheduled to increase slightly in the coming years as part of the increase in the framework credit for development cooperation and the planned prioritisation of aid in fragile contexts. That makes Switzerland a significant financial actor and one of the top ten donors as far as Official Development Aid (ODA) for Nepal is concerned, which strengthens its weight both locally and in the international context.

Already since 2005, Switzerland has been pursuing a WGA that is expressed in the cooperation strategies for 2005–2008 and 2009–2012, which were jointly developed by the various administrative units. The main actors involved are, on the part of the SDC, the respective Divisions of the Regional Cooperation and Humanitarian Aid Departments, and on the part of the FDFA's Directorate of Political Affairs, the Human Security Division and the Asia and Pacific Division. In Nepal, the SDC Cooperation Office was converted into an integrated embassy in 2009, with the Swiss ambassador doubling as Country Director for the SDC. The Human Security Division's Senior Advisor for Peacebuilding is also attached to the embassy. This overview shows that in this case, the Whole of Government Approach is in truth a "Whole of FDFA" approach, as military peace support – apart from the temporary mission of Swiss military observers as part of UNMIN – is not part of the strategy for Nepal.

Switzerland's cooperation strategies for Nepal are developed jointly in an elaborate process by the embassy in Kathmandu and the federal agencies involved in Berne. Responsibility for coordination lies mainly with the SCD Regional Cooperation De-

partment, which also has by far the most financial and personnel resources at its disposal. In 2012, the SDC's budget for Nepal was around CHF30 million, while that of the Human Security Division stood at around CHF1.3 million. These funds are not part of a common budget line, but are supplied by different credit facilities. The very different orders of magnitude involved regarding the available funding are also reflected in the orientation and configuration of the programmes. For instance, as part of the 2009–2012 strategy, the lion's share of about 60 per cent of available means were used for socio-economic development and poverty reduction, with 30 per cent being used for peace support and state-building. Reporting, too, is predominantly geared towards the requirements of the SCD and quantitative indicators.

Overall, Switzerland has had a positive experience with its WGA-driven cooperation strategy for Nepal. This is borne out by a recent external evaluation of the SCD's involvement in fragile contexts, which repeatedly praises the integrated approach in Nepal. One advantage of this approach is that ideally, the programmes are mutually reinforcing and that their overall effect is thus boosted. This is the case, for instance, when Switzerland orients its activities both in the political and the economic sphere specifically towards providing support for

disadvantaged groups. Furthermore, the broad and yet coordinated engagement enhances Switzerland's credibility.

Switzerland aims to continue its involvement in Nepal. The coordination strategy for 2013–2017 is to be approved in the near future. The integrated approach will be maintained and deepened. The intention is not just to produce a joint document, but also to formulate shared goals. Considering the current state of affairs in Nepal, however, it seems advisable to stick to realistic goals. Developments on the ground will determine how rapidly Nepal can transform into a democratic, federal state that offers opportunities for social, economic, and political development to all groups in society. Nevertheless, Switzerland can support such a transformation with its continued engagement – especially in this difficult phase of the peace process.

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ISSN: 2296-0244

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