

Nepal's Peace Process: Does Ethnic Inclusion Mean Economic Inclusion?

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Nepal's Comprehensive Peace Accord (CPA), signed in November 2006 between the major political parties and the Unified Communist Party of Nepal (Maoist), declared the formal end to the 10-year civil war in Nepal. One of its most significant promises was political and socio-economic transformation, which, if achieved, would mean a dramatic reduction in inequality and exclusion, and genuine progress on development. But in the current state of political and economic crisis, millions of Nepalis have yet to experience any tangible benefits from the peace process.

Mass movement

The peace accord was a response to a mass movement, the April 2006 *jana andolan*, which brought over a million people onto the streets demanding the restoration of democracy and an end to direct rule by the King. The King ultimately ceded to these demands. Just over two years later, in August 2008, the newly elected Constituent Assembly voted to abolish the 240-year-old monarchy. This was a momentous step forward for the country because it helped weaken cultural and linguistic domination, which has been exercised for centuries by upper-caste hill people.

The end of the monarchy and the ensuing drafting of a new constitution by the Constituent Assembly have inevitably brought issues of ethnicity and representation to the fore. Economic exclusion has also been brought into sharper relief. The mass movement that helped bring down the monarchy was as much a reflection of discontent over the lack of economic progress—and the associated hope for a “new Nepal” based on greater economic equality—as it was about reinstating a democratic framework. Expectations for change were high amongst poorer Nepalis, who believed that the Maoists could deliver this kind of change.

Unquestionably, Nepal's many and varied ethnic groups must have the right to speak their languages and practice their cultures free from fear or domination. Nepal has 103 caste and ethnic groups that speak some 92 languages (UNDP 2009). One of the reasons that the Maoists won an overwhelming majority in the Constituent Assembly elections was that they raised the issue of ethnic rights more concretely than any other political party. They were able to capture genuine resentment over long-standing and deep-seated discrimination suffered by minorities.

However, while the rhetoric that began the Maoist ‘People's War’ focused on Nepal's lack of economic development, the Maoists' recent highlighting of ethnicity could be a reflection, unfortunately, of their inability or unwillingness to continue leading on questions of economic inclusion, particularly since the signing of the peace accord. The 40-point declaration of demands issued by the Maoists to the government in 1996 had, in fact, underscored poverty, unemployment and the growing gap between rich and poor as justifications for taking up arms. But their subsequent focus on ethnic inclusion appears to have come at the expense of a continuing emphasis on economic equity and an end to poverty.

This shift in priorities has brought the Maoists some important political benefits: increased support from excluded communities and more votes. In line with this strategy, the Maoists recently declared a series of autonomous states across the country based on nationality, a concept that they contend is broader than ethnicity. Their argument is that since there could be no single ethnic majority in any given autonomous state, all ethnic minorities within each of these states should be guaranteed their rights.

Other mainstream parties have also offered proposals for a new federalist structure, in some cases based on a mix of ethnicity and geographical region. The main issue now is not whether a federalist structure will be adopted, but what form it will take, and whether the Constituent Assembly can forge enough consensus to finish drafting the constitution, due to be completed at the end of May 2010. The interim constitution states that a state of emergency might be declared if the constitution is not completed by this deadline.

Donor priorities

The majority of donor agencies support, either directly or indirectly, a federalist structure. They have also provided funding for a number of ethnic groups and their advocacy campaigns, particularly on the issue of their inclusion in the constitution. Such support has been necessary because of clear links between being poor and being a low caste or a religious or ethnic minority. For example, the poverty rates of *dalits*, Muslims and ethnic minorities range between 41% and 46%, while the national average is 31%. Many Nepalis believe that the drafting of the new constitution offers a clear opportunity to address this discrimination.

However, the donors could also be accused of focusing on ethnic inclusion at the expense of economic inclusion. Although Nepal has seen positive economic growth in recent years, the vast majority of poverty alleviation projects undertaken by donors have been linked to small microcredit, trade and income-generation projects, with little aggregate impact on economic development.

While poverty has decreased since the start of the war, mainly due to remittances from Nepali workers abroad, recent studies show that it is still widespread. For example, in 2006, the Human Poverty Index for Nepal was still 35.4, which means that on average this percentage of the population was deprived on the three basic dimensions of health, education and a decent standard of living (UNDP 2009). Based on the US\$ 2 per person per day international poverty line, about two-thirds of the Nepali population were still poor in 2005.

Economic inequality is also on the rise—a trend related to the spread of economic liberalisation. For example, the Gini coefficient of expenditures was 0.31 during the 1980s, 0.43 during the 1990s and 0.47 during 2000–03 (Wagle 2007). This represents the highest level of such inequality in South Asia. The ratio of the consumption of the richest fifth of the population to that of the poorest fifth increased from 4.3 during the

1980s to 7.6 during the 1990s to 9.1 during 2000-03—the highest level, by far, for South Asia (see Table).

Nepal's Rising Economic Inequality

Years	Gini coefficient of expenditures	Ratio of the consumption of the top to the bottom quintile
1980s	0.31	4.3
1990s	0.43	7.6
2000-03	0.47	9.1

Source: Wagle, 2007

As a result, workplace strikes demanding better wages and conditions are on the rise. Because of persistent unemployment, Nepali workers are obliged to seek employment abroad. The mass discontent that was mobilised by the Maoists during the war still exists, as the regions and areas most deprived in the past remain sorely deprived today.

Ethnic federalism

Some analysts have suggested that a federalist structure based on ethnicity would risk propelling the country towards ethnic fragmentation. But the possibility that ethnic demands would precipitate new conflicts is substantially intensified by the widespread failure of Nepali politicians and donors to address fundamental economic demands. It is important to recognise that while the issue of economic inclusion has galvanized the poor in Nepal, a focus on ethnic rights has the potential to encourage ethnic competition, including amongst the poor.

Those arguing for some form of federalism on the basis of ethnicity have not been clear about how the rights of the poor would be guaranteed, especially since the elite from an ethnic group within an autonomous state would still likely be able to maintain exclusive access to economic resources. Also, if an ethnic group is a minority within a state in which an ethnic majority is particularly assertive, there is no guarantee against

renewed ethnic domination.

Such a problem has not gone unnoticed, for example, by the *dalits*, who are spread out across the country. Most *dalits* argue for a form of affirmative action but have expressed dissatisfaction with the current proposals for a federal structure.

A striking example of rising ethnic tensions is found in the Tarai, which constitutes the southern plains bordering India. The Madhesi, who inhabit much of the Tarai and constitute a third of Nepal's population, launched their own ethnic movement in early 2007, reflecting their anger about decades of discrimination by the central state.

Since then, violence in the region has been on the rise: between Madhesi armed groups and the Maoists, and between Madhesi and hill people, many of whom have left their homes out of fear for their security. Moreover, in the western Tarai, Tharus and other ethnic groups have warned of reprisals if the land they inhabit is not declared autonomous. The bulk of this movement is in direct opposition to the formation of a single Madhes state, which has been proposed by the Madhesi.

The changed political landscape of Nepal must now be translated into equal rights for all Nepalis, and, in particular, for ethnic minorities. But unless the focus shifts towards achieving genuine economic progress and economic inclusion during this transition period—instead of focusing on ethnic inclusion—there is little chance that the current peace process and the drafting of a new constitution will succeed in establishing a stable and democratic Nepal.

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