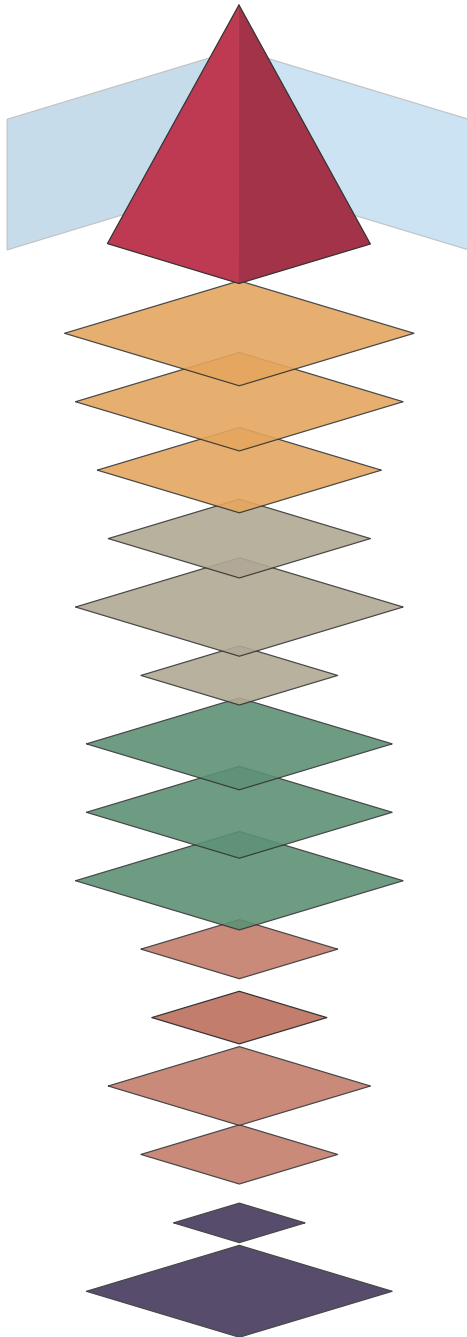




# NEPAL



6.57

## CRIMINALITY SCORE

27<sup>th</sup> of 193 countries

11<sup>th</sup> of 46 Asian countries

2<sup>nd</sup> of 8 Southern Asian countries



### CRIMINAL MARKETS

6.03

HUMAN TRAFFICKING	8.00
HUMAN SMUGGLING	7.50
EXTORTION & PROTECTION RACKETEERING	6.50
ARMS TRAFFICKING	6.00
TRADE IN COUNTERFEIT GOODS	7.50
ILLICIT TRADE IN EXCISABLE GOODS	4.50
FLORA CRIMES	7.00
FAUNA CRIMES	7.00
NON-RENEWABLE RESOURCE CRIMES	7.50
HEROIN TRADE	4.50
COCAINE TRADE	4.00
CANNABIS TRADE	6.00
SYNTHETIC DRUG TRADE	4.50
CYBER-DEPENDENT CRIMES	3.00
FINANCIAL CRIMES	7.00



### CRIMINAL ACTORS

7.10

MAFIA-STYLE GROUPS	5.50
CRIMINAL NETWORKS	7.50
STATE-EMBEDDED ACTORS	7.50
FOREIGN ACTORS	7.50
PRIVATE SECTOR ACTORS	7.50



4.00

## RESILIENCE SCORE



Funding provided by the United States Government.

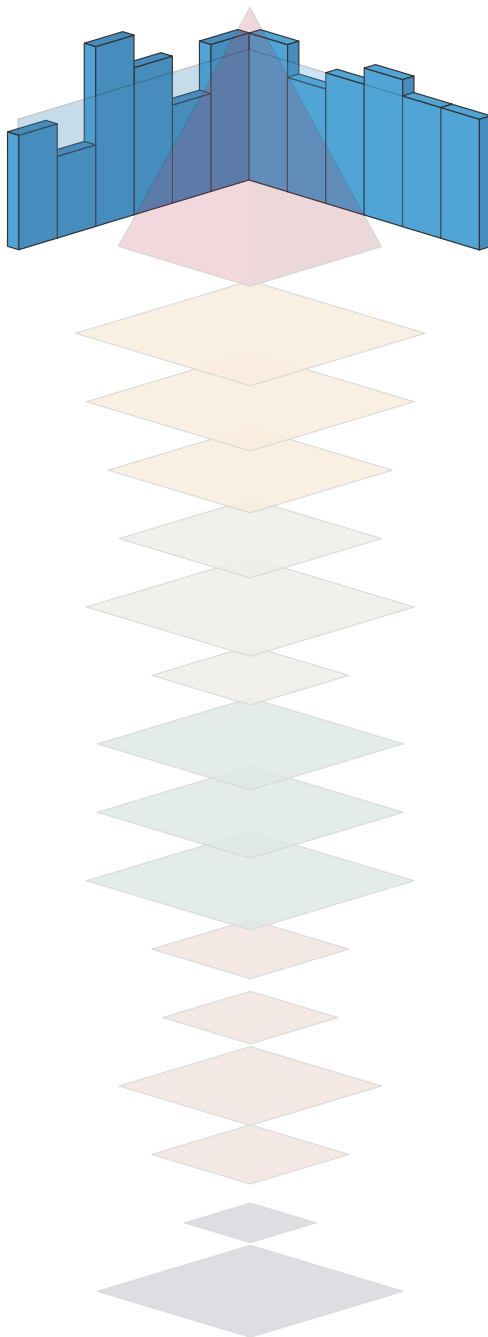


Funded by the European Union

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



**4.00**

## RESILIENCE SCORE

132<sup>nd</sup> of 193 countries  
26<sup>th</sup> of 46 Asian countries  
5<sup>th</sup> of 8 Southern Asian countries

POLITICAL LEADERSHIP AND GOVERNANCE	<b>3.50</b>
GOVERNMENT TRANSPARENCY AND ACCOUNTABILITY	<b>2.50</b>
INTERNATIONAL COOPERATION	<b>5.50</b>
NATIONAL POLICIES AND LAWS	<b>4.50</b>
JUDICIAL SYSTEM AND DETENTION	<b>3.00</b>
LAW ENFORCEMENT	<b>4.50</b>
TERRITORIAL INTEGRITY	<b>4.50</b>
ANTI-MONEY LAUNDERING	<b>3.50</b>
ECONOMIC REGULATORY CAPACITY	<b>4.00</b>
VICTIM AND WITNESS SUPPORT	<b>4.50</b>
PREVENTION	<b>4.00</b>
NON-STATE ACTORS	<b>4.00</b>



**6.57**

## CRIMINALITY SCORE



**CRIMINAL MARKETS 6.03**



**CRIMINAL ACTORS 7.10**



Funding provided by the United States Government.



Funded by the European Union

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.

# CRIMINALITY

## CRIMINAL MARKETS

### PEOPLE

Human trafficking remains a significant problem in Nepal, with women and girls being trafficked for sexual exploitation to India, the Middle East, Malaysia, and other countries, and Nepali men being subjected to forced labour in various industries. The problem is compounded by fraudulent recruitment schemes, arranged marriages, weak pre-departure screenings, poverty, and lack of employment opportunities. Nepali children and transgender people are also vulnerable to sex trafficking. The lack of strong government policy and monitoring bodies has resulted in thousands of Nepali people losing their lives during the construction of FIFA World Cup football stadiums in Qatar. There have also been reports of police members and political party leaders involved in sex trafficking, and of some police officers continuing to arrest and fine victims of sex trafficking. Traffickers use social media and mobile apps to recruit victims. Indigenous populations, minority groups, and lower castes are the most vulnerable.

Human smuggling is on the rise in Nepal, with fraudulent migration schemes and discrimination against women in the government's labour-migration policies contributing to the problem. Smugglers operate through a well-networked structure, and Nepali smugglers are involved in almost all cases of smuggled Nepalis. Although the US and Europe are common destinations, the routes to these countries are circuitous and varied. Smuggled people are predominantly male and largely unskilled but with good levels of education. Nepali women are also being smuggled for sex work to countries like Iraq, Oman, Kyrgyzstan, and Tajikistan. The dynamics of human smuggling in Nepal and the South Asian region are largely rooted in political instability, economic disparity, environmental factors, deep poverty, and food insecurity. Government officials are reportedly accepting bribes to include false information in Nepali identity documents or to provide fraudulent documents to prospective workers, which allows unscrupulous recruiters to evade recruitment regulations.

Extortion is a prevalent criminal activity in the country, carried out either by youth wings of political parties or organized criminal groups for economic and political gain. Extortion cases also occur within the tourism industry, targeting visitors.

### TRADE

Arms trafficking and illegal firearm possession are notable issues in Nepal. The illegal firearms used in Nepal are usually cheaper improvised firearms, and there has been an increase in the use of these weapons in violent crimes such as murder, robbery, and extortion. Criminals and political groups are proliferating and reportedly offer protection to each other. Trafficked weapons in Nepal primarily come from India, and to a lesser extent from China. The porous border between Nepal and India has fuelled cross-border criminality, particularly the illegal trafficking of small arms and the unchecked movement of criminals between the two countries. There are also weapons used in the Nepalese Civil War from 1996 to 2006 which continue to circulate in the country.

Counterfeit goods are becoming increasingly common, with domestically produced and imported fake products flooding the market. These products range from food and drinks to electronics and even mountaineering equipment. Complaints about counterfeit products have been increasing in recent years, and weak regulatory mechanisms in the country and rising demand for brand-name goods are cited as contributing factors. This is causing concern for foreign companies looking to enter the Nepali market.

The introduction of higher excise tax on tobacco products has further exacerbated the illicit trade of tobacco products in the country. The porous border between Nepal and India is leading to a free flow of tobacco products, including banned chewing tobacco, into Nepal, as tobacco products are cheaper in India.

### ENVIRONMENT

Forests make up a significant portion of Nepal's land, but the country has struggled with illegal and unsustainable timber and fuelwood harvesting, overgrazing, encroachment, and infrastructure development, which have been the main drivers of deforestation. Since the 2020 ban on timber collection, transportation, and sales in community forests, timber smuggling has increased, particularly in the Chure region, and the black-market price of illegal timber has risen. Smugglers of timber are often residents who live near community forests along the Nepal-India border. Nepali timber is smuggled to China. Non-forest timber products such as orchids, mushrooms, caterpillar fungus, and sandalwood are also illegally exported to China.

Nepal is a transit and source country for illicit fauna products, predominantly rare and endangered species, usually feeding into the large Chinese market. The economic impact of the COVID-19 pandemic lockdown forced villagers to seek alternative sources of income, including poaching

and wildlife smuggling. Chinese smugglers have become increasingly involved in Kathmandu's wildlife trafficking trade, probably linked to increased investment by China in Nepal's hotel and tourism sectors, among others. Fauna crimes in Nepal are driven by a multitude of factors, including poverty, lucrative financial rewards from illicit wildlife products in black markets, porous borders, lack of conservation awareness, and poor law enforcement for its prevention. Profits are accrued by domestic and international actors.

Gold and silver smuggling have risen in Nepal because of the government's raised import duties on precious metals and the high demand for gold. Nepal serves as a transit and destination country for gold smuggling as it lies between India and China, the world's two largest consumers of gold. Gold is smuggled into Nepal from Dubai, Thailand, and Hong Kong across the Chinese border or from the Tribhuvan International Airport in Kathmandu, and is then transported to India using land routes, where it is sold for higher prices. Nepali workers returning to Nepal are used as gold carriers in exchange for better wages, and racketeers and their agents divert remittance from the Gulf, Middle East and South Korea, where a large number of Nepalis work. The government has passed harsher punishments, but a lack of proper equipment and expertise continues to pose challenges in curbing illegal activities. The extraction of stone, sand, and gravel from rivers and land is another major non-renewable resource industry in Nepal, but compliance with regulations by businesses is poor and corruption is rampant.

## DRUGS

Heroin production and trade are limited in Nepal, with no processing laboratories detected so far. The opium produced in the country is not manufactured into high-value products but mainly sold raw. The primary purchasers of Nepal's opium are Indian traders. Heroin consumption is also limited, with the drug mostly transiting to India, China, Thailand, Hong Kong, Singapore, and other East Asian countries.

While the heroin trade has remained stable in recent years, Nepal has become a transit hub for cocaine trafficking into other countries, particularly India. The number of cocaine drug traffickers in Nepal is growing. Domestic use of cocaine remains low, and is mainly limited to the tourist industry and elite social circles due to its high price. Foreign nationals from Africa, Eastern Europe, and South America are the primary smugglers caught trafficking cocaine through the country. Despite the increase in cocaine trafficking, the volumes seized do not indicate a substantial level.

Nepal is mainly a transit country for the illegal trade of cannabis, but several districts are becoming important centres for cultivation. In 2021, a bill legalizing cannabis was introduced in Parliament, receiving support from

some politicians because of its potential as a cash crop and for creating employment opportunities. The wider global decriminalization, legalization, and commercialization of cannabis may have contributed to an increase in production and use of cannabis in Nepal. Cannabis resin is trafficked from Nepal to India and Europe.

Regarding synthetic drugs, Nepal is a trans-shipment country for opiates and methamphetamines produced in South and South East Asia. Although consumption rates of synthetic drugs are lower in Nepal than other countries in the region, there has been an increase in use among young people. Law enforcement has limited capacity to monitor and control criminal activity related to the synthetic drug trade.

## CYBER-DEPENDENT CRIMES

The rate of cybercrime in Nepal increased during the COVID-19 pandemic because of the widespread use of social media and low levels of cyber-security awareness, as well as the government's limited capacity to protect its information and communications technology infrastructure. Ransomware, privacy leaks, and social media-related crimes are among the most common incidents.

## FINANCIAL CRIMES

Financial crimes such as fraud and tax evasion are widespread in Nepal, involving both Nepali and foreign nationals. In recent years, Nepali politicians, business leaders, and members of society have been charged and convicted of such crimes. The Department of Revenue Investigation in Nepal has filed lawsuits against hundreds of people for tax evasion and foreign currency misuse, which are often linked to the use of fake value-added tax receipts. Despite technological advancements in the tax regime, financial irregularities persist at provincial and local levels, more than at the federal level.

## CRIMINAL ACTORS

Criminal networks have been increasingly active and influential in the country's criminal environment. Although criminal networks are typically small and lack the hierarchical or networked structures seen in other countries, their activities are facilitated by networks of corruption within the police force and by porous borders, which allow for cross-border smuggling of illegal goods such as arms, wildlife products, and antiquities. Individually, the scope of their activities may be limited, but collectively, these criminal networks have a considerable impact on the country's economy, governance, and social stability. Corruption among state-embedded actors is rampant at all levels of the state, with current and former members of the army implicated in rhino poaching, and political parties' youth wings engaged in extortion activities. Lack of monitoring of corruption cases and inefficient enforcement of regulations

have allowed these actors to continue their involvement in criminal markets.

Meanwhile, foreign criminal actors, particularly high-level Chinese and Indian brokers, dominate criminal markets such as wildlife and drug trafficking in Nepal. Chinese nationals lead most criminal activities in Nepal, including cyber-dependent crimes, money laundering, human trafficking, and wildlife smuggling. The private sector is also a significant factor in criminal activity, and often operates in collaboration with government officials as well as foreign elements. Many companies involved in the extraction of

stone, sand, and gravel operate without proper licences and oversight, often because of their affiliation with politicians. Mafia-style groups in Nepal comprise traditional criminal organizations and newer groups affiliated with political parties. These groups engage in a wide range of criminal activities such as extortion, racketeering, drug trading, sex work, and human smuggling, and are connected to the labour-migration industry and infrastructure investments. Even though their activities have been increasing in recent years, these groups' influence is limited compared to other criminal groups active in the country.

# RESILIENCE

## LEADERSHIP AND GOVERNANCE

Nepal faces notable governance challenges that have contributed to poverty and economic stagnation. These challenges include structural issues, lack of resources, and political instability because of ethnic and class-based tensions. Although some improvements were made during the COVID-19 pandemic, governance remains weak, with high levels of perceived corruption and a lack of institutional capacity for effective regulation. Nepal's multi-ethnic and multi-religious population makes it difficult for a single party to foster broad political consensus, resulting in a high turnover of governments. Political parties and their youth wings reportedly engage in criminal activities such as extortion, creating insecurity to garner votes and favourable outcomes. Corruption is widespread in state-spending audits, public procurement, conflict of interest rules, asset declarations, and campaign financing. Nepalese officials have been accused of large-scale corruption related to permits and approvals, procurement, and contract rewards, while bribes are common when accessing public services. Despite a comprehensive legal anti-corruption framework, enforcement of regulations is weak.

Although Nepal has ratified several treaties and conventions related to human rights and transnational crime, the country has very few institutionalized mechanisms for mutual legal assistance in criminal matters or bilateral law enforcement cooperation. However, the country continues to collaborate with its counterparts at the regional level and on a bilateral basis with an aim to combat transborder organized crime, including arms and human trafficking and illegal wildlife trafficking as well as international terrorism. Nepal's organized crime legislation addresses various forms of human trafficking, and its legislation for narcotics prevention and control was recently updated with the aim to support collaboration and partnership among stakeholders. However, the overall legislative framework for organized crime is outdated and has significant gaps.

## CRIMINAL JUSTICE AND SECURITY

Nepal's judicial system has been plagued by corruption, with judges frequently accepting bribes for favourable rulings, which leads to the public's lack of trust in the judiciary. The resolution of commercial disputes is a cumbersome process that can take years to complete, and companies do not have much faith in the ability of the courts to challenge government regulations or to settle disputes. The vulnerability of courts to political pressure, bribery, and intimidation is more pronounced in lower-level courts, and government adherence to Supreme Court rulings, including human rights cases critical of the government, is not consistent. The prison system in Nepal is overcrowded and unsanitary, with inmates experiencing poor conditions including deprivation of natural light, ventilation, food, and hygiene facilities.

Since the civil war, the police force in Nepal has struggled to maintain law and order, particularly in rural areas, with low morale, underpayment, and widespread corruption among lower-level officials. Top police officials wield considerable power and can establish a system of clientelism, further promoting corruption. Moreover, Nepali police lack necessary training and resources to investigate complex cases involving organized crime.

Nepal shares a long, porous border with India and China, and has ongoing territorial disputes with both, which have resulted in tensions. The border is also a trans-shipment point for drugs, and weak border controls have fuelled cross-border criminal activities, including the trafficking of people, small arms, contraband goods, and counterfeit currency. Terrorist groups are also exploiting these conditions.

## ECONOMIC AND FINANCIAL ENVIRONMENT

Nepal's weak regulatory environment and lack of economic stability have made the country an easy target for money laundering. Although improvements have been made to the country's anti-money laundering regime, there are still major deficiencies, including a lack of digitized data and detailed information on banks' customers.

Nepal is one of the poorest and least developed countries in the world, and its economic growth has been adversely affected by political uncertainty, conflict, and natural disasters. The focus on political transition and the attainment of peace has disrupted efforts to achieve economic and other reforms that would improve the investment climate, stimulate growth, and create more private-sector jobs. Although improvements have been made in the realms of financial inclusion and access to credit, many deficiencies persist, such as difficulties in contract enforcement, lack of open and credible evaluation and due-diligence processes, and the difficulties of starting a business in the country. Furthermore, high levels of corruption have a major negative impact on the investment climate in Nepal. Nepal's economy also suffers from shadow or informal economic transactions, which happen through informal debt and money-transfer markets. Additionally, the country's poor regulatory capacity has contributed to inconsistencies in market forces, with this informal sector making up a great percentage of the country's workers.

## CIVIL SOCIETY AND SOCIAL PROTECTION

The Nepalese government has attempted to support victims of organized crime, especially those affected by human trafficking, but there are still significant gaps in support frameworks and their implementation. The government has approved a regulation to enhance protections for victims of crime, including the right to seek compensation, but the overall mechanisms for victim-witness protection, as well as the practices of police and justice officials, remain inadequate. The lack of sufficient and effective witness protection legislation allows perpetrators of all forms of criminal activity to operate with impunity. The

government's provision of treatment and rehabilitation services for people who use drugs remains poor, and privately-operated programmes are unaffordable to many. Treatment at these centres have also been described as physically and mentally abusive.

The government has implemented measures to prevent human trafficking by funding local anti-trafficking committees and conducting public awareness campaigns. Also, it offers free skill certification for returned workers to ensure their employability and has updated its Foreign Employment Information Management System platform to effectively register data on returning workers. The government's success in tackling the illegal wildlife trade has culminated in multiple years of zero poaching of the country's flagship species. However, measures to prevent the country from being used as a transit point in the transnational illegal wildlife trade have been largely unsuccessful thus far.

Nepal's constitution and laws provide for freedom of expression and association, but journalists, NGOs, and political activists have reported government restrictions on media freedom and raised concerns about the legal framework for civil society. Although NGOs play an active role in the political landscape and have successfully raised awareness about human trafficking, they face challenges in communicating their agenda to national organizations and political actors because of government corruption and institutional cronyism. There are several independent media outlets operating in Nepal, with general political alignment resulting in bias towards certain parties. Defamation and libel are criminalized, leading to self-censorship among journalists, and some have faced harassment and threats. Government restrictions on private media have included deportation of foreign journalists and limited issue of media-related visas, but internet content remains uncensored.

---

*This summary was funded in part by a grant from the United States Department of State. The opinions, findings and conclusions stated herein are those of the authors and do not necessarily reflect those of the United States Department of State.*