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# CONFLICT OVER NATURAL RESOURCES AT THE COMMUNITY LEVEL IN NEPAL INCLUDING ITS RELATIONSHIP TO ARMED CONFLICT



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# PREFACE

This assessment of community-level forest and water conflict in Nepal was conducted within the context of a task order under the Biodiversity and Sustainable Forestry Indefinite Quantity Contract (BIOFOR IQC) entitled “Managing Conflict in Asian Forest Communities.” The purpose of the task order is to understand the types, causes, and impacts of conflicts over forest resources at the community level in selected Asian countries and to assess current or proposed methods to avoid, reduce, manage, and monitor conflict to identify those methods that are broadly applicable throughout the region. This assessment is intended to provide regionally relevant information while also identifying opportunities to address forest conflict in Nepal through the activities of USAID/Nepal and its implementing partners.

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## **DISCLAIMER**

The author's views expressed in this publication do not necessarily reflect the views of the United States Agency for International Development or the United States Government.

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# ACRONYMS AND ABBREVIATIONS

ANE	USAID Asia and Near East Bureau
BIOFOR	Biodiversity and Sustainable Forestry
BZUG	Buffer Zone Users Group
CFUG	Community Forest Users Group
CMM	USAID Office of Conflict Management and Mitigation
DDC	District Development Council
DFRS	Department of Forest Research and Survey, Ministry of Forestry and Soil Conservation.
DCHA	USAID Bureau for Democracy, Conflict, and Humanitarian Assistance.
DFID	Department for International Development (UK)
DFO	District Forest Officer
DOF	Department of Forestry
DOI	Department of Irrigation
ETFRN	European Tropical Forest Research Network
FECOFUN	Federation of Community Forest Users Nepal
FESS	Foundation for Environmental Security and Sustainability
FMIS	Farmer Managed Irrigation System
GMIS	Government Managed Irrigation System
ha	hectares
HEP	Hydro-Electric Plant
HMGN	His Majesty's Government of Nepal
IDP	Internally Displaced Person
IISD	International Institute for Sustainable Development
INSEC	Informal Sector Service Center
IQC	Indefinite Quantity Contract
ISP	Irrigation Service Payment
IWUA	Irrigation Water Users Association
IWRM	Integrated Water Resources Management
km	kilometers

MFSC	Ministry of Forestry and Soil Conservation
NGO	Nongovernmental Organization
NR	Nepalese Rupees
NTFP	Non-Timber Forest Product
OTI	USAID's Office of Transition Initiatives
PA	Protected Area
RIMS-Nepal	Resources Identification and Management Society – Nepal
RNA	Royal Nepal Army
SAGUN	Strengthened Actions for Governance in Utilization of Natural Resources
SAMARPAN	Strengthening Role of Civil Society and Women in Democracy and Governance
UNDP	United Nations Development Program
USAID	United States Agency for International Development
VDC	Village Development Committee
WWF	World Wide Fund for Nature

# EXECUTIVE SUMMARY

## PURPOSE AND SCOPE

This assessment provides an overview of community-level natural resource conflict in Nepal in the context of the armed insurgency being waged by the Nepal Communist Party (Maoist) against His Majesty's Government of Nepal (HMGN)—hereafter referred to as the Maoist insurgency. The scope of the assessment is limited to forest and water resources while acknowledging that conflict over these resources is strongly linked to land tenure issues in rural Nepal. The information in the report represents a synthesis of the sometimes contradictory information we received from different sources. It is particularly difficult to generalize about the situation in the countryside because it varies widely from place to place and over time.

**There is no internationally accepted definition of what constitutes natural resource conflict; we define it by its result in this report, specifically situations where the allocation, management, or use of natural resources results in: 1) violence, 2) human rights abuses, or 3) denial of access to natural resources to an extent that significantly diminishes human welfare.** Natural resource conflict can be divided into two broad types: **Type I conflict** encompasses situations where armed conflict is financed or sustained through the sale or extra-legal taxation of natural resources, and **Type II conflict** results from competition over resources among various groups.

## CAUSES OF ARMED CONFLICT IN NEPAL

Nepal is one of the poorest countries in the world, ranked 140 out of 177 countries in the United Nations Development Program's (UNDP) 2004 Human Development Index, with an estimated 42% of the nation's approximately 28 million people living below the poverty line, many in severe poverty. Eighty percent of Nepalese live in rural areas. Most rural households, especially those in the hills and mountains, suffer from chronic food deficits because they are landless or have too little land, and/or face soil and climate constraints, which limit subsistence food production.

Much of the land in Nepal's hills is degraded and forests have been felled at a rapid pace in recent decades. These environmental problems are commonly thought to be the result of the country's rapidly growing population, which increased from 5.6 million in 1911 to almost 28 million today. The environmental effects of population growth and the resulting resource scarcity are believed by some analysts to be among the underlying causes of the insurgency. Matthew and Upreti (2005) conclude that "We believe that rapid population growth and environmental degradation are important elements of what has gone wrong in Nepal and they must be addressed before stability can be restored."

Nepalese society is rigidly hierarchical; pervasive social inequality based on caste, ethnicity, and gender is deeply rooted in culture, religion, and centuries of feudal rule. Social inequality is comprehensive, including disparity of access to livelihood resources, government services, and economic opportunity. This has caused great resentment among the groups at the bottom of the social hierarchy, who are typically the poorest and least educated members of Nepalese society. Nepal's monarchy symbolizes this social hierarchy and inequality in the minds of many Nepalese. In 1990, a popular movement led by underground political parties successfully forced the King at the time to change the form of government from absolute to constitutional monarchy, with multi-party democracy in place of the previous one-party system. This political change created expectations of greater social equality.

Repeated democratic elections in the 1990s brought a series of short-lived governments to power that were largely ineffective because most of their effort went into political maneuvering rather than addressing pressing

economic, governance, and social issues. Most importantly, the political parties took virtually no concrete action to dismantle the entrenched social hierarchy; political power remained in the hands of the higher castes. The Communist Party of Nepal (Maoist) issued a list of political demands aimed at radical political transformation and an overthrow of the social hierarchy. When the mainstream political parties failed to deliver on their social agenda, a Maoist call to arms found a receptive audience among some of the poor and socially disadvantaged.

We believe that the **major causes** of the armed conflict in Nepal are:

1. Rapid population growth and resulting environmental degradation and resource scarcity;
2. Social inequality and resulting skewed access to natural resources and services;
3. Very restricted education and economic opportunities outside urban areas resulting in widespread rural poverty; and
4. The failure of successive Nepalese governments under absolute monarchy and multi-party democracy to address these above causes in a meaningful way.

## **THE MAOIST INSURGENCY**

The Maoists began their armed fight against the government in February 1996 in one district in central Nepal. The insurgency has spread to cover the entire country over the past decade and has grown dramatically in military strength. The Maoists have expanded their fighting forces through both voluntary and involuntary recruitment and have raised money through robbery of government banks, “taxation” of salaries as well as agricultural and natural products, and extortion from businesses. The Maoists now control most rural areas except in the immediate vicinity of district capitals and army posts, maintaining some governance functions but providing few services.

Maoist use of brutality, forced recruitment, and “taxation” of almost every form of economic activity to further their armed campaign has cost them much of the goodwill that their policies initially created among the poor. Rural people are caught between the military forces of the Maoists and the Royal Nepal Army (RNA), with both sides accused of brutality and human rights abuses. Almost 13,000 people have been killed as a result of the insurgency with many more injured or maimed. Life in the countryside is insecure as the result of sporadic battles and intimidation by both sides. Insecurity makes it even more difficult for the poor to earn a living and has reversed many of the modest rural development achievements of previous decades. Many people have fled the countryside for district capitals, Kathmandu, the Terai, or India, leaving their fields and homes unattended. Social relationships are disrupted by the fear and suspicion that the insurgency has bred, compounded by the fact that families are broken up by either forced recruitment by the Maoists or displacement.

## **FOREST RESOURCES AND CONFLICT**

Nepal’s forests have always been important livelihood resources—providing food, medicine, building materials, and animal feed for rural families. The Terai lowlands contain commercially valuable—but rapidly dwindling—tropical hardwood forests; hill forests largely occur as small patches that provide important subsistence resources; and mountain conifer forests are scattered, but locally valuable. Remaining Terai forest blocks are being degraded through illegal harvesting of large trees by various groups including Indian smugglers, villagers, and perhaps the Maoists. Informants indicated that the Maoists “tax” a substantial portion of the harvest, including trees harvested by logging contractors with government harvesting permits and Community Forest User Groups (CFUGs).

Community forestry has been touted as Nepal’s natural resource management success story. Approximately 13,300 users groups have been formed, whose members comprise 35% of the nation’s population and manage 1.1 million hectares (ha) of forestland, one-quarter of the national total. Research indicates that socially dominant and relatively wealthier villagers capture most of the benefits from community forests,

while poorer CFUG members bear a disproportionate share of the management costs. The landless poor are often excluded from using forest resources that were more available to them under previous open access regimes. In the majority of Community Forest User Groups, management composition and benefit distribution reinforces rather than reduces social inequality. On the positive side, CFUGs are among the few functioning democratic institutions in Nepal at the current time.

Nepal has a diversity of non-timber forest products (NTFPs) including aromatic, medicinal, food, and fiber plants. Many of these species grow in the hills and mountains, providing an important supplemental livelihood resource for families who can grow only enough crops to feed themselves for a few months of the year. Wild plants are the only source of medicine for many rural families. HMGN taxes valuable NTFPs and the Maoists are believed to tax almost all NTFP production.

## **WATER RESOURCES AND CONFLICT**

Nepal has a large supply of water in proportion to its size and has the potential to produce large quantities of hydropower because of the steep gradient of the rivers flowing out of the Himalayas. Micro- and small- to medium-scale hydropower systems have been developed to serve remote communities and urban areas, respectively. Major rivers feed large irrigation systems in the Terai and smaller, but older, systems in the hills. River flow is highly seasonal, which limits irrigation to one cropping season per year in many places. In the hills and mountains, access to drinking water is difficult for many communities, especially in the dry season. Water pollution has become a significant problem in the Kathmandu Valley and downstream of large factories in the Terai.

Irrigation has a very long history in Nepal, with well-established traditional institutions and procedures for the management of the thousands of Farmer Managed Irrigation Systems (FMIS) in the country. Most of the FMIS are in the hills, while Government Managed Irrigation Systems (GMIS) in the Terai commonly cover tens of thousands of hectares, with thousands of users. Conflicts can be minimized or managed through good governance in Irrigation Water Users Associations (IWUA) and good technical design of systems. As is the case with community forests, wealthier people tend to benefit more and pay proportionally less in maintenance fees and time than poorer users. The poorest farmers in the Terai do not even own irrigated land but rather farm the land of large landowners as sharecroppers or laborers.

Only a fraction of the hydropower potential of Nepal is developed, but the few systems that exist have produced significant local social and environmental impacts during construction and operation, creating conflict with people at the dam site and downstream. Competition to use the same water source for mutually exclusive purposes is a localized problem in Nepal, involving conflicts between hydropower, irrigation, drinking water, and industrial use. Transboundary water use agreements generally favor India, increasing the potential conflict over water.

## **BIODIVERSITY CONSERVATION AND CONFLICT**

Protected areas (PAs), especially those in the Terai, have been a source of conflict with communities living inside and adjacent to the parks for decades. Prior to PA establishment, communities grazed livestock, grew crops and harvested fuelwood, grass, and building material on what is now protected land. People living inside protected areas in the Terai have been resettled and people living in buffer zones around the PAs were aggrieved by the greatly restricted access to PA natural resources, exacerbated by crop damage and even death from wildlife that wandered out of the parks.

The Maoists use some PAs as sanctuaries and training areas, have destroyed some park buildings, forced park personnel out, and killed staff. Conservation nongovernmental organizations (NGOs) indicate that the Maoist presence gives buffer zone and within-park communities greater leverage to demand development assistance from their projects with less commitment to participate in conservation activities, making it more

difficult to achieve positive conservation outcomes. It is not known if the Maoists have a specific agenda with respect to PAs. Individual commanders may simply make use of them as refuges and sources of revenue.

Reduced security inside protected areas has provided opportunities for wildlife poachers and illegal loggers as the result of the RNA's reduced ability to patrol protected areas since they began fighting the Maoists in late 2001. As a result, the number of rhinos in and around Royal Chitwan National Park has declined by 32% over five years (2000-2005) after decades of successful conservation. It is not known if the Maoists encourage poaching or "tax" the poachers. Maoist control over much of the countryside is believed to have allowed wildlife smugglers to increase traffic to Tibet in parts of tigers, leopards, rhinos, and other species from animals poached in Nepal and India. It is believed, but not known, that Maoist units protect and tax this trade.

## **HOW IS NATURAL RESOURCE CONFLICT RELATED TO THE INSURGENCY?**

Maoist use of natural resources to fund their military operations seems to vary widely in different parts of the country and over time. They have shown themselves to be opportunistic, obtaining funds from whatever sources are at hand. Early in the insurgency, they robbed banks to get cash. Over the past decade they have set up systems for levying taxes on salaries and extorting money from businesses. We do not know what percentage of their total funding comes from the various ways of "taxing" natural resource use. For some Maoist units, especially those in the high mountains and along the border with India, taxes on NTFPs and timber, respectively, may provide a significant portion of their funding.

Competition over natural resources at the community level is deeply embedded in Nepalese history and society. Resulting conflict was chronic but not violent. The Maoists and their war with the RNA has changed the social and governance framework within which natural resource conflict occurs in ways that can be bad, good, or neutral for the poorest users and the resources themselves. Competitive natural resource conflict continues to be largely non-violent during the insurgency, except in cases where the Maoists have killed forestry and park guards or both sides have killed innocent Nepalese for entering forested areas.

Natural resources are linked to the armed conflict between HMGN and the Maoist insurgency in five ways:

1. **Underlying Cause:** Resentment over discriminatory natural resource access is one of the underlying political causes of the insurgency, helping to attract recruits to the Maoist cause in the early stages of their uprising.
2. **Funding Source:** Maoist military operations are partially funded in some areas by "taxes" on natural resources, including timber, NTFPs, medicinal and aromatic plants, crops from irrigated land, and national park visitor fees.
3. **Refuge:** Forests provide bases of operation and refuge for Maoist forces and both sides restrict access by rural people to forest areas. The RNA clears forests for hundreds of meters around their posts to prevent surprise attacks.
4. **Altered Dynamic of Natural Resource Use and Conflict at User Group and Community Level:** The insurgency has disrupted management of, and conflict over, forest resources and irrigation water at the user group level by removing government oversight and support, creating an atmosphere of insecurity and distrust, and replacing the government's legal framework with Maoist management dictates. This altered dynamic adds to the complexity of widespread and chronic conflicts and disputes over forest and water resources at the community and user group levels.
5. **Forest Management and Biodiversity Conservation Disruption:** The government's ability to enforce forest management laws and protect wildlife and other biodiversity resources within and outside PAs has been greatly reduced as a result of the armed conflict, putting these resources at risk. This management vacuum has led to accelerated forest degradation in the Terai and increased poaching of some wildlife species.

## MANAGING NATURAL RESOURCE CONFLICT IN NEPAL

By tradition and law, Nepal has a range of formal and non-formal methods to manage or resolve conflict. Traditional conflict resolution methods have been weakened by distrust among community members that developed as communities fractured along political party lines during the 1990s. In those years, people sought to settle disputes by aligning themselves with a political party, rather than relying on traditional dispute resolution mechanisms. The insecurity and mistrust created by the Maoist insurgency has made it difficult, if not impossible, for rural people to access formal government-sponsored dispute resolution mechanisms.

**If the insurgency creates a social and political transformation, a major driving force behind natural resources conflict would be removed, making way for the evolution of new conflict management mechanisms. If, however, there is a return to the status quo, but with the traditional mechanisms rendered ineffective, escalating conflict over natural resources could help push the country back toward another cycle of armed violence.**

### LAYING THE GROUNDWORK FOR THE END OF ARMED CONFLICT AND REESTABLISHING DEMOCRACY: USAID NEPAL PROGRAMMING OPTIONS

A view commonly expressed by interviewees during this assessment, and affirmed by the authors of several of the documents we consulted, is that ending the Maoist insurgency and reestablishing a workable form of democracy will require taking meaningful steps to address institutionalized social discrimination and control rampant corruption in the government (which reflects and reinforces the system of social discrimination). Simply reinstating democracy without changing underlying attitudes, reflected in the way that the political parties operated in the past, will not be effective. No one we talked with offered a plan for achieving this social and political transformation, but most felt that change in rural villages is a good place to start, given the current political impasse at the national level. Maoist *de facto* control of most rural areas presents a serious obstacle to outside intervention at the village level, making it difficult to offer political or development alternatives.

With Village Development Committees (VDCs) and District Development Councils (DDCs) disbanded, natural resource user groups are the only democratically elected institutions that continue to operate in rural areas.

Government officials are largely prevented from traveling outside district capitals, so there is virtually no government presence in most rural areas. **While the majority of IWUAs and CFUGs suffer from domination by the socially empowered, these institutions remain the most promising means to improve the livelihoods of the poor, to demonstrate the principle of equal access to resources, and to develop a grassroots understanding of democracy upon which to rebuild democratic institutions in the country.**

The programming options that we propose below fall under the category of Conflict-Sensitive Development in the *USAID Conflict Mitigation and Management Policy*



A User Group convenes a general assembly for rule formation.

*Implementation Guidelines* and could provide a basis for a return to peace and democracy at the grassroots, district, and national levels.

1. **Improved Governance at the User Group Level:** USAID/Nepal, through its Strengthened Actions for Governance in Utilization of National Resources (SAGUN) and Strengthening Role of Civil Society and Women in Democracy and Governance (SAMARPAN) Programs, is working to improve natural resource governance within selected IWUAs, CFUGs, and Buffer-Zone User Groups (BZUGs), specifically to encourage more equal participation of disadvantaged groups and women within the management structure of these groups and to develop mechanisms for more equitable sharing of resources and benefits among user group members. The findings of this assessment indicate that interventions at the user group level are an effective means to address current natural resource conflict as well as lay the basis for a long-term system for managing conflict by ensuring greater equality of resource access. Equality of access will help to relieve long-term social tensions, thereby removing a key grievance that the Maoists used to build support for their cause. Successfully institutionalizing democratic values and behavior at the user group level lays the foundation for responsible participation in democratic governance at the local and national levels. Providing immediate benefits to poor and marginalized people will help to alleviate the severe livelihood impacts that they have suffered from the insurgency and will prepare them to take a more active role in natural resource governance institutions in the post-conflict period. USAID support of user groups has the added benefit of maintaining biodiversity and other values of forests and buffer zones.
2. **Rule of Law:** Nepal's judicial system currently does not offer a real alternative for settling conflicts over natural resources at the community level because cases move through the system very slowly and judgments are implicitly biased toward the high caste, wealthy, educated, and politically well connected. Corruption among government officials and the judiciary exacerbate the systemic problems. USAID/Nepal's current Rule of Law project is mandated to address environment and natural resource laws and related issues. We recommend that this important task explicitly address how the legal system can be improved to manage natural resource conflict at the community and user group level more fairly and efficiently.
3. **Tenure Rights:** While land tenure related issues are beyond the scope of this assessment, unequal access to land and associated tenure rights are clearly major issues in rural areas. The Maoists have focused a great deal of their attention on this issue because it is of great concern to rural Nepalese and is rooted in social inequality. The displacement of people from rural areas will probably exacerbate tenure issues when people return home to their villages at the end of the conflict to find other claimants to land they believe to be theirs. Property rights land tenure programming would be an important means to reduce long-term conflict over land and the closely related resources: irrigation water and forests.

## **WHAT HAS BEEN LEARNED IN NEPAL THAT MAY BE APPLICABLE TO OTHER ASIAN COUNTRIES?**

1. **User Group Level Natural Resource Conflict Management:** We believe that the key lesson from Nepal's experience with user group natural resource management is **that in socially stratified societies like Nepal's, management of public natural resources through users groups can exacerbate access restrictions to these resources by the socially disadvantaged and landless if measures are not taken to prevent this outcome.**
2. **Managing Natural Resource Conflict During Armed Conflict:** Natural resource user groups are among the few functioning democratic institutions in Nepal at the present time and the resources that they manage are critical for the survival of rural people. For these reasons, donor and NGO projects continue to work with community forestry, buffer zone, and irrigation user groups despite the difficulty and danger of working in Maoist-controlled areas that are in some cases active combat zones. These service providers have adopted adaptive methods of work that include consultation with the Maoists,

maintaining a very low profile in the field, training community members to provide technical support, and providing training in district capitals. The user groups themselves have also had to make adjustments, such as fewer meetings, restricted management activities, and working under Maoist direction in some cases. On the positive side, the Maoists have forced some user groups to be more transparent and inclusive in terms of managing group funds and distributing resources.

3. **Comparisons with Forest Conflict in Southeast Asia:** Conflict management approaches are very context specific, so it is important to recognize how Nepal's context differs from that of Southeast Asian countries, while acknowledging that there are significant differences among the countries in Southeast Asia. In brief, Southeast Asia's valuable tropical forests are being rapidly harvested in a chaotic manner by powerful outsiders who threaten relatively egalitarian forest communities with physical violence. In Nepal, forest resources are limited, have little commercial value outside the Terai, and are the subject of long-standing, low-level conflicts among community members based on deeply embedded social inequality.

# 1.0 BACKGROUND

## 1.1 PURPOSE

This assessment provides an overview of community-level natural resource conflict in Nepal in the context of the armed insurgency being waged by the Nepal Communist Party (Maoist) against His Majesty's Government of Nepal (HMGN)—hereafter referred to as the Maoist insurgency. The scope of the assessment is limited to forest and water resources while acknowledging that conflict over these resources is strongly linked to land tenure issues in rural Nepal. This report is intended to communicate information to a broad audience about the nature of natural resource conflict in Nepal and how this conflict is related to the insurgency, and assist the staff of USAID/Nepal to identify potential programming options.

## 1.2 WHAT IS NATURAL RESOURCE CONFLICT?

Conflicts over natural resources at the community level have many causes and occur in different forms and levels of severity. **There is no internationally accepted definition of what constitutes natural resource conflict; we define it by its result in this report, specifically situations where the allocation, management, or use of natural resources results in: 1) violence, 2) human rights abuses, or 3) denial of access to natural resources to an extent that significantly diminishes human welfare.** Judging when violence has occurred is a relatively objective process while evaluating human rights abuses and denial of resource access is more subjective, with borderline cases difficult to categorize. Determining when these three criteria rise to a level that constitutes conflict may require case-by-case investigation, although similar cases can often be grouped into common scenarios to facilitate evaluation.

Natural resource conflict can be divided into two broad types: **Type I conflict** encompasses situations where armed conflict is financed or sustained through the sale or extra-legal taxation of natural resources (timber and non-timber forest products as well as national park visitor fees in Nepal's case) and **Type II conflict** results from competition over resources among various groups.<sup>1</sup> Type I conflict can have severe consequences for the people living near or depending on the resource because the armed groups involved typically use violence to overcome local resistance. Both types of conflict can result in intimidation, violence, and loss of livelihood resources at the local level, while weakening governance institutions at all levels.

## 1.3 NATURAL RESOURCE CONFLICT AND STATE FRAGILITY IN NEPAL

We framed this assessment in the context of USAID policy and approaches to avoiding, managing, and mitigating conflict. Nepal is clearly a fragile state as defined in USAID's *Fragile States Strategy* (2004). The current political situation and ongoing armed conflict in Nepal indicate that the state is in crisis and vulnerable to failure. The level of political crisis rose in the months after the assessment in late 2005. By early 2006, the King and his government were politically isolated and the armed conflict in stalemate, with the Maoist insurgency controlling most of the countryside. In April 2006, massive political demonstrations in Kathmandu and other cities forced the King to pledge to reinstitute democracy. The Maoists declared a three-month ceasefire and agreed to participate with the other parties in the process of reconstituting Parliament.

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<sup>1</sup> *Conflict Timber: Dimensions of the Problem in Asia and Africa, Volume I: Synthesis Report*. J. Thomson and R. Kanaan, ARD, Inc. for USAID/OTI and USAID/ANE/TS. 2003.

## 1.4 METHODOLOGY AND ACKNOWLEDGEMENTS

This assessment was conducted by a three-person team over the month of June 2005. We interviewed knowledgeable informants and consulted the extensive literature on community and user group natural resource management in Nepal as well as the growing list of books on the Maoist insurgency. We consulted the USAID Office of Conflict Mitigation and Management (CMM) guide *Conducting a Conflict Assessment: A Framework for Strategy and Program Development* (2005) and the CMM toolkits on forest and land-related conflict. We built on the experience we gained in conducting natural resource conflict assessments in Cambodia (2004) and Sri Lanka (2005).

We are indebted to the many people who helped us understand natural resource conflict in Nepal and how it is related to the insurgency. We are particularly indebted to Dr. Bishnu Raj Upreti, who wrote two books on natural resource conflict in Nepal (see references) and also talked with us about his findings. We also wish to thank ForestAction, Nepal, and the United Kingdom Department for International Development (DFID) for permission to summarize their report *Caught in the Cross-Fire* (Kattel et al. 2005). We are also indebted to the many informants who gave freely of their time and ideas. (We interviewed approximately 40 people. We do not include their names to protect their identities.) USAID/Nepal was very supportive of our work in Nepal, providing us with valuable information, advice, and administrative support. We especially wish to thank Dr. Bijnan Acharya, Dr. Naren Chanmugam, and Mr. Netra Sharma Sapkota for their assistance throughout the process.

## 1.5 LIMITATIONS OF THIS ASSESSMENT

We do not attempt to describe the Maoist insurgency comprehensively, but only as it relates to natural resource conflict. During the assessment, we had very limited access to “primary sources” in the countryside, making only two brief field trips.<sup>2</sup> We did not interview officers of the Royal Nepal Army (RNA) nor Maoist leaders, the two principals in the conflict. Virtually everyone living or working in Nepal has a stake in the outcome of the insurgency and related political confrontation, with very few unbiased observers. The people that we interviewed—government officials, donor and NGO representatives, conflict experts, and journalists—see the Maoist insurgency and natural resource conflict through the lens of their personal experience and professional responsibilities. Those involved in field projects would not give details about specific incidents nor would they attempt to quantify the extent of insurgency-related incidents for fear of endangering their field staff.<sup>3</sup>

The information in the report represents a synthesis of the sometimes contradictory information we received from different sources. It is particularly difficult to generalize about the situation in the countryside because it varies widely from place to place and over time. Travel has been severely restricted in recent years due to security concerns, limiting the pool of knowledge about conditions in rural areas. The overall facts surrounding the insurgency, described in Section 3, are widely accepted by knowledgeable observers, while the relative magnitude and importance of its various causes and effects are subject to conjecture and debate. In the report, we identify statements that we know to be controversial or for which we have insufficient information to draw conclusions.

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<sup>2</sup> Field survey results reported by ForestAction, Nepal (Kattel et al. 2005), summarized in Section 3, provide complementary field-based information collected simultaneously with our assessment.

<sup>3</sup> USAID/Nepal and other donors and NGOs that operate field projects have a system for reporting insurgency-related incidents and taking appropriate action to protect field staff.

# 2.0 CONTEXT OF NATURAL RESOURCE CONFLICT IN NEPAL

## 2.1 NATURAL AND HUMAN DIVERSITY

Nepal's most defining feature is its diversity; physical, cultural, and biological. The extreme range in altitude from the Terai lowlands in the south to the tallest peaks in the world along the northern border with Tibet creates a wide range of ecological conditions that have shaped the diverse human livelihood strategies along this altitude gradient. Nepal's long history of human in-migration from north and south provided the basic ingredients for dramatic ethnic and cultural diversity that has evolved over time as human groups have adapted to local ecological conditions and contact with each other.

This report follows the convention of dividing Nepal into three altitudinal/landscape bands commonly referred to as the Terai Lowlands, the Middle Hills, and the High Mountains (hereafter referred to as the Terai, hills, and mountains). The Terai lowlands are relatively homogenous in terms of topography and climate, while the hills and mountains are ecologically diverse. Two-thirds of Nepal's food is grown in the Terai and half of the nation's population lives there compared with 44% in the hills and only 6% in the mountains. The human population of the Terai has increased dramatically since malaria was eradicated in these subtropical lowlands in the 1950s. Hill people have been moving down to the Terai for decades, displacing indigenous ethnic groups and clearing much of the valuable Sal (*Shorea robusta*) forests that covered the region. Forty-one percent of the land in the Terai is cultivated, compared with 9% in hills, and 2% in the mountains. Agricultural production in the Terai is enhanced by the favorable climate, generally good soils, and extensive irrigation systems fed by water from rivers that drain the Himalaya Mountains. In contrast, soils in the hills and mountains tend to be poor and prone to erosion and landslides and hill irrigation systems are limited in size by the steep terrain. Mountain people rely heavily on livestock for their livelihoods.

## 2.2 RURAL POVERTY AND NATURAL RESOURCES

Nepal is one of the poorest countries in the world, ranked 140 out of 177 countries in the United Nations Development Program's



The Himalayan Mountain range and monsoon clouds.



Community Forest in the hills.



Sal forest in the Terai.

PRALAD YONZON AND RAMIZY KANMAN, ARD, INC.

(UNDP) 2004 Human Development Index, with an estimated 42% of the nation's approximately 28 million people living below the poverty line, many in severe poverty. Eighty percent of Nepalese live in rural areas. Most rural households, especially those in the hills and mountains, suffer from chronic food deficits because they are landless or have too little land, and/or face soil and climate constraints, which limit subsistence food production. The rural poor typically harvest natural products to earn income and fill household needs. Most households do not have access to modern medical care and instead rely on natural remedies made from locally harvested plants. Income from family members working in Nepal's cities or abroad are becoming more important for family survival as armed conflict makes it even more difficult to earn a livelihood in the countryside.

### **2.3 POPULATION GROWTH AND ENVIRONMENTAL DEGRADATION**

Much of the land in Nepal's hills is degraded and forests have been felled at a rapid pace in recent decades. These environmental problems are commonly thought to be the result of the country's rapidly growing population, which increased from 5.6 million in 1911 to almost 28 million today. The environmental effects of population growth and the resulting resource scarcity are believed by some analysts to be among the underlying causes of the insurgency. Matthew and Upreti (2005) conclude that "We believe that rapid population growth and environmental degradation are important elements of what has gone wrong in Nepal and they must be addressed before stability can be restored."

### **2.4 A LEGACY OF SOCIAL DISPARITY AND NEPAL'S POLITICAL CRISIS**

Nepalese society is rigidly hierarchical; pervasive social inequality based on caste, ethnicity, and gender is deeply rooted in culture, religion, and centuries of feudal rule. Social inequality is comprehensive, including disparity of access to livelihood resources, government services, and economic opportunity. This has caused great resentment among the groups at the bottom of the social hierarchy, who are typically the poorest and least educated members of Nepalese society. Nepal's monarchy symbolizes this social hierarchy and inequality in the minds of many Nepalese. In 1990, a popular movement led by underground political parties successfully forced the King at the time to change the form of government from absolute to constitutional monarchy, with multi-party democracy in place of the previous one-party system controlled by his government. This political change created expectations of greater social equality that have yet to be met.

Repeated democratic elections in the 1990s brought a series of short-lived governments to power that were largely ineffective because most of their effort went into political maneuvering rather than addressing pressing economic, governance, and social issues. Most importantly, the political parties took virtually no concrete action to dismantle the entrenched social hierarchy; political power remained in the hands of the higher castes. The Communist Party of Nepal (Maoist) had limited success at winning parliamentary seats in democratic elections and remained critical of the other parties and the king. The Maoists issued a list of political demands aimed at radical political transformation and an overthrow of the social hierarchy. Ironically, many of their demands were similar to those that had been issued by the other political parties in their struggle to overthrow the absolute monarchy. When the mainstream political parties failed to deliver on their social agenda, the Maoist call to arms found a receptive audience among some of the poor and socially disadvantaged.

### **2.5 THE MAOIST INSURGENCY**

The Communist Party of Nepal (Maoist) began its armed fight against the government in February 1996 in one district in central Nepal. The insurgency has spread to cover the entire country over the past decade and has grown dramatically in military strength. The Maoists have expanded their fighting forces through both voluntary and involuntary recruitment and have raised money through robbery of government banks, "taxation" of salaries as well as agricultural and natural products, and extortion from businesses. The Maoists now control most rural areas except in the immediate vicinity of district capitals and army posts, maintaining

some governance functions but providing few services. The Maoist command structure is decentralized, with district-level commanders setting local policy that can vary greatly from district to district, determining the local severity of the conflict impacts described in Sections 2.5 and 2.6. Some Maoist units are believed to be using the war as an opportunity for self-enrichment and in some areas bands of common criminals are masquerading as Maoist forces in order to extract money from businessmen.

The Maoists use of brutality, forced recruitment, and “taxation” of almost every form of economic activity to further their armed campaign has cost them much of the goodwill that their policies initially created among the poor. The negative impacts of the insurgency increased in November 2001 when the RNA was called upon to join the police in battling the Maoists. Rural people are caught between the military forces of the Maoists and the RNA, with both sides accused of brutality and human rights abuses (INSEC 2005). Almost 13,000 people have been killed as a result of the insurgency, with many more injured or maimed. Local government officials, policemen, and civil servants have been particular targets of the Maoist forces. Rural people are often innocent victims of violence or are specifically targeted as suspected collaborators with the opposing force. The limited system of public infrastructure in rural areas has been severely weakened by Maoist attacks and suspension of maintenance, further restricting transportation, education, health care, electricity, and other government services.

Life in the countryside is insecure as the result of sporadic battles and intimidation by both sides. Insecurity makes it even more difficult for the poor to earn a living and has reversed many of the modest rural development achievements of previous decades. Many people have fled the countryside for district capitals, Kathmandu, the Terai, or India, leaving their fields and homes unattended. Social relationships are disrupted by the fear and suspicion that the insurgency has bred, compounded by the fact that families are broken up by either forced recruitment by the Maoists or displacement. Nepal’s economy has contracted sharply during the insurgency, with the war having an especially large impact on the nation’s important tourism industry. Opportunities for rural wage employment are severely reduced in most areas compared with pre-conflict conditions and access to natural resources is more difficult, making the plight of the poorest even more desperate than it was.

## **2.6 FORESTS AND CONFLICT**

### **2.6.1 Nepal’s forests**

The species composition and commercial value of Nepal’s forests varies greatly with altitude. The Terai forests contain valuable timber but are in rapid decline, hill forests consist of intensively used patches, and mountain forests grow only in areas with favorable ecological conditions. Nepal’s forests cover approximately 4.4 million hectares (ha) and have declined in coverage and quality over recent decades. A comparative study of forest cover between 1978/1979 and 1990/1991 indicated a 7% loss of forest cover nationwide, with an 18% loss in the Terai and a 15% loss in the high mountains (DFRS 1999). Hill forests have been more stable as the result of the community forestry program.

Nepal’s forests have always been important livelihood resources, providing building materials, food, medicine, and animal feed for rural families. Until the 1950s, Nepal’s hill forests were managed at the community level, often under the direction of prominent local families, and Terai forests were sparsely populated by forest-dependent, indigenous groups. Nepal’s ruling families harvested valuable Terai timber for domestic use and export, while turning some of the forests into hunting preserves. The Forest Nationalization Act of 1957 transformed all forests into state property, turning them into *de facto* open access resources because the government had little or no forest management capacity.

Terai forests have been progressively cleared for agriculture over recent decades and extensive forest tracts have been included in the national forest estate under the management of the Department of Forest (DOF). These forests were a lucrative source of illegal income for forestry officials prior to the insurgency and illegal smuggling of timber to India has always been a problem. The former royal hunting preserves in the Terai are now national parks or otherwise protected. DOF forest management and enforcement has virtually stopped



Logs harvested in the Terai.

in recent years as the Maoists have targeted forestry officials and forest guards have been disarmed. Remaining forest blocks are being degraded through illegal harvesting of large trees by various groups including Indian smugglers, villagers, and perhaps the Maoists. Informants indicated that the Maoists “tax” a substantial portion of the harvest, including trees harvested by logging contractors with government harvesting permits and Community Forest User Groups (CFUGs).

Community forestry has been touted as Nepal’s natural resource management success story. Approximately 13,300 user groups have been formed, whose members comprise 35% of the nation’s population and manage 1.1 million ha of forestland, one-quarter of the national total. The formation of CFUGs and handing over of management responsibility to them accelerated in the 1990s when multi-party democracy and extensive donor support encouraged rapid growth. Community forestry was seen by the Ministry of Forestry and Soil Conservation (MFSC), donors, and NGOs as a means to alleviate poverty in the densely populated hills by providing subsistence resources that were in increasingly short supply.

Community forests are primarily intended to produce fuelwood, poles, fodder, grass, and leaf litter, which are distributed among the users, with excess products sold locally at relatively low prices. Half of all community forests are less than 10 ha in size and do not produce enough to meet the subsistence needs of user group members. In 2002, CFUGs that managed larger forests were estimated to have sold more than \$10 million worth of goods (Kanel 2004). The number of CFUGs in the Terai is a fraction of that in the hills, but the forest tracts are larger and can provide substantial cash income for communities if they contain mature timber species. The average income of Terai CFUGs is over 50 times that of hill CFUGs and can in some cases produce tens of thousands of dollars worth of timber per year.

Research indicates that socially dominant and relatively wealthier villagers capture most of the benefits from community forests, while poorer CFUG members bear a disproportionate share of the management costs (Kanel 2004). The landless poor are often excluded from using forest resources that were more available to them under previous open access regimes. The MFSC, donors, and the Federation of Community Forest Users Nepal (FECOFUN) agree that second generation issues have emerged now that basic procedures for establishing community forests have been institutionalized. The most important of these issues is that in the majority of CFUGs, management composition and benefit distribution reinforces rather than reduces social inequality. On the positive side, CFUGs are among the few functioning democratic institutions in Nepal at the current time.

## 2.6.2 Non-Timber Forest Products

Nepal has a diversity of non-timber forest products (NTFPs) including aromatic, medicinal, food, and fiber plants. Many of these species grow in the hills and mountains, providing an important supplemental livelihood resource for families who can grow only enough crops to feed themselves for a few months of the

year. Wild plants are the only source of medicine for many rural families. The total trade in NTFPs in Nepal is estimated at US \$18 million per year (Kanel 1999), with the harvesters getting about 30% of the total value. Most NTFPs are open access resources and are overharvested as a result. Fires and uncontrolled grazing also threaten the sustainability of harvesting many of the species. HMGN taxes valuable NTFPs and the Maoists tax almost all NTFP production, which has resulted in the virtual cessation of harvesting of low value/high bulk products. At the other end of the spectrum is *yasa gumba* (see text box), which is estimated to yield approximately US \$500,000 in annual “tax” revenue for the Maoists.

**Yasa Gumba**  
*Yasa gumba* is the fruiting body of a fungus (*Cordyceps sinensis*) that parasitizes the larvae of a moth while in its cocoon stage just beneath the ground surface in mountainous areas. It is harvested in the spring when the white fruiting body breaks the ground surface. Collectors come from many parts of Nepal and sometimes pay local communities for harvesting rights. Used in Chinese medicine as an energy enhancer and remedy for impotence, each piece is sold for about 40 US cents. One kilo sells for approximately US \$1,000 in the collecting areas and can be worth up to \$2,500 in China. It is believed that 95% of the crop is currently being taxed by the Maoists and exported directly to Tibet.

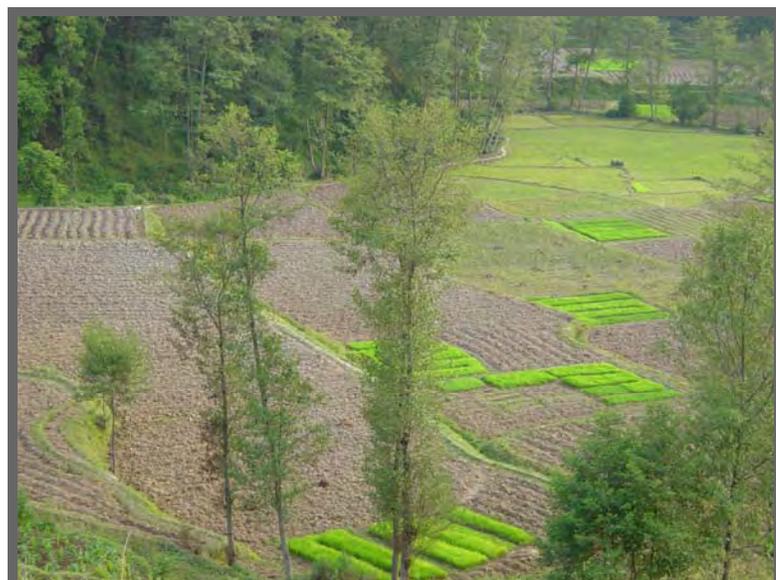
## 2.7 WATER AND CONFLICT

### 2.7.1 Nepal's Water Resources

Nepal has a large supply of water in proportion to its size and has the potential to produce large quantities of hydropower because of the steep gradient of the rivers flowing out of the Himalayas. The potential for large-scale hydro development is unrealized for political and financial reasons, including failure to reach agreement with India, the obvious customer for the power. Micro- and small- to medium-scale hydropower systems have been developed to serve remote communities and urban areas, respectively. Nepali rivers feed large irrigation systems in the Terai and smaller, but older, systems in the hills. Water flow is highly seasonal, which limits irrigation to one cropping season per year in many places. In the hills and mountains, access to drinking water is difficult for many communities, especially in the dry season. Water pollution has become a significant problem in the Kathmandu Valley and downstream of large factories in the Terai.

### 2.7.2 Irrigation

Irrigation has a long history in Nepal, with well-established traditional institutions and procedures for management of the thousands of Farmer Managed Irrigation Systems (FMIS) in the country. Most of the FMIS are in the hills, while Government Managed Irrigation Systems (GMIS) in the Terai commonly cover tens of thousands of hectares, with thousands of users. In large systems, user management bodies have a hierarchical structure based on the size order of distribution canals. Irrigation water is a precious resource with highly evolved management institutions that is subject to common types of disputes and conflicts among users. Conflicts can be minimized or managed through good governance in Irrigation Water Users Associations (IWUAs) and good technical design of systems. As is the case with community forests, wealthier people tend to benefit more and pay proportionally less in maintenance fees and time than poorer users. The



Irrigated fields in the hills.

RAMIZY KANAAN, ARD, INC.

poorest farmers in the Terai do not even own irrigated land but rather farm the land of large landowners as sharecroppers or laborers.

### 2.7.3 Water Supply

Access to clean drinking water is limited for most households in rural Nepal. Springs and year round surface water is scarce in most parts of the hills and mountains. Women and girls must often walk long distances every day to fetch water for their families. People from the *Dalit* or untouchable caste are not allowed by religious and social custom to take water from the same source as other members of the community, adding to their social and economic disadvantages. Water from the municipal system in Kathmandu is highly polluted and runs only sporadically.

### 2.7.4 Hydropower



Only a fraction of the hydropower potential of Nepal is developed, but the few systems that do exist have produced significant local social and environmental impacts during construction and operation, creating conflict with people at the dam site and downstream. Upadhyaya (2004) found that three groups of people are affected by hydro projects:

1. Those in the vicinity of the project whose land is acquired suffer social disruptions during construction and pollution afterward;
2. Downstream communities affected by low dry season flows, flooding, and pollution; and
3. Upstream communities affected by access roads, transmission lines, and forest clearance.

These affected groups generally do not benefit from hydropower in proportion to the costs to them. For example, the Trishuli Hydro-Electric Plant (HEP) reduced water flow downstream for four kilometers (km), causing fish populations to decline and forcing an end to recreational rafting on that part of the river. Pollution also increased and large swaths of forest were felled during construction to meet the fuel needs of more than 5,000 workers. Prior to the construction of the Kulekhani HEP, 233 ha of the best agricultural land was acquired, forcing 500 households to move. Even though cash payments were given, people were worse off afterward. The river downstream was completely dry during the dry season and many species of fish were lost. Irrigation systems ran dry and a number of traditional grain grinding mills went out of business. Children are swept away by flash floods when water is released in the rainy season. Case Study No. 2 in Appendix A describes how conflicts resulting from the Middle Marshyangdi Hydropower Project were managed through interventions by CARE/Nepal working with two local NGOs.

### 2.7.5 Competition Among Uses and Pollution

Competition to use the same water source for mutually exclusive purposes is a localized problem in Nepal, involving conflicts between hydropower, irrigation, drinking water, and industrial use. Transboundary water

use agreements generally favor India, increasing the potential conflict over water. Water conflicts are likely to increase with the construction of more hydropower systems or increased industrialization. The recent Water Law embraces the Integrated Water Resources Management (IWRM) approach to water allocation to avoid conflicts among categories of users, although this approach has not yet been applied to a river system.

Serious water pollution is a localized problem in Nepal that occurs predominately in the Kathmandu Valley and downstream from industrial plants in the Terai. The Bagmati River in Kathmandu has important religious significance for Hindus and is also a major recipient of domestic and industrial wastes. This river is now so polluted that it cannot be used for water supply or religious bathing, creating a conflict with previous users. This conflict situation is very complex and diffuse because so many polluters and potential users are involved.

## 2.8 BIODIVERSITY AND CONFLICT

### 2.8.1 Protected Areas and Buffer Zones

Protected areas (PAs), especially those in the Terai, have been a source of conflict with communities living inside and adjacent to the parks for decades. Prior to PA establishment, these communities grazed livestock; grew crops; and harvested fuelwood, grass, and building material on what is now protected land. People living inside PAs in the Terai have been resettled and people living in buffer zones around the PAs were aggrieved by the greatly restricted access to PA natural resources, which was exacerbated by crop damage and even death from wildlife that wandered out of the parks. Community management of buffer zone forests, initiated in 1993, has reduced conflict around Royal Chitwan National Park and Sagamatha National Park, by sharing 30 to 50% of park revenues with Buffer Zone User Groups (BZUGs) and giving these groups management authority over buffer zone forests. Park revenues from visitor fees have been drastically reduced in the last few years as a result of the insurgency. BZUGs suffer from the same problems of inequality among members as CFUGs and IWUAs.

The Maoists use some PAs as sanctuaries and training areas and are known to be particularly active in Dhorpatan Hunting Reserve, Makalu-Barun National Park, Royal Bhardia National Park, and the Annapurna Conservation Area. They have destroyed buildings in some parks, forced park personnel out, and killed staff (see text box). Conservation NGOs indicate that the Maoist presence gives buffer zone and within-park communities greater leverage to demand development assistance from their projects with less commitment to participate in conservation activities, making it more difficult to achieve positive conservation outcomes. It is not known if the Maoists have a specific agenda with respect to PAs. Individual commanders may simply make use of them as refuges and sources of revenue.

#### Protected Areas and Conflict

Over 50 insurgency-related incidents resulting in property damage, injury, or death have occurred in Nepal's protected areas since the insurgency began. Seven unarmed park staff have been killed by armed insurgents. RNA units protect 11 of Nepal's 16 protected areas, but have reduced or eliminated patrols since November 2001, allowing the Maoists to use the parks for training or as a source of cash from poaching or logging. The staff of six PAs have been forced to move their office to district headquarters for protection. In Makalu-Barun National Park and Annapurna Conservation Area, the Maoists charge foreign tourists a \$20 to \$50 trekking fee and extort money from hotels and trekking services.

### 2.8.2 Wildlife

Reduced security inside PAs has provided opportunities for wildlife poachers and illegal loggers as the result of the RNA's reduced ability to patrol PAs since they began fighting the Maoists in late 2001. As a result, the number of rhinos in and around Royal Chitwan National Park has declined by 32% over the last five years (2000-2005), after decades of successful conservation. It is not known if the Maoists encourage poaching or "tax" the poachers. Maoist control of much of the countryside is believed to have allowed wildlife smugglers to increase traffic to Tibet in parts of tigers, leopards, rhinos, and other species from animals poached in Nepal and India. It is believed, but not known, that Maoist units protect and tax this trade. Other than this increased trade in large mammals, it is not known how the insurgency is affecting populations of other animals or the ecosystems upon which they depend.

# 3.0 FINDINGS

## 3.1 MAJOR CAUSES OF THE CONFLICT

We believe that the **major causes** of the armed conflict in Nepal are:

1. Rapid population growth and resulting environmental degradation and resource scarcity;
2. Social inequality and resulting skewed access to natural resources and services;
3. Very restricted education and economic opportunities outside urban areas resulting in widespread rural poverty; and
4. The failure of successive Nepalese governments under absolute monarchy and multi-party democracy to address these above causes in a meaningful way.

## 3.2 HOW IS NATURAL RESOURCE CONFLICT RELATED TO THE INSURGENCY?

Natural resources are linked to the armed conflict between HMGN and Maoist forces in five ways:

1. **Underlying Cause:** Resentment over discriminatory natural resource access is one of the underlying political causes of the insurgency, helping to attract recruits to the Maoist cause in the early stages of their uprising. Social inequality based on ethnicity, caste, and gender is deeply rooted in Nepalese society and is manifested in virtually all aspects of Nepalese life, including natural resource access and land tenure. People at the bottom of the social hierarchy have faced restrictions on land ownership, forest resource access, and water use for centuries that negatively affecting their livelihoods and welfare from generation to generation, and causing deep resentment among members of these groups. This resentment grew over the last half of the twentieth century as newly introduced government services, such as education and health care, remained largely beyond the reach of the poorest. In the 1990s, democratically elected governments raised expectations for greater equality, but failed to deliver on their promises, causing even greater resentment, and creating a base of support for the Maoist insurgency among the poorest members of society.
2. **Funding Source:** Maoist military operations are partially funded in some areas by “taxes” on natural resources, including timber, NTFPs, medicinal and aromatic plants, and national park visitor fees.
3. **Refuge:** Forests provide bases of operation and refuge for Maoist forces and both sides restrict access of rural people to forest areas. The RNA clears forests for hundreds of meters around their posts to prevent surprise attacks.
4. **Altered Dynamic of Natural Resource Use and Conflict at User Group and Community Level:** The insurgency has disrupted management of, and conflict over, forest resources and irrigation water at the user group level by removing government oversight and support, creating an atmosphere of insecurity and distrust, and replacing the government’s legal framework with Maoist management dictates. While this altered dynamic adds to the complexity of widespread and chronic conflicts and disputes over forest and water resources at the community and user group levels, it has in some cases forced the socially empowered to consider the needs of the socially excluded. Natural resource conflicts at the community level are seldom violent, usually ending in resolution or continuing through smoldering animosity. Traditional and local government mechanisms for conflict management and resolution have been weakened as the result of multi-party democracy and the Maoist insurgency, making it more difficult to achieve positive outcomes (see Section 4).

## Forest Conflict in Nepal Through the Eyes of the Poor

This box summarizes relevant findings of a recent DFID-funded survey conducted by ForestAction in Nepal during May and June, 2005 (Kattel et al. 2005). They captured the views and experiences of the people most affected by armed conflict, providing an important complement to the information upon which our assessment is based. The ForestAction survey focused on understanding how the Maoist insurgency has affected the livelihoods of the forest and tree-dependent poor and what these people and their NGO service providers perceive as the major problems facing the poor in the current environment. The survey covered four districts, two in the hills and two in the Terai, and included people from the following four groups: resource-poor farmers, occupational castes and traders; landless rural people; and the urban poor.

The ForestAction authors reach the following summary conclusion based on the survey findings:

**“The problems prioritized by the focus groups and service providers in this survey are ... fundamental, and relate to power, hierarchy, subordination and exploitation...The structures of resource access ... are historically rooted in class distinctions that distort even well-intentioned policies in practice... The community forestry program in Nepal has led to some - but not sufficient - reform.”**

Based on this conclusion, the authors endorse the assertion that:

**“Complete social transformation would be needed to address underlying problems and end the conflict.”**

The authors also point out the irony that the avowed purpose of the Maoist insurgency is to free the poor from the feudal system under which they have suffered for centuries, but the cost of the war is being borne disproportionately by the poorest members of Nepalese society.

Survey respondents identified the following priority problems in their lives, many of which are caused or exacerbated by the insurgency:

- Armed violence,
- Strikes,
- Lack of food security,
- Lack of social security,
- Lack of health services,
- Unemployment and low income caused by low wages and diminished wage labor opportunities,
- Degradation of or reduced access to natural resources,
- Social discrimination,
- Lack of control over decision making,
- Lack of awareness and education, and
- Alcoholism

The respondents provided the following details about those problems that are of greatest relevance to this assessment:

**Lack of food security** is caused by a number of factors; for example, many people have been forced to abandon their crops due to the physical danger of working in the fields; able-bodied family members have either been conscripted by the Maoists or have fled to the cities, leaving the old and sick who are unable to grow crops; Maoists soldiers demand to be fed; and there is less wage employment available in rural areas.

**Lack of social security** is caused by the breakdown in social cohesion in rural areas because violence and intimidation by both sides in the conflict has produced a general atmosphere of mistrust and a weakening of kinship and social relationships.

**Degradation of or reduced access to natural resources** is caused by use of forests as Maoist refuges and battlegrounds; efforts by the army to prevent local people from entering forests; and restrictions on community forest management by both sides. In the Terai, the poor have greater access to forest resources because state forests are no longer patrolled by government guards.

5. **Forest Management and Biodiversity Conservation Disruption:** The government's ability to enforce forest management laws and protect wildlife and other biodiversity resources within and outside protected areas has been greatly reduced as a result of the armed conflict, putting these resources at risk. This management vacuum has led to accelerated forest degradation in the Terai and increased poaching of some wildlife species.

### 3.3 NATURAL RESOURCES CONFLICT SCENARIOS

#### 3.3.1 Type I Conflict

Maoist use of natural resources to fund their military operations seems to vary widely in different parts of the country and over time. They have shown themselves to be opportunistic, obtaining funds from whatever sources are at hand. Early in the insurgency, they robbed banks to get cash. Over the past decade they have set up systems for levying taxes on salaries and extorting money from businesses. We do not know what percentage of their total funding comes from the various ways of "taxing" natural resource use listed below. For some Maoist units, especially those in the high mountains and along the border with India, taxes on NTFPs and timber, respectively, may provide a significant portion of their funding.

- The Maoists tax timber harvested by community forest groups and government-appointed logging contractors. Community forestry products are reportedly taxed from 2 to 50% with Terai timber most heavily taxed.
- The Maoists tax collectors and traders of medicinal and aromatic plants and other NTFPs.
- The Maoists charge foreigners visitor fees for entering at least two national parks and also extort money from trekking operators and hotels.
- The Maoists are believed to profit in some way from wildlife poaching, either by taxing the poachers or the traders.
- The Maoists tax larger landowners as a percentage of their crop from irrigated land and in some cases have displaced landlords and taken a portion of the harvest of sharecroppers.
- Maoists have taxed some hydropower systems and have sabotaged others.

#### 3.3.2 Type II Conflict

Competition over natural resources at the community level is deeply embedded in Nepalese history and society as discussed in Section 2. This conflict is chronic but generally not violent. The Maoists and their war with the RNA has changed the social and governance framework within which natural resource conflict occurs in ways that can be bad, good, or neutral for the poorest users and the resources themselves. Natural resource conflict under the insurgency continues to be largely non-violent, except in cases where the Maoists have killed forestry and park guards or both sides have killed innocent Nepalis for entering forested areas.

##### Terai Forests

- Anecdotal evidence indicates that there have been clashes between armed timber smugglers from India and Maoist forces over control of the illegal timber trade in the Terai.
- There have been conflicts over forest resources in government-owned forests in the Terai between adjacent communities or with distant users. These inter-community conflicts are generally not violent.
- Internally Displaced Persons (IDPs) from the hills have illegally settled on forest estate lands in the western Terai. This implicit conflict with the government is reported to involve tens of thousands of people.

### Hill Community Forests

- Conflicts over community forest boundaries between user groups or with adjacent private land owners are common but usually do not lead to violent conflict.
- Conflicts within user groups over distribution of products or assignment of workload tend to be chronic within CFUGs but usually do not lead to violent conflict.
- There is implicit conflict between CFUGs and the landless who get few, if any, benefits from community forests.
- The Maoists create low-level conflict with CFUGs in a number of ways including restricting access to the forest, taxing products, limiting group meetings, dictating harvest targets, replacing group leaders, and restricting the activities of donor and NGO projects that are assisting CFUGs.

### Irrigation

- Conflict can occur between head and tail end users when water is not scheduled in a way that balances supply over time between the two ends of the system or between users close to and farther from the canal.
- Conflict occurs between large and small landowners over equitable contribution of labor and money to maintain systems.
- The Maoists create conflict with IWUAs by interfering in their operations, unilaterally replacing officers, and restricting the activities of the field workers of donor and NGO projects that are assisting IWUAs.

### Water Supply

- Village water sources are often on private property and the owner restricts access to the water, creating conflict with other members of the community.
- Streams that are used for drinking water are sometimes partially diverted for irrigation, leaving little drinking water in the dry season, and creating conflict with downstream users.
- Sometimes when piped drinking water systems are developed by the government or donors, the placement of the taps inadvertently disadvantages some segments of the community, causing lasting low-level conflict.

### Hydropower

- Forced resettlement of families out of the area of the dam, reservoir, and transmission lines causes lasting resentment among the resettled and is a latent source of conflict.
- Hydro dams create conflict with people living downstream by causing dramatically reduced flows in the dry season and unexpected flood flows in the wet season, endangering both life and property; forcing the abandonment of irrigation systems and water-powered grinding mills due to inadequate flows; and destroying fish populations, causing a livelihood impact.

### Protected Areas and Buffer Zones

- PA managers and buffer zone communities disagree over resource access and wildlife damage.
- Maoists, RNA, and PA Managers fight over physical control of protected areas.
- There is conflict over management objectives: restrictions by the Maoists on the movement and activities of the field workers of donor and NGO projects that are assisting communities living inside PAs (in the mountains) and outside PAs in the Terai. The Maoist presence shifts the balance of conservation projects toward development and away from conservation.

Wildlife:

- There is conflict between PA managers/RNA and wildlife poachers; and
- Conflict between RNA/police and wildlife smugglers/Maoists over control of illegal wildlife trade transit routes.

# 4.0 MANAGING NATURAL RESOURCE CONFLICT IN NEPAL

## 4.1 THE CURRENT SITUATION

By tradition and law, Nepal has a range of formal and non-formal methods to manage or resolve conflict. Conflict over natural resources can rarely be resolved once and for all, but must be managed through credible and trusted institutions at the user group or community level. Low-level conflict is a normal part of village life, although chronic conflict based on social discrimination created animosity that helped to provide initial support for the Maoist insurgency, as discussed in Section 2.

Prior to the insurgency, rural Nepalis were reluctant to enter into open conflict with fellow community members for fear of disturbing the web of social

relationships that extend to all aspects of life. Villagers were willing to either live with latent conflict or seek a non-violent means to resolve it. Traditional conflict resolution methods have been weakened by distrust among community members that developed as communities fractured along political party lines during the 1990s. In those years, people sought to settle disputes by aligning themselves with a political party, rather than relying on traditional dispute resolution mechanisms. The insecurity and mistrust created by the Maoist insurgency has made it difficult, if not impossible, for rural people to access formal government-sponsored dispute resolution mechanisms.

The conflict resolution mechanisms that are currently, or were formerly, available to rural people are:

- Rural people traditionally turn to village elders or religious leaders to settle disputes within families or among households, especially if all disputants are from the same caste/ethnic group. This system still exists, but is weaker than in the past, largely as a result of social disruption caused by the insurgency.
- User group committees for FMIS or community forests are often empowered through their constitutions to settle conflicts related to the resource being managed. The fairness of the decision is sometimes in question if the committee has a vested interest in the outcome.



Fish cages on Lake Phewa in Pokhara.

PANZY KANMAN, ARD, Inc.

- Donors and NGOs are teaching mediation techniques to villagers to allow them to mediate disputes in their communities (e.g., the Asia Foundation conducted a village-level mediation training program with USAID funding).
- Village Development Committees (VDC) and District Development Councils (DDC) are legally empowered to resolve certain types of conflicts, but these bodies were disbanded in 2002 (government efforts to reelect DDC members in early 2006 were widely boycotted).
- Sectoral officials, such as the District Forest Officer (DFO) and the District Irrigation Officer (DIO), are empowered to resolve conflicts in their technical areas but these officials are often seen by the users as being too self-interested to render an unbiased judgment.
- Rural people sometimes turned to the police to settle conflicts but most rural police posts are closed.
- District courts are seen as a last resort for conflict resolution because using the courts are too expensive for most people, legal cases often drag on for years, and judges are viewed as being partial to their own ethnic group and/or corrupt.
- Maoist leaders provide an alternative system of conflict resolution, in which a decision is made on the spot based on a hearing of both sides in the conflict or dispute.

#### **4.2 LAYING THE GROUNDWORK FOR THE END OF ARMED CONFLICT AND REESTABLISHMENT OF DEMOCRACY**

The insurgency has constrained the expression of community-level natural resource conflict because people fear calling attention to themselves through open conflict. A portion of the potential disputants have simply fled from their home villages. When the insurgency ends, and people return home and resume their normal natural resource use patterns, they may find themselves in a situation where pre-insurgency conflict management mechanisms are no longer effective. **If the insurgency creates a social and political transformation, a major driving force behind much of the conflict would be removed, making way for the evolution of new conflict management mechanisms. If, however, there is a return to the status quo, but with the traditional mechanisms rendered ineffective, escalating conflict over natural resources could help push the country back toward another cycle of armed violence.**

A view commonly expressed by interviewees during this assessment, and affirmed by the authors of several of the documents we consulted, is that ending the Maoist insurgency and reestablishing a workable form of democracy will require taking meaningful steps to address institutionalized social discrimination and control rampant corruption in government (which reflects and reinforces the system of social discrimination). Simply reinstating democracy without changing underlying attitudes, reflected in the way that the political parties operated in the past, will not be effective. No one we talked with offered a plan for achieving this social and political transformation, but most felt that change in rural villages is a good place to start, given the current political impasse at the national level. Maoist *de facto* control of most rural areas presents a serious obstacle to outside intervention at the village level, making it difficult to offer political or development alternatives.

With VDCs and DDCs disbanded, natural resource user groups are the only democratically elected institutions that continue to operate in rural areas. Government officials are largely prevented from traveling outside district capitals, so there is virtually no government presence in most rural areas. While the majority of IWUAs and CFUGs suffer from elite capture, these institutions remain the most promising means to improve the livelihoods of the poor, to demonstrate the principle of equal access to resources, and to develop a grassroots understanding of democracy upon which to rebuild democratic institutions in the country. USAID's *Fragile States Strategy* points out that:

“In cases where political reform is lacking at the highest levels, capacity building at lower levels in government may be appropriate to avoid complete institutional collapse – e.g. in key social sectors – and consequently speed later recovery ... there is a need to link longer term institution building with short term initiatives.”

The *USAID Conflict Mitigation and Management Policy*, developed by the Office of Conflict Mitigation and Management (CMM), in the Bureau for Democracy, Conflict, and Humanitarian Assistance (DCHA) states that:

“Agency managers are tasked with identifying bold new programmatic interventions to address the development and humanitarian challenges causing or resulting from violent conflict...sensitivity to conflict must be mainstreamed into all of our assistance.”

This assessment is focused on natural resources, where inequality of access has created widespread grievances in rural areas, providing an important initial incentive to Maoist violence. It is important to address the roots of this grievance to reduce the incentive for continued violent conflict. The CMM guideline *Conducting a Conflict Assessment: A Framework for Strategy and Program Development* supports this view:

“The greater the competition, inequality, and discrimination among groups in a given society, the greater the salience of ethnic or religious identities and the greater potential for conflict. For example, if ethnicity overlaps with other forms of grievance, such as political exclusion or economic dissatisfaction, this is a more destabilizing and volatile mix than if it does not.”

# 5.0 PROGRAMMING OPTIONS FOR USAID/NEPAL RELATED TO MANAGING NATURAL RESOURCE CONFLICT

The *USAID Conflict Mitigation and Management Policy Implementation Guidelines* divides approaches to conflict into mitigation and conflict management. Mitigation activities related to natural resource conflict could include community-based reconciliation using forest or water users' groups as a point of entry for reconciling social tensions. Conflict mitigation is distinct from other development assistance and has primarily short- and medium-term goals. The programming options that we propose below fall under the category of Conflict-Sensitive Development and could provide a basis for a return to peace and democracy at the grassroots, district, and national levels.

## 5.1 IMPROVED GOVERNANCE AT THE USER GROUP LEVEL

USAID/Nepal, through its SAGUN and SAMARPAN Programs, is working to improve natural resource governance within selected IWUAs, CFUGs, and BZUGs, specifically to encourage more equal participation of disadvantaged groups and women within the management structure of these groups and to develop mechanisms for more equitable sharing of resources and benefits among user group members. It is not within the scope of this assessment to evaluate the performance of individual projects,<sup>4</sup> however the findings of this assessment indicate that interventions at the user group level are an effective means to address current natural resource conflict as well as lay the basis for a long-term system for managing conflict by ensuring greater equality of resource access. Equality of access will help to relieve long-term social tensions, thereby removing a key grievance that the Maoists used to build support for their cause.<sup>5</sup> Successfully institutionalizing democratic values and behavior at the user group level lays the foundation for responsible participation in democratic governance at the local and national levels.

Providing immediate benefits to poor and marginalized people will help to alleviate the severe livelihood impacts they have suffered from the insurgency and will prepare them to take a more active role in natural resource governance institutions in the post-conflict period. USAID support of user groups has the added benefit of maintaining biodiversity and other values of forests and buffer zones.

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<sup>4</sup> Capturing the lessons learned from these projects would be very useful as a basis for the design of future programming.

<sup>5</sup> At this point in the insurgency, the Maoists seem to have largely abandoned attempts to appeal for grassroots political support in favor of simply trying to maintain enough cash flow to maintain their military operations.

## **5.2 RULE OF LAW**

Nepal's judicial system currently does not offer a real alternative for settling conflicts over natural resources at the community level because cases move through the system very slowly and judgments are implicitly biased towards the high caste, wealthy, educated, and politically well connected. Corruption among government officials and the judiciary exacerbate the systemic problems. USAID/Nepal's current Rule of Law project is scheduled to address environment and natural resource laws and related issues in the next fiscal year. We recommend that this important task explicitly address how the legal system can be improved to manage natural resource conflict more fairly and efficiently.

## **5.3 TENURE RIGHTS**

While land tenure-related issues are beyond the scope of this assessment, unequal access to land and associated tenure rights are clearly major issues in rural areas. The Maoists have focused a great deal of their attention on this issue because it is of great concern to rural Nepalese and is rooted in social inequality. The displacement of people from rural areas will probably exacerbate tenure issues when people return home to their villages at the end of the conflict to find other claimants to land they believe to be theirs. Property rights/land tenure programming would be an important means to reduce long-term conflict over land and the closely related issues of irrigation water and forest resource use rights.

# 6.0 WHAT HAS BEEN LEARNED IN NEPAL THAT MAY BE APPLICABLE TO OTHER ASIAN COUNTRIES?

## 6.1 USER GROUP-LEVEL NATURAL RESOURCE CONFLICT MANAGEMENT LESSONS

Nepal provides a wealth of lessons for managing conflict within irrigation systems and forests at the user group level. Group management of FMIS has evolved for centuries and provides important insights regarding institutional arrangements and techniques for managing conflict in small irrigation systems. There is extensive literature on this topic, the details of which are beyond the scope of this report (Upreti [2002] provides an overview). The more recent GMIS in the Terai also offer insights into group management of much larger systems involving thousands of users. After more than a quarter century of experience, and now involving more than a quarter of the people in Nepal, community forestry also has important lessons to teach about institutional arrangements and conflict management mechanisms at the user group level. The Proceedings of the Fourth National Workshop on Community Forestry (Kanel et al. 2004) contains a wealth of details in its papers regarding lessons learned from this massive development and natural resource management program.

We believe that the key lesson from Nepal's experience with user group natural resource management is that **in socially stratified societies like Nepal's, management of public natural resources through user groups can exacerbate access to these resources by the socially disadvantaged and landless if measures are not taken to prevent this outcome.** This can lead to chronic conflict at the user group level and serve to increase discontent among the poorest that eventually could be expressed as political violence. This issue is now understood by HMGN, civil society, and the donor community and methods for making user groups more egalitarian are being tested. It may be some time before clear lessons emerge that can be transferred to other countries.

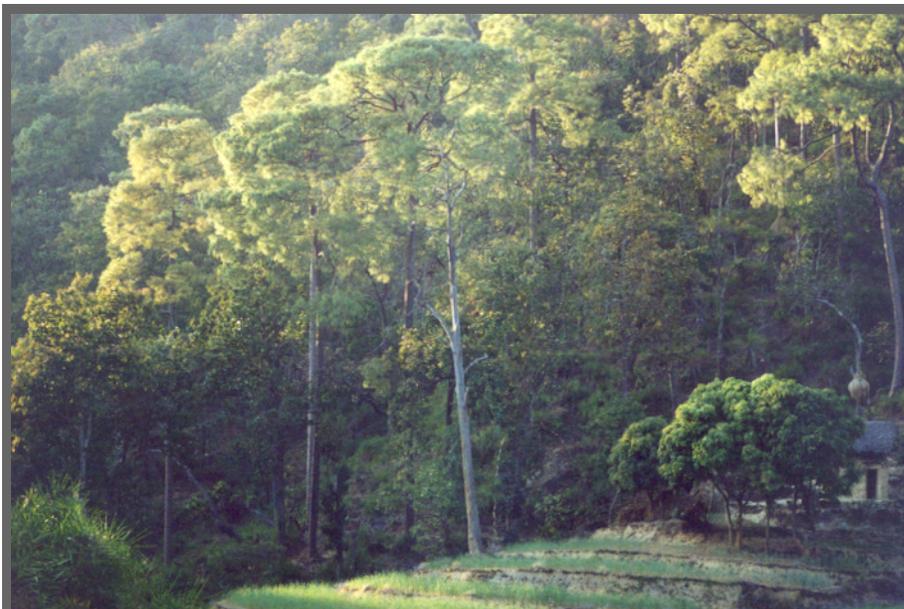
## 6.2 MANAGING NATURAL RESOURCE CONFLICT DURING ARMED CONFLICT

Natural resource user groups are among the few functioning democratic institutions in Nepal at the present time and the resources that they manage are critical for the survival of rural people. For these reasons, donor and NGO projects continue to work with community forestry, buffer zone, and irrigation user groups despite the difficulty and danger of working in Maoist controlled areas that are in some cases active combat zones. These service providers have adopted adaptive methods of work that include consulting with the Maoists, maintaining a very low profile in the field, training community members to provide technical support, and providing training in district capitals. The user groups themselves have also had to make adjustments, such as fewer meetings, restricted management activities, and working under Maoist direction in some cases. On the positive side, the Maoists have forced some user groups to be more transparent and inclusive in terms of

managing group funds and distributing resources. When Nepal moves into a post-conflict period, user groups will provide a basis for reestablishment of democracy in rural areas.

### 6.3 COMPARISONS WITH FOREST CONFLICT IN SOUTHEAST ASIA

PRALAD YONZON, ARD, Inc.



Community Forest in Nepal.

One of the key objectives of the conflict assessments conducted under this task order is to compare the nature of natural resource conflict in various Asian countries and to identify broadly applicable approaches to manage it. Conflict management approaches are context specific, so it is important to recognize how Nepal's context differs from that of Southeast Asian countries, while acknowledging that there are significant differences among the countries in Southeast Asia.

In those Southeast Asian nations that still contain extensive blocks of forests, such as Indonesia, Cambodia, and the Lao PDR, a number of actors are vying for control of valuable forest resources and land on the “resource frontier” where valuable trees are being harvested indiscriminately and forestland is being converted to commercial agriculture. Forest conflict in these frontier areas is fluid and rapidly evolving, with forest communities facing a series of powerful outsiders who lay claim to the forest resources and land that they traditionally managed. The power of these outsiders is typically based on political and economic relationships with national level elites. In Nepal, forest conflict tends to revolve around relatively static power relationships within communities that have dictated access to natural resources for centuries. Other than the few remaining blocks of mature hardwood forest in the Terai, Nepal's forests have little commercial value but are important livelihood resources for communities.

In summary, Southeast Asia's valuable tropical forests are being rapidly harvested in a chaotic manner by powerful outsiders who threaten relatively egalitarian forest communities with physical violence. In Nepal, forest resources are limited, have little commercial value, and are the subject of long-standing, low-level conflicts among community members based on deeply embedded social inequality.

# APPENDIX A. CASE STUDIES

## Case Study 1: Conflict in Community Forestry

### Forest User Group: Majha Gaon

### Region: Goganpani VDC- 3 Dhading District Nepal

This case study is based on the information available from the NGO Resource Identification and Management Society (RIMS) Nepal and from a group discussion with forest user group (FUG) members.

The Majha Gaon Community Forest is located in Ward No. 3 of the Goganpani Village Development Committee (VDC), and Dhading is about a 30-minute walk from Eklephant (near the Simle bazaar) of the Prithvi Highway. The community forest covers 199.9 hectares.

In 1988, people who lived in a community near the Majha Gaon forest began working on their own initiatives to protect their forest. According to a policy to hand over all accessible forest to local communities, the Majha Gaon forest was finally handed over to Goganpani, a community of 50 households, in 1996. Currently, there are 81 households that have use rights from this community forest. Unfortunately, as the protection initiative was taken by the inhabitants of the Goganpani VDC, the forest was handed over to them without following the process of user identification, and other traditional users such as the inhabitants of Bhumisthan VDC, Eklephant were excluded. Seventeen households from Bhumisthan VDC were excluded from forest use rights and subsequently annoyed with both the FUG and District Forest Officer (DFO). They raised objections and demanded use rights but were ignored. The antagonism between the FUG members and the excluded group increased daily. The FUG neither recognized the inhabitants of Bhumisthan VDC Eklephant as users nor could they get support for forest conservation from this group. Bhumisthan inhabitants continued to take forest products from the Majha Gaon forest. Though FUG members had patrolled the forest, they could not control them. Moreover, the forest is in the vicinity of the highway, so illegal loggers and smugglers also entered the forest, felled trees, and transported the timber in the evenings. The excluded group had no incentive to support forest conservation and thus the forest was victimized by conflict.

RIMS Nepal began work on the USAID-funded Strengthened Actions for Governance in Utilization of National Resources (SAGUN) program in Dhading in 2002, envisioning the internalization of good governance practices in natural resource management groups. RIMS Nepal staff facilitated the Dhading FUG in strengthening governance and advocacy. All community members near Majha Gaon had the opportunity to participate in SAGUN. They learned the importance of conflict management for institutional, technical, and governance capacity development. The SAGUN program coordinated/facilitated meetings several times for this FUG. The FUG chairman, Mr. Murari, and other executive members also realized the importance of the support from all villagers for protection and effective management of forest. Kanchha Bhandari and Prem Bahadur Chhetri from Kaji Tole (Eklephant) also tried to reduce the antagonism. They worked to reach a middle ground for the conservation and management of forest with common interests. The chairperson of the neighboring Bhasmelampokhari FUG, Mr. K.B. Thapa, mediated to resolve the use rights conflict between the inhabitants of Goganpani-3 and Bhumisthan VDC Eklephant.

In 2003, the Majha Gaon community forestry operational plan was revised. A forest technician from RIMS-Nepal facilitated the revision process. This time, the plan and its revision was process orientated. Several small group meetings were held and all users, including the previously excluded ones, actively participated in the user identification and rule formulation process. A general assembly was organized comprising all 81 households. The inhabitants of Eklephant also got recognition as formal users of the Majha Gaon FUG. In lieu of new membership, they agreed to pay NRs 500 as an entrance fee. In addition, the general assembly

made special provision for Chyangdunge Magar and Putali B.K., who can now gather forest products free of charge and are excused from their labor contribution as they are among the poorest members of the Majha Gaon FUG (identified by the Participatory Well Being Ranking).

Currently, FUG members have a good relationship with each other, and work cohesively for collective action. The illegal felling by smugglers and illegal users who entered from the highway is now under control. Users have learned and practiced governance and equity in their group. They are now aware of their roles, responsibilities, and rights. The group has organized public hearings and public auditing (PHPA) and has collected misused funds and dues, for example former EC member Mr. Bishnu Subedi has committed to refund NRs 4000, which was misused and unknown to other general members before the PHPA. The FUG has also constructed two small bridges in Kolpu Khola and Mahesh Khola, for which they invested NRs 15000 and contributed volunteer labor worth NRs 5000.

All the members from this FUG are now happy with the activities and initiatives for community development. Kanchha Bhandari, recalling the bitter history, remarked, “if we had not been divided, if we did not have this conflict, we could have done much better for our community. It was a pity. Now we have learned a valuable lesson from this.”

## **Case Study 2: Conflict between a Hydropower Project and Developer and Affected Communities**

### **Hydropower Project: Middle Marshyangdi Hydropower Project, Lamjung, Nepal**

#### **District: Lamjung**

#### **Villages: Sundarbazar, Bhoteodar, Udipur, Chiti and Gaonshahar**

Nepal is endowed with a vast potential for hydropower. It has a theoretical potential of 83,000 megawatts and a technically and economically feasible capacity of 42,000 megawatts. Contrary to its potential, Nepal's developed capacity is only about 600 megawatts. There have been several initiatives taken by the government to harness hydropower by inviting the national and international private investors as well as involving the government subsidiary (since 1990). The government has made policy arrangements not only to provide space for the investors but also to properly manage the local environment. The Environmental Protection Act and subsequent regulations have been introduced to carry out Environmental Impact Assessments through which the local environmental and social issues could be addressed. There have been provisions to carry out public consultations and hearings in order to capture and address issues of the local communities where the hydropower project is to be developed.

Despite such arrangements and practices, there have been conflicts between the affected communities and the hydropower developer. The local communities claim that the power developer ignores their concerns, whereas the power developer claims that the local communities expect more and are not cooperating. CARE Nepal, in partnership with two local NGOs, has been implementing a governance program since November 2002, and the program hoped to pilot a win-win partnership between the affected communities and the power developer.

After a year of exploratory activities to review the opportunities and constraints in working with such complex issue, the program was introduced at the field level by the end of 2003. The program's interventions were:

- Strengthening the internal governance practices of the local communities by enhancing transparent and participatory process and accountable actions;
- Organizing trainings, workshops and an awareness campaign to share government policies and provisions regarding hydropower development and environmental management to the local communities;
- Developing common forums such as coordination committees and workshops, with representative from the local communities, the power developer, and the local-level government line agencies to discuss the issues and concerns; and
- Institutionalizing participatory monitoring to ensure effective implementation of the environmental management plan.

The level of conflict has been reduced drastically. Both parties (the local communities and the power developer) work together with the local-level government agencies to acknowledge the problems each face and settle the issues. Their present relationship is now face to face. They symbolize their relationship patterns with the Nepali numbers 3 and 6 like this—previous 36 and now 63.

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