

One State, Two Regimes:

Policy and Institutional Challenges for Managing Natural Resources in Nepal

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1. Abstract

The Communist Party of Nepal (Maoist) is now controlling over more than 80 percent of Nepalese territory. In their control area, they apply 'their own policy and institutional arrangements (what they say 'new regime') where as the government (Maoists say 'old regime') is working with its own. People residing in these areas are confronting with the new realities and challenges in access, control and use of available natural resources. The aim of this paper is to examine this dimension for better understand of sustainability aspect of the resource management in fragile states.

The qualitative methods such as focus group discussion, key informant interview, field observation, triangulation and literature review are used in the study. Findings of the study demonstrate that the dominant role of the government in control, management and utilization of the land and natural resources as state owned property has now been drastically changed because of the 'new regime'. The traditional notion of natural resources as state owned property and practice of regulating them by the state regulation through privatization or licensing or leasing has now does not existed in the 'core areas' of the insurgents. Instead, new arrangements of collective actions in resource management are expanding in the controlled areas of 'new regime'. However, the Maoist policy on NRM is also creating confusion to local people because of its contradictions with the government policy and practices. This paper concludes that confrontation between the policies and institutional arrangements of two regimes has not only posed enormous challenges, but also provided new opportunities in managing available natural resources.

2. Introduction

One state, two regimes or 'state within the state' as an outcome of internal armed conflict is not uncommon. Lebanon (Hezbollah regime), Palestine (Hamas regime) and Nepal (Maoist 'new regime') are three of the many examples observed in recent years of conflict history. Though, there are fundamental differences in nature and functioning of Hezbollah and Hamas than the Maoists and can not be compared, state within the state is a common characteristic of all three countries because all of three nations have parallel governments, parallel armies and parallel rules in a country.

Together with the advancement of the Maoist insurgency in Nepal, this landlocked mountainous country faced unique situation in managing natural resources. The armed rebellion started by the Communist Party of Nepal (Maoist) (CMN-M) in February 1996 in the four western hill districts of Nepal is ever increasing and now expanded all over the country. The ongoing armed conflict between the government and the CMN-M is posing a severe threat to human security in the country. The situation of natural resource management became complicated particularly after the declaration of Janasarkars or people's government, United Revolutionary People's Council in centre and local levels (autonomous regions¹, district and village level peoples' government) by the Maoists and declaration of its 75 point 'Common Minimum Policy and

¹ Seti-Mahakali Autonomous Region (Hill area of Seti and Mahakali Zone), Bheri- Karnali Autonomous Region (Hill area of Bheri and Karnali Zone), Tharuwan Autonomous Region (Western Terai area of Rapti to Mahakali Zone), Magarant Autonomous Region (From Kali Gandaki region to the hill area of Dhaulagiri, Rapti and Lumbini Zone), Tamuwan Autonomous Region (Gandak Region), Tamang Saling Autonomous Region (Hill area of Bagmati, Narayani and Janakpur Zone except Kathmandu valley), Newar Autonomous Region (Kathmandu valley), Kirant Autonomous Region (Hill area of Mechi, Koshi and Sagarmatha Zone) and Madhesh Autonomous Region (Awadh area of mid Terai and Bhojpuri and Mithila Pradesh of Eastern Terai).

Programme of United People's Council' (2002), which drastically contradicts with the policy and programmers of the government of Nepal. What Maoists say this situation is 'old regime' (state) and the 'new regime' (the Maoists). The confrontation between the 'old' and 'new' regimes resulted into shrinking of state presence in rural areas and overwhelming domination of Maoists that has direct implications in managing natural resources.

The aim of this paper is to examine the policy and institutional challenges faced in managing natural resources in Nepal after the operation of Maoists people's government in rural remote areas of the country.

3 Research methods

Mainly qualitative methods were used in this study. Focus group discussion, key informant interview, field observation, triangulation and literature review and extensive content analysis of news magazines, reports were applied while conducting the research. One-to-one in-depth interviews were made with the Maoist leaders responsible for the agriculture and natural resources, local heads of 'people's government' at district level, social workers, cadres of political parties and staff of the land, forest, and water related government offices .

The study was concentrated in Chitwan, Nawalparasi, Surkehet, Doti, Sankhuwasawa, Bhojpur, Dolakha and Ramechhap districts of Nepal.

4. Expansion of Maoist and shrinking of the state presence

The major challenge faced by the government of Nepal to manage natural resources is the rapid expansion of the Maoists and establishment of their own governance structures and procedures. According to the strategy of the Maoist, first they exert enormous pressure to the government offices by using force and physical 'sabotage' (such as bombing and destruction of office buildings, burning office vehicles, etc.), psychological pressure to the staff (threatening the government staff to stop implementing government programme and execute the activities defined by them, charging monthly levies, extortion, asking to leave the office and go back to home, etc.) , blockade or even physical action to staff if they do not obey the Maoist. In this way, they were able to create vacuum in the village and established their own governing structures. Hence, they took total charge of village by pulling out the government offices and staff in their strong hold.

4.1 Maoist governing structures:

Since 2001, Maoists developed their formal governance structures in their influenced areas. They have categorised their influenced areas as 'controlled zones', 'influence zones', 'grey zones', and 'non-influence zones' and administered natural resource policy accordingly. They claimed that they have up to 80 percent of the geographical territory of the country under their control, except the district headquarters and government military bases. In their controlled areas the following structures were visible.

- Peoples Government (*Janasarka*)
- People's court (*Janaadalath*)
- Peoples Liberation Army (*Janasena*)
- Militia

In their government structures there are five categorises of hierarchy as:

- Central Peoples' Government
- Autonomous Regions
- District People's government
- Local People's government

Maoists are using '*Janasatta Sanchalan Nirdeshika*' (Directives for People's Government) as their regularity framework to operate their government. However, the Directives is primitive, contradictory with many international human rights and legal standard and much guided from the 'people's War' strategy of the Maoists, instead of applying modern governance principles.

In the central level, the Maoists had instituted United Revolutionary People's Council, a parallel central government of the Maoists, which had developed 75 points common minimum policy and programme. The aim of this policy and programme is to guide the struggle to complete the New Democratic People's Revolution and to guide the state after the revolution. They have also established the "People's Liberation Army (PLA)"

The Maoist formed United Revolutionary People's Council (URPC) in 2001 September and the aim of URPC is to institutionalise the New Democratic Republic under the leadership of CPN (Maoist). Its constitution describes a four layered organization viz. central, regional, district and village/town. There are also nine autonomous regions (Sharma, 2002) as follows:

1. Seti-Mahakali Autonomous Region
2. Bheri- Karnali Autonomous Region
3. Tharuwan Autonomous Region
4. Magarant Autonomous Region
5. Tamuwan Autonomous Region
6. Tamang Saling Autonomous Region
7. Newar Autonomous Region
8. Kirant Autonomous Region
9. Madhesh Autonomous Region.

Out of these nine autonomous regions, six have been formed based on ethnicity and the remaining three (Seti-Mahakali, Bheri-Karnali and Madhesh) are based on regional classifications. They have their own rules and regulations to manage natural resources. Most important criterion of managing natural resources was to collect the financial resource to run the people's war. Hence, sustainability of natural resource was not priority of the Maoist resource management strategy.

The Maoists have formed 'District People's Government, or *Jilla Janasarkar*' and Village People's government. These structures are parallel alternatives to the government structures at central, district and Village levels.

The Maoists have categorised their geographical territories into:

- a) Core areas (where they have complete control),
- b) Secondary areas (areas adjoining the core areas where control of these areas swings between them and the government)
- c) Grey areas (not strong influence of any sides),
- d) Non-influence areas (mainly cities and urban areas)

They develop their strategies according to this category.

Box 1 Maoist's policy in natural resource management (extracted from the Common Minimum Policy and Programme of the United People's Council)

Point 8: ...In order to continue transforming the extremely backward condition of productive forces, the principle of "Grasp revolution and promote production" shall be made the basic guiding policy for economic development.

Point 26. ...the main policy of agrarian revolution shall be to abolish the feudal, semi-feudal and bureaucratic capitalist production relations in the land and develop national capitalist relations, of which "land to the tiller" shall be the main policy tenet. In other words, the lands owned by feudal, bureaucratic capitalists and various Guthis (a type of feudal ownership by social and religious institutions), in the places where the old reactionary power structure have been smashed, shall be seized without any compensation and distributed to landless and poor peasants, and the tillers shall be made the owners of the land. In case of rich and medium level peasants, their lands shall not be seized but ceiling shall be imposed on them keeping in mind the ratio of availability of land and population. In the places where old state structure has not been totally smashed or people's state power has not been founded as yet, only reformatory measures shall be taken in the initial stage, according to which ceilings on lands shall be implemented, tenurial rights of tenants shall be guaranteed, the rate of land rent shall be reduced and made one-third, interest rate of credits shall be reduced, Guthi lands shall be turned into 'raiker', i.e. governmental lands etc.

Point 27. Landless and poor peasants shall be relieved of all kinds of debts, and labour-service and other charges levied on them shall be abolished.

Point 28. Medieval feudal practices like 'Kamaiya', 'harwa-charwa' (different forms of labour services against debts to the landlords) shall be completely abolished and re-settlement and employment shall be arranged for them.

Point 31. ... Special attention shall be paid on the development of agricultural industries and proper arrangements shall be made for agricultural markets. Balance shall be maintained in the prices of industrial and agricultural products.

Point 32. Co-operation shall be taken from local revolutionary peasants' organizations, particularly in preparing actual records of ownership of the land, determining class status (i.e. landless, poor, middle, rich and feudal) of the peasants in the villages, determining the real tillers and implementing effectively the land-reforms during the implementation of revolutionary land-reform policy and programmes, and general masses of the peasants shall be mobilized. In addition, the land reform programmes shall be implemented stagewise in both class and regional terms, and during this process, full attention shall be paid to local particularities. While implementing revolutionary land reform programme in the autonomous areas of oppressed nationalities and regions, care shall be taken to prevent historical incursions into them.

Point 33. The lands seized from feudal and bureaucratic capitalists and acquired from the rich peasants above the ceiling during the implementation of land reforms and public uncultivated land shall be distributed among all peasants of the village keeping in view the land they own without any ethnic or gender discrimination and on equal basis, and that shall be their private property. In this context, the proportion of quality of the lands, or irrigated and un-irrigated lands, shall be obviously taken care of.

Point 35. Large forests, big irrigation projects, mines, grazing meadows, large uncultivated lands, rivers, lakes etc. shall be in possession of local People's Governments as public properties. Similarly, places of historical and natural (scenic) importance, arts and artifacts etc. also shall be in possession of the People's Governments.

Point 36. Land and property shall be distributed to the office-bearers of the People's Army, People's Governments and mass-organizations and their families who come from the villages like other common peasants. In doing so, special priorities shall be given to the families of martyrs. Old landlords and their families, and office-bearers of the old state who come from the villages, and their families, shall be given, like common peasants, land and properties to labour and earn a living. Reactionary traitors and war criminals however shall not be given any land and property.

Point 37. The documents of land ownership, other transactions and credits enacted before the implementation of revolutionary land reform shall be declared null and void and the People's Governments shall investigate and issue

4.2 Case of Maoist approach of local dispute settlement

Dispute settlement practices of the Maoist operating according to the 18th point of the Minimum Policy and Programme of Revolutionary People's Council² and are implemented by local 'People's Governments' (*jana sarka*). The 18th point states: "People's courts at various levels shall be constituted in order to dispense justice to the people. Its office bearers shall be appointed by House of People's Representatives of the concerned levels and they shall be responsible to them."

The Maoists have instituted village, district, and regional courts (Panthi, 2004). If the dispute is not settled, the lower court refers the case to the higher court. The Joint Revolutionary People's Council at all levels is the supreme legal authority. According to Kishwor Panthi (an investigative journalist), lawyers and judges in the people's courts are elected by the People's Representative Council (*jana pratinidhi sabha*). They make use of a Public Legal Code 2003-4 (*sarbajanik kanuni sangraha 2060*) to guide them in their dispute settlement processes and practices. In Gulmi district, the basic qualification for judges and lawyers is Intermediate and School Leaving Certificate respectively. Ghana Shyam Parajuli, Chief of village *jana sarka*, is quoted as saying, "In Arje VDC of Gulmi District 150 disputes were registered within two months (October-November 2004) and 50 percent cases are already settled" (Panthi 2004: 11). The number of disputes reaching the government offices in the Maoist areas has declined drastically, mainly as a result of the prevailing Maoist dispute settlement practices at local level and the prevalent feeling of fear. In Maoist areas almost 90 per cent of cases are said to be settled by them locally (Panthi 2004; cf. Ogura, this volume).

Panthi also interviewed the Maoists' Gulmi District Judge, Khum Raj Acharya, who explained their system as follows:

We decide cases based on the provision of *Sarbajanik Kanuni Sangraha 2060* (Public Legal Code, 2003/4) in a creative way focusing on class interests. Our judicial system is not based on the volumes of book; it is pragmatic to give real justice. We use a system of social and natural justice (*samajik and prakritik naya*), as well as international standards/provisions and theories of conflict in judgement. Punishment under our judicial system is to reform guilty parties, not to control them... People are attracted to the People's Court because justice is right and appropriate, quick, inexpensive, there is no risk of the wrongdoer winning by giving a bribe, and verdicts are based on social realities. We do look at evidence and we do record statements (*bayan linchhau*), and then we give verdicts. The claims should be proved; we do not decide by showing guns and creating fear. We have some similarities with the courts of the old regime in using principle of natural justice and social justice system and standards of international laws. But in reality, the intention of old regime is not to give justice but to decide for economic benefits. They also take long time to decide, and therefore people do not like them. We can change the *karar* (contract) with the old regime, which is based on manipulation by lawyers. Our judgement system is favourable to the people with a low level of awareness and income. But we do not take biased decision on the basis of the economic status (whether people are poor or rich). Disputing parties can use their lawyers to plead for their case, which is their right. (Panthi 2004: 41-42)

Responding to a question about the use of torture to disputing parties as a part of interrogation in Maoist courts, the judge replied:

It is wrong. We convince them ideologically to make them realize their wrongdoing and we reform them. But we don't claim we do not touch them during interrogation... The judicial system should

² In 25 Feb 2001 the Maoists approved *Prachandapath* as their new ideological base from the Second National Convention, where they had also formulated different ethnic and political policies. The Minimum Policy and Programme of Revolutionary Peoples' Council of the Maoists was an outcome of these political policies.

be independent and neutral. However, we are in the midst of a class struggle, until we capture central political power (*kendriya satta*). Therefore our judicial decisions focus more on class preference (*bargiya pakchhedharta*) rather than on *absolute impartiality* (*nirpekchhya*). At present our judicial system cannot be independent from the party (ibid.: 43).

The above interview focuses attention on several important, interesting, and contradictory issues in the Maoist judicial system. For example, the bias towards one class and impossibility of working independently of political considerations seriously undermines the independence of the judicial system. It also contradicts international legal standards. Another aspect of this legal system is general practices among Maoist insurgents at the local level, which are not in accordance with the descriptions of Judge Acharya. The following case reveals this contradiction.

This case regards dispute settlement by Maoists in Parwanipur VDC of Sarlahi district (Pokharel & Wagle 2004). The local Maoists suspected that Surya Bahadur Khadka had murdered his daughter-in-law and so they arrested him. They interrogated him and found him guilty. They then ordered him to be kept in jail. They had no protected jail building and therefore they ordered him to be confined within certain areas under their control, under the authority of the local People's Government where Khadka lived. During the interrogation process, they used torture and physical violence. They even punished former VDC chairperson, Jatan Budhathoki, for concealing the murder case. However, he was released on condition that he re-appear whenever they need him. They have also kept some relatives of Mr Khadka under surveillance.

In many cases, the Maoists pressurize villagers to punish wrongdoers themselves. However, the punishment of the community to a wrongdoer is often guided by their interests. The Maoist's people's court also uses a bail system. However, there are cases when the Maoists do not refund the bail even after getting clearance from the charges.

It is difficult to find a standard Maoist dispute settlement pattern and procedure since these are mainly based on the judgement of the local judges. Even though the Maoists claim to use the principles of social and natural justice when settling disputes, it is hard to be confident that this is always or even frequently the case. As they admit, class preference is an important guiding principle in their administration of justice, which ultimately goes against social and natural justice. Nonetheless, the Maoists do use some widely accepted elements of both informal and formal dispute resolution practices, such as eye witnesses, the recording of the statements, and so on, all of which lends some legitimacy to their judgements.

Maoists are practicing 'people's justice' at grass-root levels and therefore they are easily accessible compared to the state justice system. As their justice system is class-focused, often their decisions are in favour of poor, marginalised and disadvantage groups of people but they do not follow the principle of liberal democracy in their dispute settlement practices. Their procedure of investigation is based on fear and threat (as they punish to reveal truth) and the decisions are often ideologically biased (as their judicial decisions focus more on class preference -*bargiya pakchhedharta*, rather than on *impartiality*- *nirpekchhya*).

5. Findings of the study: Policy and institutional complications in managing natural resources

In this section, I am discussing the problems and complications observed in managing natural resources and livelihoods of people based on the natural resources.

Table 1 Overview of complications

S.N.	Issues of complication	State position	Maoists position
1	Land	• Property rights legally	• Seizing of lands off landlords and

		guaranteed but weak in practice	absentee landlords, <ul style="list-style-type: none"> • no property rights granted in natural resources, • 'Ownership for tiller' in operation.
2	Taxation	Weak enforcement,	Imposition of tax
3	Institutions (organisations)	<ul style="list-style-type: none"> • Staff leaving rural areas and concentrating in district headquarters, • Weak in functioning, 	<ul style="list-style-type: none"> • Janasarkars, peoples' court active and openly implementing their policy and programme, • damage of government offices
4	Local security	<ul style="list-style-type: none"> • Security forces leaving rural areas, • curfew, check posts, • destruction of standing crops and encroachment of farm lands 	<ul style="list-style-type: none"> • People's Liberation Army and Militia dominating local areas, Blockades, strikes,
5	Agriculture	<ul style="list-style-type: none"> • Not able to protect farmers, • Security forces get priority in budget, • failed to ensure marketing of agricultural products and supply of agricultural inputs 	<ul style="list-style-type: none"> • Maoist started collective or cooperative farming in their core areas. In other areas, they have encouraged farmers to cultivate in the lands of land lords and stopped to pay rent to the land lords. Most of the tenants did not pay the share to the landowners .
6	Forest	<ul style="list-style-type: none"> • Tension between the government and Users federation in controlling forest resources • No control of government over forest resource 	<ul style="list-style-type: none"> • Used as a regular source of revenue to run the armed insurgency • Used as means for hiding and training • Mobilisation of forests users in their support and political programmes •
7	Water	<ul style="list-style-type: none"> • Not able to smoothly implement hydropower projects, construction of irrigation projects but able to operate small drinking water project³ 	<ul style="list-style-type: none"> • Big projects as source of money from extortion and tax

5.1 Land use issues

In some of their controlled areas, CPN (M) evicted local landlords and village elites from their village and captured their lands. Hence, local landlords are not able to cultivate their lands and consequently the scarce land resource is under utilized. Most of the confiscated lands were left fallow and some was distributed to poor people. However, in most cases the poor people are not able to utilize because of fear from security force. The CPN (M) cadres are confiscating lands from landlords according to their policy. The Section –IV, point 26 of the Common Minimum Policy and Programme of United People's Council (the Maoist government) states, *"the agrarian revolution is the basic foundation of the New Democratic/ People's Democratic Revolution. Therefore, the main policy of agrarian revolution shall be to abolish the feudal, semi-feudal and bureaucratic capitalist production relations in the land and develop national capitalist relations, of which 'land to the tiller' shall be the main policy tenet. In other words, the lands owned by feudal, bureaucratic capitalists and various Guthis (a type of feudal ownership by social and religious institutions), in the places where the old reactionary power structure have been smashed, shall be seized without any*

³ Health and drinking water projects running in the rural areas were less obstructed by Maoists as they are directly related to poor people.

compensation and distributed to landless and poor peasants, and the tillers shall be made the owners of the land. In case of rich and medium level peasants, their lands shall not be seized but ceiling shall be imposed on them keeping in mind the ratio of availability of land and population. In the places where old state structure has not been totally smashed or people's state power has not been founded as yet, only reformative measures shall be taken in the initial stage, according to which ceilings on lands shall be implemented, tenurial rights of tenants shall be guaranteed, the rate of land rent shall be reduced and made one-third, interest rate of credits shall be reduced, Guthi lands shall be turned into 'raiker', i.e. governmental lands etc" (Upreti, 2004a:408). Hence, seizing of land from landlords and feudal elites is a regular activity of the Maoists.

After the ceasefire, the government and the rebels agreed a 25-point code of conduct. In this agreement, one of the 25 points is to return the ceased lands of local landlords by the government. However, the Maoists redefined the land ceiling and offered to return 10 bigha of lands and remaining ceased land will be decided by the interim government⁴

5.2 Taxations

Direct tax on good and services is one of the main revenues for Maoists. In addition, they also regularly collect donation and levies. All employees getting monthly salary have to pay either 1 month salary per year or up to 10 of their income. It is reported in the Nepalese press that big industries and business houses (many of them also belong to the king) may huge amount of money regularly in addition to the regularly money paid by their staff. Big private schools, nursing homes, transport and tourism companies, and all good earners regularly pay money to the Maoist.

Taxation by the CPN (M) on local agricultural goods and transportation has influenced agricultural marketing dynamics and hampered agricultural production. The CPN (M) has introduced a levy on transportation of food items and agricultural product exports from the local areas to external markets. The CPN (M) charges tax to transporters for the transportation of goods to hill areas from the terai region. During November–December 2004, they taxed transporters fetching goods to many hill districts⁵. For example, CPN (M) charged rupees 800 per month per mule, which generally fetches 80 kg of food per trip from Sanfebagar to Dolpa. Darchula, Achham, Baitadi, Bajhang, Bajura, Dadeldhura and Doti districts of Far Western region and Dailekh, Dolpa, Humla, Jajarkot, Jumla, Kalikot, Mugu, Puthyan, Rolpa, Rukum, Salyan, and Surkhet from Mid Western region have frequently suffered from the tax-related market obstructions. Food Security Bulletin No 7 (Page 4) reports that *'in most part of Bajura and some of Doti and Achham, the CPN (M) collects compulsory donation of 2 kg of cereals or other crops per household every season. For example, in Jupu VDC (Achham) alone, the CPN (M) reportedly collected 4.5 MT of paddy in this reporting cycle. In addition, households report that they are required to feed one of two CPN (M) cadres on a daily basis'*. Such intervention consequently causes household food insecurity. The WFP VAM report indicates that feeding one or two extra members adds a 17 to 35 percent food burden to a family of 5.7 members. Taxes on road transportation by the CPN (M) combined with the price hike in Terai source markets caused rice prices to increase by one to four rupees in Salyan and Pyuthan during November-December 2004.

In some cases, CPN (M) cadres started to demand fees from the migrant workers (e.g., up to Rupees 5000 in Salyan and Jumla), regular monthly tax to teachers, government and NGO employees (8 percent in mid western and western regions) (FSB, 7:6).

It is reported that farmers have to pay certain amount of their farm product to the CPN (M). FSB No 7 (p.6) quotes, *'In most parts of the mountain and hill districts, the CPN (M) also requires each farming household*

⁴ Said by the Head of the District peoples' Government of CPN (Maoist) Rupandehi District Mr Binod Upadhaya talking with Himal Fortnightly, 17-31 August 2006.

⁵ See WFP Nepal Food Security Bulletin No 7 for detail.

to surrender a proportion of its produce every season. In general this proportion equals seven days of household food consumption. In Dolpa district, respondents assess that the actual amount is in the range of 20-60 kg of cereals. In Jumla, they claim it is 10 kg. As in the Far Western Region, the same households tend to be obliged also to feed one of two CPN (M) cadres on a daily basis. In Salyan, business professionals are required to pay the CPN (M) between NRs 200 and 700 a month to conduct their trade.

5.3 Institutional functioning

In the Maoist control areas all government institutions are dysfunctional except health posts, agricultural service centres, schools and few other low profile, apolitical service providing institutions. These institutions are operating in the Maoists control areas because they are following instructions and fulfilling conditions of the insurgents as well as directly related to the services of poor and marginalised people. Nevertheless, they are not able to operate according to the rules and regulations of the government. There are only two alternatives with the government in this regard: 1) closing of the offices in the Maoist strong hold area, or 2) let these offices informally allow working according to the conditions posed by the insurgents.

In the core areas of Maoists, they ask government offices either to implement the programme activities of 'New Regime' or to leave the areas. Further, the 'New Regime' regularly collected taxes and levies (one month's salary or 10 percent of monthly salary) and other supports (food, donation, clothes, etc.) from the staff of the government offices. Only those staff who fulfil these demands stay in the Maoist controlled areas and others not able or willing to pay have to leave.

In case of staff of NGOs and INGOs, they pay the 10 percent or one month salary and work in the Maoist controlled areas. All I/NGOs are funded by donors and implementing programme activities according to the donors' conditions (often working with poor, marginalised, socially excluded, programme activities directly and immediately benefiting to the most disadvantaged groups). These conditions are favourable to Maoists and therefore they do not obstruct donor supported development activities until the implementing staff regularly pay money and do not obstruct the Maoist objectives. Swiss, German, Danish, Dutch, Swedish, Finnish, funded development activities were less obstructed by the Maoists. However, Maoists are against the US and they did not allow implementing the US funded projects. Hence, USA provided money to German and or kept in the basket fund to be used by other soft donors. The 10 major donor agencies (which cover more than 80 percent of development assistance) developed 'Basic Operating Guidelines' (BoG) which does not allow to pay to rebels but it is impossible for Nepali implementing staff to continue their job in the Maoist strong hold areas without regularly paying them. Hence, this BoG is a tool for face saving for donors as they rely on BoG and keep silent on the payment by the partner staff to insurgents as private business.

Staff of development agencies (government, non-government and donors) share that it is very easy to work in the Maoist controlled areas because there is no any difficulty once money is paid to them. They are insecure in the grey areas where both the government and the rebels have no full control. They also share their experiences of dealing with the government army and the insurgents. They fell much more insecure with the government army than the Maoists because the military shuts on suspect; does not allow time to explain and labels the victims after punishment as Maoist supporter. Against such behaviour of the military, by and large, Maoists listen, give chance to explain and the development staff working in rural areas feel more comfortable Maoists than the government's armed force.

5.4 Security situation

Obstruction on food supply and transportation in rural areas is a common phenomenon developed by the ongoing armed conflict in Nepal. Both the security forces and the rebels have obstructed within their areas of influence. For example, security forces restrict the flow of dry foods or readymade foodstuffs to the rebel-

influenced rural areas whereas the rebels restrict supplying or marketing of food and agricultural items from their influence areas to district headquarters. The impact of the ongoing conflict on the food grain marketing because of the damage of road infrastructures is huge.

Security forces have frequently created obstructions to local people to get foodstuffs. They have quantified allowable amounts of foodstuff (e.g., 10 kg cereals per person per trip to villages in Jumla district), provision of prior permission to import foodstuffs from other districts (e.g., in Pyuthan district). Several restrictive rules imposed by the government are directly hitting farmers. For example, farmers need to get recommendations from the Village development committee (VDC) Secretary to sell their rice⁶ but these secretaries are often unavailable in village due to insecurity.

Most of the district headquarters of mid and far western hilly districts have faced Maoist blockade and access restrictions in the last few years. In some cases, such restrictions are related to only movement of food stuffs and in other cases; it is on both people and goods. In November-December 2004 the price of rice in the district headquarters of Rolpa and Rukum was up to 25 percent higher due to blockade. It was noticed that even rumour of future blockades and *Bandhs* has caused to hike price of commodity⁷. The food items they blocked to go to the district headquarters from rural areas were potato, vegetables and diary products. The study of the Seddon and Hussein, (2002) reveals that security forces are restricting people from carrying more than one days food supply at a time to deny food supply to Maoists, as against the general practice of people to carry a few months supply. In rural areas, people have to walk up to 3-4 days to reach market. Traditional livelihood opportunities of local poor are jeopardised by the conflict, as they are not allowed to go to forests by the security forces to collect forest based means of livelihoods (mushrooms, young sprouts of plants, medicinal herbs, non-timber forest products, fire-woods, etc.). And, if any one found in the forest is suspected as Maoist. Because of all these problems, there are frequent famines in the Karnali region (ibid: 29) and other high-conflict areas.

The previous study of the author shows that well established local *hat-bazar* system existed in eastern hills of Nepal has now been severely affected (the frequency, total hours of transaction, numbers of buyers and sellers and diversity of agricultural items reduced drastically) with negative effects to small holders producers and buyers of low purchasing power (Upreti, 2005). Bartering and exchange of goods as well as selling of commodities produced in own farm in the local *hat-bazaar* and purchasing of the required food and non-food items from the money earned of sell of goods was a common practice earlier. Now this system has severely disturbed in rural areas because of the security risks as security forces do not allow people to gather or the insurgents melt in such gathering for their purpose or people simply do not go to local *hat-bazaar* because of fear and risk of being caught in the problems.

Truck loads of foodstuffs have been burnt. Trucks fetching buffaloes from the terai were set on fire by CPN (M). Farmers from Chitwan, Kavre and Dhading districts have not been able to sell their milk and fresh vegetables due to the prolonged *bandhs* and blockades and they have thrown their commodities on the highway as a protest.

Table 2 Feeling security situation by respondents

No	Feeling of the respondents	f	%
1	Highly insecure	13	17.56
2	Insecure	20	27.02
3	Relatively secure	26	35.13
4	Secure	10	13.51
5	Highly secure	5	6.75

⁶ See Nepal Weekly Year 5, No 45 (26 June 2005/12 Ashad 2062) for the detail story.

⁷ For example, the price of rice in Salyan district head quarters was simply gone up one rupee per kg due to rumour of blockade (FSB, 7:5).

	Total	74	100.0
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Source: Primary data⁸ (2006)

The Table 2 indicates the feeling of insecurity by respondents of Chitawan. More than 40 percent of the respondents feel insecure and only slightly more than 20 percent respondents perceive that they are secure at the current situation of conflict. More than 35 percent respondents feel the present situation is relatively secure.

Frequent transport strikes and *bandhs* have not only restricted physical mobility but also constrained the transportation of goods and services to the needy areas. Furthermore, placement of landmines on major roads is used by the warring parties, physical damage to vehicles (burning or blasting of buses, loaded trucks, motorbikes, etc.), increases feelings of insecurity. Disturbing and humiliating security checks on roads have severely affected the smooth functioning of agricultural marketing in Nepal. Furthermore, some ongoing road construction projects (e.g., Chhinchu Jajarkot road construction project) were affected due to security risks.

5.5 Agriculture

Agriculture is one of the sectors of the economy which is hard hit by the ongoing armed conflict in Nepal in terms of production, processing and marketing. Several direct and indirect effects of the ongoing conflict have been observed in social, economic and political systems in general⁹ and the household food security¹⁰ (Seddon and Adhikari, 2005) and agricultural production and marketing sectors in particular (Upreti, 2005).

The 'land to the tillers' slogan of the Maoist has gained sympathy from tenants, poor farmers and marginalized people. In a study by the author (Upreti, 2005), the key informants¹¹ explained that most of the big landholdings in the insurgents' stronghold areas are either directly regulated by Maoists, or exerting pressure over tenants to stop paying contractual payments to landlords. The Maoists ask to pay the landlords' share to them. The government is not able to function in land administration in their control area. Such situation has created uncertainties for farmers, tenants negatively impacted the production and productivity because these productive lands are either uncultivated or under-cultivated or cultivated with no or low investment. They further explained that some of the commercial farmers (e.g., tea growers in Ilam and Panchthar) are facing continuous pressure to pay regularly to the insurgents. It was also reported that investment in agriculture sector by the Agriculture Development Bank (ADB) and other financial institutions is disturbed. It has become extremely difficult for ADB staff to visit the field, as the insurgents are very negative towards ADB loan and they have damaged several branches of the Bank and destroyed documents in the past. For example, all branches of ADB in Chitwan were moved from rural areas to the district headquarters.

Both farmers and staff of the ADB share that many farmers are not able to pay back the bank loan due loss of their business (e.g., according to the Chitwan Poultry Association, nearly 75 percent of small poultry farmers of Chitwan had closed their business). Big farmers and entrepreneurs are hardly surviving but very uncertain about the high risk in investing in agriculture due to political crisis. In some cases, even farmers are not collecting money after the approved loan from the bank (Upreti, 2005). Senior officer from the

⁸ The survey was conducted in February 2006 in Chitwan district of central Nepal.

⁹ See the conflict related database maintained by OCHA, UN Office in Kathmandu for detail. Many *bandhs*, blockades and obstruction related information for this study have been drawn from the information maintained by OCHA.

¹⁰ Details on the monitoring of the food security situation of 32 districts of Nepal can be found in the issues 1 to 11 of the 'Food Security Bulletins' produced by the Vulnerability Assessment and Mapping Unit of the WFP Nepal.

¹¹ The respondents were ordinary farmers; small growers; traders and marketers as well as rural landlords and local elites who left their villages due to insecurity and staying in Kathmandu.

Regional Office of ADB, Biratnagar explained that medium to big agricultural projects are worst hit by the conflict in the EDR.

The Maoists has highlighted the importance of agriculture in their 75 points Common Minimum Policy and Programme. The 31st point states (Upreti, 2004a:409), "...*Special attention shall be paid on the development of agricultural industries and proper arrangement shall be made for agricultural market...*". The Section –V, point 31 of the Common Minimum Policy and Programme of United People's Council (the Maoist government) states, that 'Fertilizer, seeds, pesticides, agricultural tools shall be made available to the peasants at cheap rates and with ease. Special attention shall be paid on the development of agricultural industries and proper arrangements shall be made for agricultural markets. Balance shall be maintained in the prices of industrial and agricultural products'. The point 45 of the same documents states, 'Consumer co-operatives shall be encouraged so as to avail the people of consumer goods at cheaper prices and with ease. The state shall make necessary interventions in order to keep the prices of commodities stable and well managed. Appropriate customs policy shall be pursued to provide support to the indigenous goods. Special measures shall be taken to avail of consumer goods at cheap prices in remote areas. However, neither they are able to fully implement their policies nor ready to allow the unhindered continuity of existing agricultural production and marketing system.

The ongoing armed conflict and political crisis has directly and indirectly affected price variation of agricultural products and food commodities. This study has identified different categories of conflict-related factors affecting price of the agricultural commodities in Nepal. They are: price fixed (often less than market price) by rebels themselves, fluctuation of price due to *bandhs* and blockades (increase in final market points but decrease in production or collection centres), used crisis as an opportunity by the traders and retailers to hike commodity price and increased transportation cost leading to price rise.

Discussion with the representatives of farmers associations, cooperatives, agricultural bank, agricultural office and traders in Chitwan district has clearly revealed that growers of the perishable products (e.g., milk, poultry products and fresh vegetables) are suffering more from the blockade and *bandhs*. Representatives¹² of the poultry growers shared that they are losing approximately 10 million rupees in a blockade of 1 day.

The longer the duration of blockades, the higher the loss. The price variation incurs in poultry feed, small chicken (*challa*), dressed meat, eggs and vaccines have negatively affected the poultry growers. The vegetable growing farmers are also equally frustrated with the fall in prices of their fresh vegetables due to blockades, strikes and civil unrest. Collectors were not able to collect vegetable from farmers or collection centres because of *bandh* and it was not possible for farmers to sell all vegetables in local markets. The vegetable price of local markets on the days of *bandhs* falls almost to zero and they have to dump their products. The representatives of the milk producers¹³ expressed their deep frustration. They shared their suffering from the conflict and crisis as well as the milk holidays declared by the Dairy Development Cooperation. In 2003-4 (2060 BS), they suffer 14 days from blockade and 35 days from 'milk holidays'. In 2004- 5 (2061 BS), they suffer 21 days from blockade and 38 days from 'milk holidays' and in 2005-6 (since Sharawan 2062) they suffer 37 days from 'milk holidays' and 4 days blockades. During these days they were not able to sell their milk. Consequently, all three categories of producers (poultry, milk and fresh vegetables) are facing problem to pay back bank loans. The key informants from the Agricultural Bank in Chitawan district agree that loan repayment is a major problem because of the price insecurity and instability of agricultural and livestock products in the market.

¹² Members of the Focus Group Discussion (FGD) were represented by Nepal Poultry Entrepreneurs Association, Association of Hatchery Industries, Association of Poultry Ration Producers, Association of Egg Producers; Association of Livestock and Poultry related Raw Materials Producers and Association of Livestock and Poultry related Medicine Dealers.

¹³ Participants in the FGD were Raman Pathak and Eak Narayan Poudel from Central Milk Producers Association, Basanta Lamichhane from District Association of Milk Producers and chairman of Janaki Milk Producers Cooperatives, Shovakar Chapagain, Chairman of Annapurna Milk Producers Cooperative, and Shankar Raj Bhandari, Chairman of District Milk Producers Association.

In some of the CPN (M) influenced areas, they fix prices of the local agricultural products and other merchandise goods. Generally, the price fixed by them is cheaper than the market price, and price of district headquarters. For example, rebels had set retail prices of local livestock products in the northern and southern parts of the Bajura district. Price of mutton, chicken, ghee is fixed as 19, 33 and 20 percent less than the existing market price in the district headquarters. Similarly, the price of rice fixed by rebels in Binayak of Achham district was six rupees lesser than the market price Rs 14 per kg fixed by them as against the market price of 20 per kg in Mangalsen)¹⁴.

Interestingly, in some areas the CPN (M) cadres have transported food and other merchandise commodities from road-head markets to local markets and the 'cooperatives' operated by them and therefore there is no added local transport charge in the retail price. By implication, cooperatives operated in the Dolpha and Humla districts were selling rice in 5-8 percent less price than the subsidised rate of Nepal Food Corporation (FSB, 7:5).

In some of their influenced areas, the CPN (M) also prohibits farmers to sell their products in district headquarters or other bigger marketing centres. For example, farmers of Toli VDC of Bajura district were prohibited to sell their ghee in Sanfebagar, a bigger market centre of nearby Achham district. As a consequence, 12 -15 percent livestock grower of this VDC have given up livestock growing (Upreti, 2006). Such cases of restrictions are observed in Makawanpur, district too.

Milk producers and green vegetable farmers in Chitwan district expressed their deep frustrations for failure of the government to provide storage facilities to safely store their products during the time of the blockades, *bandhs* and other obstructions. The farmers' representatives, agricultural technicians and the members of the Federation of Nepalese Chambers of Commerce and Industries at district level argue that establishing a dairy processing plant in the main milk production centres such as Chitwan and operating larger cold storage facilities in the major pocket areas of fresh vegetable production areas such as Dhading, Chitwan or Jhapa will minimise these problems.

CPN (M) has operated communal farming schemes to provide food security to poorest families in 11 VDCs of Jumla district (Sinja area). The poor farmers involved in communal farming receive part of the production.

5.6 Displacement and impact on NRM

Conflict-induced displacement in Nepal is becoming a major concern particularly after the breakdown of the peace talks in August 2003. The phenomenon of displacement has significantly increased together with the increased intensity of conflict. For example, approximately 24000 people of 3500 households of Rajapur areas of Bardiya District alone left their village and entered Baharaich and Bachhya areas of India¹⁵.

A report of the Inter-Agency Internal Displacement Division (IDD) Mission to Nepal (11-22 April 2005)¹⁶, concludes that '*Nepal faces a very serious political, security and humanitarian situation in which preventive measures are urgently required to prevent further deterioration.*' It further states, '*While the full magnitude of population displacement is unknown, best reliable estimates suggest that up to 200,000¹⁷ Nepalese may have been internally displaced by the conflict, with perhaps 2 million or more moving to India in recent years*' (IDD, 2005). It is very hard to find the correct and complete data on Internally Displaced Persons (IDPs).

¹⁴ See page 3 of Food Security Bulletin 7 of WFP Nepal for detail.

¹⁵ See Samaya Weekly (Year 2, No 63, Ashad 17-23, 2062/1-7 July 2005) for the detailed story.

¹⁶ The mission was led by Dennis McNamara, accompanied by Carmen van Heese (IDD) and Romano Lasker (CRD).

¹⁷ Source – Global IDP Database, Norwegian Refugee Council

The situation of silent IDPS is even unclear as they are not in limelight. Some people even estimate the numbers of IDPs is 600000¹⁸. This situation has direct negative impacts in agricultural production.

Looking to the confrontational approach of the main domestic actors of the current crisis, it is more likely to anticipate the high intensity of the conflict. In such a situation, the food marketing system of Nepal will be seriously affected. The major effects will be caused by more frequent obstruction, blockade, and psychological pressures to stakeholders of market (such as extortion and donation) and damage of agricultural infrastructures. It will also contribute to deteriorate border trade with India that ultimately increase the food insecurity. Because of the ongoing conflict, newly renewed Transit Treaty between India and Nepal¹⁹ has restricted the movement of highly sensitive goods to only 7 out of 15 transit points but there is no identification of highly sensitive goods yet. This may have negative some effects of agricultural marketing in Nepal (if the Indian government assesses the negative effects of export of some of the agricultural commodities from Nepal to their agricultural market, at that time they may identify these products as highly sensitive). Another added provision in this treaty is that now onwards India can use Nepalese territory for moving goods from one Indian destination to another which could affect the Nepalese agricultural market (Nepal may not compete with India once this provision is implemented).

6. Growing livelihood insecurity due to two regimes within one state

Livelihood comprises the capabilities, material and social resources and activities required for a means of living. Livelihood is secure when it can cope with and recover from stresses and shocks and maintain or enhance its capabilities and resources without undermining the resource base (Chambers and Conway, 1992). Once, the capabilities and resources or assets are disturbed, people face livelihood insecurity. Armed conflict in Nepal has disturbed this dynamics and consequently brought enormous livelihood insecurity. Paradoxically, it has also brought some opportunity of alternative means of livelihoods such as redistributing land to landless, forcing the government to channel resource in pro-poor activities, donors focus on social exclusion and livelihood insecurity.

One of the serious impacts of the armed conflict on livelihood of poor people is the resource shift from basic service sectors to unproductive military expenditure. The proportion of security budget is invariably increased overtime, the disproportional increase in the amount of 'administrative cost' compared to the development budget, decreased in proportion of resource allocation for basic social service sectors (e.g., health, education, drinking water, etc.).

To achieve secure livelihoods of Nepalese people, their basic rights should have guaranteed according to international human rights conventions. If they have access to quality education, information, technologies and training and better nutrition and health; supportive and cohesive social environment; secure access to, and better management of, natural resources; better access to basic and facilitating infrastructure, and financial resources; and a policy and institutional environment that supports multiple livelihood strategies and promotes equitable access of basic services for all (DFID, 1999). All these conditions are not met and even seriously disturbed by the armed conflict. Hence, livelihood of vast majority of Nepalese peoples, especially poor, marginalised and socially excluded people is insecure and vulnerable.

The study of the Seddon and Hussein, (2002) reveals that security forces have restricted local people from carrying more than one days food supply at a time to deny food supply to Maoists, as against the general practice of people to carry a few months supply. In rural areas, people have to walk up to 3-4 days to reach market. Traditional livelihood opportunities of local poor are jeopardised by the conflict, as they are not allowed to go to forests by the security forces to collect forest based means of livelihoods (mushrooms,

¹⁸ However, the official estimate of the government is 6000-7000 IDPs only.

¹⁹ The Transit treaty between Nepal and India, which was expired on 6 January 2006 and India had extended for 3 month was renewed on 31 March 2006 for the 7 years.

young sprouts of plants, medicinal herbs, non-timber forest products, fire-woods, etc.). And, if any one found in the forest is suspected as Maoist. Because of all these problems there are frequent famines in the Karnali region (ibid: 29) and other high-conflict areas.

Though it is difficult to precisely distinguish between conflict-induced IDPs and voluntary migration (by their interests for better life), the prevalence of migration is high. Economic migration has often positively contributed to secure livelihoods (Thieme, 2006), conflict induced internal displacement is creating devastating effects on the livelihoods of displaced people. India is the destination for largest number of migrants from Nepal, where people flew due to relatively better state of accessibility (open border; similar religion, culture and language, relatives working there) etc.

Health facility is one of the important components of secured livelihoods. However, due to the damage of ambulances, health posts and other health related infrastructures, restriction of supply of medicines in the Maoist influence areas by the security forces in the suspicion of use of medicines by insurgents, increased unwillingness of medical professionals to go to remote areas for work and subsequent deficiency in health services, reduction of investment in the health sector by the state, rapid brain drain from health sector (qualified doctors and nurses leaving country) and frequent disruption of water supply and blockade of water source have created serious problems in the health sector and people's access to health facilities has been seriously disturbed.

Access to quality education is another important element of secured livelihood. The armed conflict has created anarchy in the education sector and used it as ransom by warring parties as shown by evidences from the situation in between 1996-2005. During this period, Maoists have killed 60 teachers and 66 students, caused the disappearance of 151 teachers and abducted 516 students and 62 teachers. Similarly, the state has killed 44 teachers, 172 students, detained 158 teachers and 115 students; and disappeared 14 teachers²⁰. Further, mass abduction of students and teachers by Maoists and suspicion from security forces has caused great insecurity and therefore teachers and students left schools and colleges in rural remote areas. Strike, bandhs and closures of schools have seriously obstructed the school and university calendars and hindering teaching learning environment. Schools are used as battleground by the warring parties and as camp by security forces. Schools felt confusion and insecurity when Maoists forced to follow their curriculum in schools. Regular extortion and payment of levy has added extra burden and livelihood insecurity to parents teachers and students

Regular restriction or obstruction in physical mobility of people and transportation of goods and services, placement of landmines in major roads, physical damage of roads and transport infrastructures (civil aviations towers, roads, suspension bridges, etc.), and vehicles (burning or blasting of buses, loaded trucks, ambulances, motorbikes, etc.). Blocked of truckloads of food supply in district headquarters has severely disrupted market systems (rising prices; shortage of supply of basic foods; increasing black marketing, smugglings and carteling, etc.), which caused severe livelihood insecurity of poor and marginal people.

The Maoist strategy of 'sabotage' of infrastructures forced to large companies such as Uniliver Nepal, Surya Tobacco Company, Coca-Cola Company, distilleries has negative effects in the employment of labourers and created livelihood insecurity. It has also great negative economic impacts that affects livelihood of many people. Disruption of local *hat-bazar* system, back marketing, shortage of goods and services, physical damages of goods and food stuff (hundreds of truck-loads of goods were destroyed by Maoists), reduction in market opportunities, trade imbalance, diversion of scarce resources to unproductive use, obstruction of market and transport had several time forced farmers to throw away the milks, vegetables and other agricultural products, scaling down of existing industries and un favourable environment for investing or

²⁰ Himalayan Times Daily, 10 July 2005

establishing new enterprises have reduced employment opportunities. All these problems have negative effects in livelihoods of people.

7. Analysis

Findings of the study demonstrate that the dominant role of the government in control, management and utilization of the land and natural resources as state owned property has now been drastically changed because of the 'new regime'. The traditional notion of natural resources as state owned property and practice of regulating them by the state regulation through privatization or licensing or leasing has now does not existed in the 'core areas' of the insurgents. Instead, new arrangements of collective actions in resource management are expanding in the controlled areas of 'new regime'. However, the Maoist policy on NRM is also creating confusion to local people because of its contradictions with the government policy and practices.

In administrating the land resource, government has no effective control in many of the districts and therefore not able to exercise state's regulatory and institutional provisions. Legally guaranteed property rights and land ownerships are challenged by the Maoists by seizing lands from landlords and executing their 'ownership to tiller' programme of land reform. The situation of dual administration of land has created tremendous confusion to people. Poor farmers and tenants get benefit from the Maoist land administration policy if the state security forces let them cultivate the land according to the Maoist's 'land to the tiller' policy. However, the poor and tenant farmers are quite insecure because state security forces occasionally visiting the village in mass, they charge these poor farmers and tenants as Maoist supporters take brutal action against them by citing seized land cultivated by these farmers as evidence. This situation is particularly severe in 'no-full-control-area' of both sides. Almost all landlords and village elites left their village and shifted to save urban areas and city centres fearing from Maoists and their lands are barren for several years. In many cases, local farmers are not ready to cultivate as suggested by the Maoists fearing from the state repression. Therefore, one of the worst hit of the 'two regimes within one state' situation is land resource.

Taxation in natural resource is another major issue. Both regimes impose various taxes to Nepalese people depending upon their influence and control. The Maoists have established their own governments at local levels and claimed that they have right to collect the tax under their territorial control people should not pay taxes to the old regime. However, ordinary people fear possible future consequences if they do not pay tax to the government. In such a circumstance, they are paying tax to two governments. In the Maoist control areas, government staff are not able to work and therefore no tax collection for the state but the government insists to pay tax visiting district headquarters. Dual tax, taxation by the Maoists in forest products, community forestry and land and land-based products in addition to the taxation by the government is common phenomenon in Nepal (Ghale and Upreti, 2005).

In case of forest, Maoists used timber and other forest products as one of the main revenue to sustain 'people's war'. They charge money and grant permission for timber smugglers to cut trees and sold to India. However, government of Nepal is not able to control the timber smuggling. Instead, government officials in the district help the timber smugglers, which have devastated effects in managing government forests. One of the leading daily newspapers reported that within 19 days of April 2006, joint action of forest products smugglers, government officials and Maoists collected 45 million rupees from the forest of 6 Village Development Committees by smuggling 80 thousands cubic feet of expensive timbers²¹. This became national issues and the government formed a high level investigation team under the senior officer of Ministry of Forest and Soil Conservation to investigate the timber smuggling. However, journalists, local people and politician alleged that the senior officials of the Ministry themselves were involved in the

²¹ Nepal Samacharpatra Daily, 11 June 2006 (28 Jestha 2063 BS).

smuggling and therefore the investigation team was not able to function smoothly and another all party investigation mechanism has been established. This is only one of the thousands cases of timber smuggling where government uses easy excuse citing the Maoist problem and its staff engaged in smuggling forest products. Land and forest related taxes are major source of incomes for local people's government of Maoists and staff of the related ministries. Citing detail case of involvement of Government forest officials in timber smuggling in Sunsari District, Krishna Bhattarai argues tat the forest officials have used the time of conflict as opportunity to illegally earn money²².

Most of the protected areas were used by rebels and government officials as means of earning by smuggling wild animals and high-value plants. Many poachers and illegal wildlife traders under the protection of park authority or Maoists are celebrating the duration of conflict as 'golden age'²³ for their smuggling business.

In many districts, Maoists and the District Development Committees of the government are simultaneously issuing permission to collect taxes in the natural resources available in the district. For example, In Palpa District, District Development Committee (DDC) of the government and the Maoist District people's government opened the tender for Fiscal year 2063/64BS to collect sand, pebbles, stones from the Tinau River. Last year DDC had collected 60.58 million rupees and Maoist collected 20.69 million rupees as revenue from the same river²⁴. In Banke District, Tharuwan Autonomous Republic District Council of the Maoists issued notice in local newspaper and asked people to all taxes to their government. They also issued tender notice for the taxes from natural resources available in the district, which were collected by the DDC earlier and they also declared the tender of the DDC is invalid²⁵. Maoists are also colleting tax in vehicles in Dolakha district by establishing tax collection post in Tamakoshi Bazar²⁶. In some districts such as Makawanpur, Maoists have obstructed to collect tax by DDC on natural resources²⁷.

8. Conclusions

This paper concludes that confrontation between the policies and institutional arrangements of two regimes has not only posed enormous challenges, but also provided new opportunities in managing available natural resources

This study clearly shows that hostile activities of the warring parties are leading to distortion and obstruction of effective management of natural resources. Security and operational conditions at the local levels have heavy influence in NRM in Nepal.

The diversion of scarce resources to unproductive use (e.g., military expenditure, ceremonies and welcomes, etc.) and different security obstructions have severely weakened the essential service delivery mechanism in Nepal.

It is concluded from the study that imposition of Maoists policy and programmes in the rural areas have virtually replaced the state policy and institutional functioning, which ultimately created confusion, uncertainties and risk for local communities.

²² Nepal Samacharpatra Daily, 24 August 2006 (8 Bhadra 2063 BS).

²³ **The Himalayan Times Daily, 21 June 2006.**

²⁴ Nepal Samacharpatra Daily, 16 June 2006 (2 Ashar 2063BS).

²⁵ Nepal Samacharpatra Daily, 18 June 2006 (4 Ashar 2063BS).

²⁶ **Kantipur Daily 13 June 2006 (30 jesh, 2063 BS).**

²⁷ Nepal Samacharpatra Daily, 22 August 2006 (6 Bhadra 2063BS).

The present conflict has promoted unsustainable proactive of harvesting and utilisation of natural resources and collapsed the institutional functioning.

The NRM policies and practices of the government have divided Nepalese society into upper and lower economic and social classes. The upper social class often wants to centralise power, resources and decision process to maintain their hierarchical social structure. Neither they have confidence over their actions (they always fear for potential revolt from worst-off), nor they believe on inclusive democratic practices (as they always want to be in power) and people's decision in planning and implementing NRM programmes and projects. They often fear for their control of natural resources and always defend to justify the existing model of exclusionary NRM. That can be very clearly seen in the documents and action of National Planning Commission, an apex planning institution and ministries of forest and soil conservation, water resources, land reform and management, agriculture and cooperatives, where they worked to protect the vested interests of ruling elites. Seddon and Hussein write, "Despite a heavy donor presence and sustained high levels of aid to Nepal (with foreign agencies contributing some 60 % of Nepal's development budget) and the existence of a wide variety of development programmes, that number of people falling below the poverty line has not decreased over the last twenty years. There can be little doubt that, even after half a century of development interventions Nepal is still in crisis" (Seddon and Hussein, 2002:2).

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