

Division 43

Health, Education, Nutrition, Emergency Aid

Nepal Country Study on Conflict Transformation and Peace Building

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Preface

This study was carried out at a critical juncture for Nepal. Three weeks after the team had completed its enquiries, the Maoist rebels unilaterally broke off the peace talks and a four-month ceasefire by staging a country-wide attack on government and army targets. This led to an extreme escalation of violence including the unprecedented deployment of the army.

In this context of sudden change and insecurity, this report proved to be extremely timely. Between the end of the country mission on 19 October 2001 (which provided a draft version of this report) and the publication of the final version of this report, there have already been significant moves toward conflict prevention and management by the GTZ Kathmandu Office and other donors – some of these moves can be seen as direct or indirect effects of the mission and report.

Before the escalation of violence, the government of Nepal requested financial assistance from donors for its Integrated Security and Development Programme. Because of the mission's analysis of the programme (see page 23), BMZ advised not to support this request and the GTZ Office in discussion with other donors agreed on a common policy against funding the ISDP. This was a precedent in co-ordinated policy making among donors. Shortly after the conclusion of the mission and following a recommendation of the report, Germany became a contributor to the UNDP Trust Fund for Peace and Development through the GTZ.

Once the violence escalated, the GTZ Office quickly and coherently, and in excellent co-ordination with the German Embassy and other donors, developed a policy toward the new situation of violence. This included emphasising the duty of both government and rebels to respect human rights and the neutrality of civilians, and appealing to both sides to return to the negotiating table as soon as possible. The draft report was also taken very seriously by other donors, as a means of finding orientation in a quickly changing situation. The mandate of the donors' „Peace Support Group“ was widened to become a focal coordinating body, following the suggestions of the report.

There has also been concrete progress toward implementing the programme adaptations developed during the last workshop with the mission team. A co-ordination and discussion group with staff members from virtually all programmes has been created to push forward the implementation of adaptations and regularly exchange experiences on conflict issues. In addition, the action plans for adapting programmes to greater conflict sensibility, including portfolio-level strategic changes, were integrated into the five year strategic plan which was decided on two weeks after the end of the country study mission.

We hope that this report will continue to provide orientation in a time of ongoing violence and change in Nepal and thus will be a small but not insignificant contribution to overcome violent conflicts in Nepal. Lastly we hope that it will also be stimulating reading to those in other conflict situations, but faced with similar issues, problems and potentials.



Dr. Uwe Kievelitz

Programme Manager Crisis Prevention and Conflict Transformation

Table of Contents

Preface	1
List of Acronyms	6
GTZ programme acronyms	7
1. Executive Summary	8
2. Background of the Mission	21
2.1 Mission Outline and Methodology	21
3. Conflict Analysis	23
3.1 Conflict Type	23
3.2 Root Causes of the Conflict	25
3.3 Conflict Phase	28
3.4 Extent of the Conflict	29
3.4.1 Geographic	29
3.4.2 The Military	30
3.4.3 Human cost	30
3.5 Impact of the conflict	31
3.6 Stakeholder Analysis	33
3.6.1 Nepali Actors	34
3.6.2 External Actors	42
3.7 Current Dynamics	46
3.8 Trends	49
3.9 Scenarios	50
3.10 Reflection on Nepal's specific conflict characteristics	51
4. Conflict Impact Assessment	51
4.1 Impact of the conflict on development	52
4.1.1 Impact on German-supported projects/programmes	53
4.1.2 Impact on other development actors	57
4.2 Impact of German-supported Projects on the Conflict (PCIA)	59
5. Portfolio Analysis	62
5.1 Overview of the German Portfolio	62

5.2 Project Level Portfolio Analysis	63
6. Strategic and Political Conclusions and Recommendations	66
6.1 General Political Dimension	66
6.2 Strategic Dimension for German DC	68
6.3 Principles and Methodologies	69
6.4 Regional Dimension	71
6.5 Conflict Transformation, Peace Building and the Project Cycle	71
6.6 Portfolio Adaptation	72
Postscript	74

Annexes

1. Terms of Reference of the Mission	77
2. Literature used	82
3. List of Interview Partners	84
4. Time line of the Maoist Movement in Nepal	87
5. The Maoist's 40 Point Demands	91
6. Map of Maoist Presence in Districts	94
7. List of Areas with People's Government	95
8. Number of people killed by the police and by the Maoists per district	96
9. German Technical Cooperation in Nepal	97
10. Sankhuwasabha District Study	98
11. Dailekh/Bardiya District Study	107
12. GTZ-Portfolio Overview	116
13. Security-related Operating Guidelines	117
14. Conflict Monitoring and Early Warning Proposal	118
15. Constitutional provision for State of Emergency	123

List of Acronyms

ADB	- Asian Development Bank
BMZ	- Bundesministerium für Wirtschaftliche Zusammenarbeit und Entwicklung
CPN (Maoist)	- Communist Party Nepal - Maoist
DDC	- District Development Committee
DED	- Deutscher Entwicklungsdienst
DfID	- Department for International Development (UK)
FES	- Friedrich Ebert Stiftung
GTZ	- Deutsche Gesellschaft für Technische Zusammenarbeit
HMG	- His Majesty's Government of Nepal
ICRC	- International Committee of the Red Cross
IGO	- International Governmental Organisation
INGO	- International Non-Governmental Organisation
ISDP	- Integrated Security and Development Programme
KfW	- Kreditanstalt für Wiederaufbau
MP	- Member of Parliament
NC	- Nepali Congress
NGO	- Non-Governmental Organisation
PCIA	- Peace and Conflict Impact Assessment
PDDP	- Participatory District Development Programme
PLA	- Participatory Learning and Action
REDP	- Rural Energy Development Programme
SAP-N	- South Asia Partnership – Nepal
SAPROS	- Support Activities for Poor Producers of Nepal
SDC	- Swiss Development Co-operation
SNV	- Dutch Development Organisation
TMI	- The Mountain Institute
UML	- United Marxist-Leninist Party
UMN	- United Mission to Nepal
UNDP	United Nations Development Programme
USAID	- United States Agency for International Development
VDC	- Village Development Committee

GTZ programme acronyms

CHFDP	- Churia Forest Development Programme
HSSP	- Health Sector Support Programme
IFSP	- Integrated Food Security Programme
ISCL	- Improving the Situation of Child Labourers
PSP	- Private Sector Promotion
RCIW	- Rural Community Infrastructure Works Programme
RDP	- Rural Development Programme
RUFIN	- Rural Finance Programme
UDLE	- Urban Development through Local Efforts Programme

1. Executive Summary

"In Nepal, the value of the analysis is potentially very significant. Firstly because the conflict is still at a relatively early stage and its trajectory could be influenced, and secondly, because aid donors are significant actors with some leverage over conflicting parties. Therefore a rigorous and ongoing conflict analysis could have immense value in the Nepal context in terms of helping aid donors work on conflict."

Goodhand, p.76

This quote by a leading member of the British DfID's conflict management team describes in a nutshell the significance of GTZ's Country Study on Conflict Transformation and Peace Building in Nepal. During 2001, the ongoing conflict between His Majesty's Government of Nepal and the Maoist movement reached a dimension which could no longer be neglected by development organisations. But it has not yet reached the level of self-perpetuation which comes with extreme violence, economic interests based on the perpetuation of war, or international and geopolitical involvement. The possibility of influencing conflict dynamics in the direction of peace is greatest in this phase before the outbreak of extreme violence, and when there is (still) willingness for dialogue. Therefore there is a great potential for foreign donors, with their significant influence on Nepal's economic, political and social development, to use this opportunity to support peaceful solutions to Nepal's problems.

It was with this scenario in mind that the Country Study on Conflict Transformation and Peace Building was initiated by the GTZ's "Crisis Prevention and Conflict Transformation in German Development Co-operation" Sector Programme. The study met the needs of the Federal Ministry for Economic Cooperation and Development (BMZ) in Germany and the Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ) responsible for the implementation of programmes and projects under Technical Cooperation who were looking for professional support in understanding and addressing the conflict issues. The Sector Programme was interested in the case of Nepal and in testing recently-developed methodological and thematic approaches and tools for conflict transformation.¹ Thus, the main objectives of the study were:

- A systematic analysis of the political and social conflict dynamics as well as of the effects of the conflict on the German development programmes and projects and vice versa (Peace and Conflict Impact Assessment);
- An analysis of the German TC portfolio and the development of recommendations for its adaptation towards conflict transformation and peace building;

¹ See ToR of the mission in Annex 1

- Further recommendations for development policy in the context of the ongoing conflict.

The study was carried out between 4 and 19 October 2001 by a team consisting of the manager of the Sector Programme and two independent consultants, one from Germany and one from Nepal. As the conflict in Nepal has major implications on the local, district and national levels, all levels were analysed. In addition to discussions and workshops at the national level, field trips and discussions were carried out in the Midwestern districts of Dailekh and Bardiya as well as the Eastern district of Sankhuwasabha, which gave significant insights into the dynamics and diversities of the conflict. Two workshops with GTZ staff together with participation by DED and FES served to give the analysis an operational perspective, enabling action plans for both the project and the country level to be developed.

Since 23 November 2001 there has been an extreme escalation of violence in Nepal. Over 300 people – from the police, army and Maoists - were killed in three days. This prompted the King to declare a state of emergency, naming the Maoists a terrorist organisation and deploying the army against them. Since this significant change in the conflict's context occurred after the end of the conflict assessment mission described in this report, its implications cannot be fully reflected in this document. The body of this report should be read from the perspective of 15 November 2001. The overall historical and stakeholder analysis remains valid, however, as do many of the points made in the conflict impact and portfolio analysis. An addition to the Strategic and Political Conclusions and Recommendations in the form of a postscript attempts to take the new situation into account and highlights what has changed and what the implications are for German Development Co-operation.

The conflict in Nepal, as compared to other countries, is still relatively tractable due to the following reasons:

- After five years of conflict, it has not yet escalated to the point of civil war;
- It is a conflict between two parties, the government and the Maoist movement, over control of the state and thus, on the national level, has a mainly political dimension; this is not (yet) complicated by a significant "war economy";
- There is no significant international dimension, neither through the serious involvement of neighbouring countries, nor through actions by the superpowers;
- Ethnic or religious identities have not (yet) been significantly instrumentalised by conflict parties.

For these reasons, Nepal has a better chance to transform and resolve its central conflict than other country cases studied by the Sector Programme, including Guatemala, Sri Lanka or Chad. Because of its particular conflict constellation, development co-operation

may effectively contribute to conflict transformation; this is one further reason why the Nepalese case is particularly important for German development co-operation.

The main conclusions of the study with regard to the analysis of the conflict are the following:

Type of the conflict

- ▶ On the political level, it is a competition for political power and participation in the political process. The government and the rebels have different conceptions of what constitutes legitimate authority and representation. The government wants to retain the constitutional monarchy and the current multiparty electoral democracy. The rebels want to abolish the monarchy and establish a republic on a communist model.
- ▶ On the economic level, the rebels claim to represent the interests of the poor and the rural population who have been excluded from political and economic power, and whose basic needs are not being met by the government. Inequality of resource distribution is one of the main causes of the conflict.
- ▶ On the ideological level, the rebels claim to follow a Maoist ideology, while the government follows a liberal, capitalist model.

There is widespread consensus over the **root causes** of the conflict. The main grievances are inequitable socio-economic and political access, bad governance and corruption, as well as resulting widespread poverty. These issues are used by the Maoists to justify their challenge to the government, and they contribute to motivate certain sectors of society to openly join or at least silently support their movement and cause.

With regard to its extent, the following facts are of key importance:

- The conflict has been steadily escalating since 1996.
- It started in the Midwestern districts and has since spread out to presently almost all districts and major cities of Nepal, including the Kathmandu valley. 25 districts are currently claimed by the Maoists as “People’s Governments”.²
- The violent clashes between Maoists and the police have so far claimed around 1,800 lives – fairly equally distributed on the government side (mainly police) and the Maoist side (guerrillas and allegedly sympathising farmers).

² In this context, it is worthwhile noting that the Maoists are following the classic strategy for guerrilla warfare put forward by Mao Tse Tung in his Red Book. This means winning over the countryside, steadily encircling the core cities and then taking the guerrilla war to the cities.

- The conflict is characterised by limited and selective violence, committed using locally available weapons. Aside from threats and actual killings, other forms of violence include extortion, arson, looting, robbery, etc.
- The government has treated the insurgency as a law and order problem under the aegis of the police. Therefore the army (approximately 40,000 men) has so far not become actively engaged in the conflict against the Maoist army and militia (estimated at 10,000 men and women).
- The major economic sectors affected are: tourism, carpets, textiles, and especially the alcohol industry (manufacturing and sales). Some agricultural exports are also affected (cardamom, for example). Increasingly, the whole country is suffering from the insecurity and resulting economic paralysis brought about by the conflict.

The local population considers some of the *impacts* of the conflict to be largely positive:

- Pressure has been exerted on national politicians to introduce social reforms such as land reform, a reform of the inheritance law for women, extending the rights of *kamaiyas* (bonded labourers), and ending discrimination against *dalits* (occupational castes and untouchables).
- Widespread corruption at the district and local levels has become more contained through more transparency, including public audits under Maoist influence;
- Socio-economic problems like alcohol abuse, gambling or the excessive interest rates of local moneylenders have become more controlled in many regions.

However, the negative impacts have increased and have begun to outweigh the positive changes in the eyes of many people. The major negative consequences are:

- The spread of violence, insecurity and fear;
- Increased extortion in the form of “donations”;
- Government services, especially in the field of education, have been impaired;
- Economic effects leading to loss of income for the already poor.

A detailed **stakeholder** analysis has shown that there are numerous people and organisations which have the potential to become important peace actors. Major actors with high conflict transformation and resolution potential are the business community, the media, a few NGOs which have started to specialise in issues like human rights and conflict resolution, and young people and women in particular. On the international level, most organisations still “work around conflict”, meaning that they have not actively engaged in any issues directly related to the conflict, while a number of others have started to work “in the conflict”, meaning they have become sensitive to the need to avoid “doing harm”. Only a few development organisations – like UNDP with its initiative for a Peace and

Development Trust Fund, the Norwegian embassy, DfID with a thorough conflict analysis and recent consultative efforts in conflict resolution as well as security issues, and SDC with a peace and conflict study – have actually started to work “on the conflict”.

As far as conflict dynamics, trends and scenarios are concerned, the major insights of the study point in the following directions:

- The peace process, started on the initiative of the Deuba government and based on a ceasefire agreement, has gone through three rounds of talks without any substantial results. Rather than focusing on issues of common interest before starting to work on those issues on which there is principal disagreement, the talks have centred on the key conflict issues of the monarchy (republic), the constitution and coalition government. The direction that further talks will take cannot be foreseen at present.
- While the peace process continues, both the Maoists and the government have continued to expand their geographic zones of influence. The Maoists continue to declare “People’s Governments”, while the government has been expanding its Integrated Security and Development Programme (ISDP), in which the army is stationed in districts with Maoist activity.
- Both parties are facing internal problems of leadership and control. At the national and district levels, the Maoist leadership is no longer in control of its lower cadres. There is great danger of a split in the Maoist camp and of resulting violence by groups acting independently. The governing Nepali Congress Party is also split between those who support the Prime Minister’s willingness to negotiate and those who support a military solution.
- Popular perception is becoming equally disillusioned with the government and the Maoists, since neither is convincingly fulfilling the fundamental demands of the people for good livelihoods and good governance. There have been some cases of community protection and support for effective development organisations and projects which have been threatened by either Maoists or police, including the GTZ’s Rural Development and Food for Work programmes. This shows that the people will support what meets their needs.
- The scenario with the highest probability for the near future, according to sources from all walks of life, is that Nepal will continue to “muddle through” with a high risk of continued violence.

The **conflict impact assessment** revealed a number of important insights into the dynamics between development co-operation and the ongoing political conflict.

On a structural level, it can be seen that both the relative inability of Nepal to develop and the outbreak of violent conflicts in the country have similar root causes, i.e. a social and political system which leads to an inequitable distribution of political and economic opportunities and eventually to widespread poverty, coupled with poor governance and corruption. While being negatively affected by these factors, international development co-

operation needs to examine its own role in supporting or challenging these structures. If international development co-operation addresses these structural issues more actively, it can both improve its performance with regard to poverty alleviation as well as contribute significantly to conflict prevention.

On an operational level, the study has revealed the following issues regarding the impact of the conflict on development and vice versa.

Impacts of the conflict on development

- ▶ The overall loss of development potential as a result of the ongoing conflict is difficult to assess but should not be underestimated.
- ▶ Development services in many districts have stopped or been reduced because service providers (either governmental, local non-governmental or international) have been expelled or constrained by the actions of Maoists and police. As seen in Dailekh, Sankhuwasabha and elsewhere, many international NGOs and IGOs – primarily but not exclusively American-supported ones – have suffered severely from Maoist actions.
- ▶ On the positive side, the Maoist presence has contributed to more transparency among development actors and control of corruption.

In terms of the German-supported projects and programmes, the following impacts were noted:

- The (temporary) closure of projects has only been necessary in a few cases, mainly with regard to the construction of green roads in the district Gorkha, the delivery of Food for Work projects in districts like Salyan, and the activities of the Small Farmers Co-operatives supported by the Rural Finance Programme.
- There have been attempts to extort money from different projects and from most of the local staff working for these projects. While the GTZ strictly follows a policy that projects must not pay “donations”, in many cases individual staff members contribute from their own pockets because they fear losing their jobs or even their lives.
- In cases where VDCs have been closed down and replaced by Maoist administrations, the programmes lack a formal government partner.
- Generally, a sense of insecurity has complicated service delivery and made the work more difficult. As a result, security of staff has become an issue of increased concern for the GTZ and other German development partners.

The impacts of German development projects and programmes on the conflict are numerous and important. Overall it was clearly noted that GTZ-supported programmes

have only limited negative impacts on the conflict, whereas they show a remarkable potential for positive impacts with regard to conflict mitigation and prevention.

Potential negative impacts of the programmes include the – involuntary – transfer of resources to a warring party, the creation of negative perceptions and grievances because of the perceived relative material affluence of staff and projects, the support of government structures without any resulting improvements in their performance, and the creation of unfulfilled expectations. All of these aspects were only observed to a limited extent.

In contrast, positive contributions to conflict mitigation and transformation take on an important dimension, as a number of projects and programmes attack the root causes of the conflict:

- On an immediate level, they help the poorest and most oppressed people to at least temporarily improve their lives, thus giving them an alternative to joining extremist forces;
- On a structural level, they have the potential to help people to permanently find a way out of poverty, thus decreasing the socio-economic inequalities which lie at the root of the conflict;
- On a process level, through group formation and solidarity, they introduce the people to the concept of self-governance, again tackling one of the roots of the conflict.

Both the GTZ IFSP and RDP Programmes in the districts visited by the mission are clear examples of positive contributions on all three levels.

The general portfolio analysis for the GTZ programme in Nepal confirmed the findings of the impact analysis and the assessments on the district level. It showed that most GTZ-supported programmes already focus on direct or indirect poverty alleviation, working with disadvantaged populations in disadvantaged areas, and on improving governance. Therefore, they address the root causes of the conflict. Thus, a major adaptation of the portfolio is not warranted at this time.

Adaptations of individual programme aspects were however found necessary in a number of cases, relating to issues such as:

- increased awareness and competence of staff dealing with conflict;
- better targeting of the most needy groups in the districts;
- increased transparency of actions towards all stakeholders;
- introduction of early warning and conflict monitoring activities;

- introduction of conflict management techniques in information and education programmes;
- improving the balance between the Technical and Financial Cooperation components of programmes.

The study has elaborated a number of **key strategic and political conclusions** which can be summarised as follows:

General political dimension

1. There is a high likelihood that the political conflict in Nepal will continue because:
 - The root causes of conflict remain unchanged in the country;
 - The Maoist movement is still widespread and strong;
 - There are indications that both sides are under strong pressure from political camps within not to give in on key issues, which might lead to a standstill or the collapse of the negotiations;
 - There are indications that the Maoists might split into numerous different groups, some of which might remain radical and violent.
2. While different scenarios regarding the conflict in the country are extremely difficult to substantiate at the present time, it is most likely that a prolonged period of uncertainty, insecurity, instability and potential violence will persist in the country.
3. Therefore, the development community must be prepared to respond to a longer period of insecurity and instability. This in turn means that it should deal with the following four major issues:
 - potential security issues;
 - the principle of “do no harm”, i.e. ensuring that its development efforts do not unintentionally fuel the conflict;
 - strategic contributions to peace building and conflict transformation;
 - strategic preparation for post-conflict reconstruction.
4. In terms of security, the most important concerns are:
 - clearly established principles and guidelines for action;
 - the development of contingency and emergency plans;
 - the development of an early warning system with a special focus on conflict-prone districts.

5. In terms of the “do no harm” principle, all projects should be screened periodically regarding their potential positive and negative impacts on the conflict.
6. In terms of strategic contributions to conflict transformation and peace building, care should be taken to relate potential activities directly to the root causes of the present conflict. Examples of activities are: integrating conflict resolution and peace building into informal education, working with youth groups, etc.
7. In terms of post-conflict reconstruction, care should be taken to start early with considerations and programmatic ideas for this context such as: demobilisation of combatants; reconciliation in especially affected areas; and the generation of jobs specifically for (semi-) educated youths.
8. Most of the bilateral and multilateral donors in the country seem to be insufficiently prepared to deal professionally with conflict resolution, crisis prevention and peace building issues in the context of their traditional field of development co-operation. Many are presently making an effort to step up their capacities in such fields (e.g. DFID, SDC, UMN, GTZ). This situation demands the closest possible co-operation and sharing among donors with regard to two major aspects:
 - developing capacities to deal with the above-mentioned four issues (security – “do no harm” – strategic contributions to conflict transformation – post-conflict reconstruction);
 - aligning for a policy dialogue vis-à-vis the government.

In a political dialogue, donors can use the leverage of their funding contributions to lobby for and support a peaceful resolution of the conflict. They should also ensure that the government does not use their budget contributions in order to free its own resources for military expenditure.

The institutional hub for such co-ordination and sharing already exists in the shape of the Peace Support Group, chaired by UNDP, and this should be developed into a strong co-ordination structure for policy-related issues beyond the management of the Peace and Development Trust Fund.

Strategic Dimension for German DC

9. It is proposed that conflict transformation and peace building should be taken up as a major cross-cutting issue in the development co-operation framework with Nepal. This would imply that:
 - the conflict issue is raised as a concern and monitored on the political level in the context of bilateral negotiations as well as the general policy dialogue;

- the GTZ portfolio should regularly be assessed and adjusted to make the best possible contribution to conflict transformation and peace building.
10. For strategic reasons, it is proposed that Germany participate actively in the UNDP-co-ordinated, multi-donor supported Peace and Development Trust Fund. On one hand, the instrument of a fund has the potential to effectively induce and support peace initiatives at the local level by a multitude of civil society organisations. On the other hand, it provides a practical means by which donor co-ordination in the area of conflict transformation can take place in Nepal.

Principles and Methodologies

11. The mandate of the GTZ and other German development organisations in Nepal with regard to the conflict is a critical issue. It should be interpreted as follows:
- The GTZ and other agencies operating on behalf of BMZ in Nepal are officially bound to political neutrality;
 - They are in the country to support development efforts by the Government of Nepal and Nepalese society;
 - As much as the ongoing conflict in Nepal is both deeply rooted in development issues and impacts strongly on development activities, it needs to be dealt with on these levels;
 - The German agencies and all their staff are restricted to political neutrality and impartiality, but not to value neutrality. In cases of conflict, they must stand for the values which the German government has defined as the basis for its development efforts (i.e. the Five Principles of German Development Co-operation: respect for human rights; rule of law; participation; market-oriented economic order; development orientation of Government action).
12. There are two major levels of intervention for conflict resolution and peace building:
- the local and regional (i.e. district) level is the main level of GTZ district-oriented and DED interaction;
 - the national level is the appropriate level for BMZ, GTZ national advisory aspects, KfW and the work of the political foundation (FES).
13. On these levels, implementing partners should be carefully chosen to contribute significantly to the resolution of ongoing political and social conflicts. One good way of doing so is linking such institutions to the recently established UNDP-steered Peace and Development Trust Fund.

14. With regard to target group orientation, two principles should be followed in parallel:
 - on one hand, care must be taken to focus clearly on the most needy groups which suffer the most from poverty, government neglect and discrimination;
 - on the other hand, an inclusive approach should be followed which will ensure that the antagonism between different social groups is not exacerbated.
15. Transparency must be maintained through appropriate mechanisms (such as public audits on the field level), and further developed.
16. As long as the conflict in Nepal is ongoing, and might increase in intensity at the national or regional level, a system of monitoring conflict dynamics should be established, combined with an “early warning – early action” approach.
17. In conflict situations it is especially important to combine the instruments of Technical and Financial Co-operation. Two options are open in Nepal:
 - A reassessment of the contribution of KfW in this context should be initiated by BMZ with a view to optimising the synergy between TC and FC in conflict-prone areas;
 - cooperation with International Financial Institutions (IFIs) should be assessed in key sectors of common interest.

Regional Dimension

18. German Development Co-operation organisations (GTZ, DED and FES) are presently operating in all 75 districts of Nepal, with a particularly strong presence in 28 of these districts. Many of these districts are those in which the Maoists have a strong presence and partly have proclaimed “Peoples’ Governments”. Strategically,
 - German Development Co-operation should be more focused on districts with a high potential for conflict, especially with those programmes which can bring immediate as well as structural solutions to conflict causes (i.e. IFSP, RDP and HSSP);
 - As this is a higher risk strategy, however, early warning methodology for conflict escalation should be applied in order to take the necessary steps to safeguard the German contribution;
 - Overall, German Development Co-operation should be very flexible in its regional support: taking chances where they open up, and reducing activities or retreating for some time where difficulties rapidly increase.

Conflict Transformation, Peace Building and the Project Cycle

19. There are a number of steps which can and should be taken to adapt DC actions to the ongoing conflict scenario:

- On the level of the political dialogue between Germany and Nepal, efforts should be made to clarify the requirements for a German commitment in situations of ongoing or increasing conflict;
- In project appraisal, care should be taken to include an assessment of the conflict's relevance as well as the potential impacts of, and on, the new project/programme, with specific attention paid to target groups and priority areas;
- In project planning, attempts should be made to plan for specific conflict-relevant contributions;
- Project monitoring should include the monitoring of conflict impacts. The methodology of Peace and Conflict Impact Assessment (PCIA) should be applied in this context;
- For all modes of planning and decision-making, a few principles are proposed:
 - security of staff;
 - ability to pursue the agreed project/programme goals;
 - neutrality, free from the influence of the parties to the conflict;
 - specificity and flexibility of decisions taken; and
 - co-ordination among donors instead of decisions taken in isolation.

These criteria can also serve to define the point of exit of a particular activity, programme or the whole country programme as conflicts escalate.

Portfolio Adaptation

20. The framework for German Development Co-operation with Nepal has been developed in the latest governmental negotiations. Three major priority areas were agreed upon for future co-operation:

- Promotion of Local Self-Governance and Civil Society,
- Health and Family Planning,
- Promotion of Renewable Energy.

21. The priority area "Promotion of Local Self-Governance and Civil Society" in many ways makes it possible to contribute directly to conflict transformation, as it tackles the root causes of poor governance, poverty and inequality. The plans for the devel-

- opment of a sector strategy paper make it possible to strategically include interventions which can help to mitigate the conflict.
22. The priority area “Health and Family Planning” has an indirect conflict-reducing potential through service provision in the area of the most basic needs. A regional focus as well as a target group focus on those people who are most severely caught in the poverty trap can help to address conflict causes more efficiently.

23. There is need for some additional action in the priority area “Promotion of Renewable Energy”. In case of new projects in the energy sector, this sector should be carefully assessed in terms of
- the risks involved in financing hydropower on a large scale in one particular location;
 - its contribution to poverty alleviation and conflict transformation.

With regard to its present portfolio, KfW will initiate a conflict assessment of Lamjung project.

24. The main issue which could prompt a potential major portfolio adaptation is the priority area of employment generation for unemployed, (semi-)skilled/educated youths in urban and rural areas.

Two strategies could be potentially followed:

- adding these issues as a to the existing priority area “Energy”, which is indirectly contributing to employment generation;
- an intensive inclusion of strategies, activities and investments within the existing priority areas and portfolio (all decentralisation programmes/projects + PSP).

Both strategies can be followed in co-operation with other donors (e.g. SDC). However, it should be considered that the availability of electricity is a precondition for employment generation in the most important sectors of the country in terms of qualified employment (industry/commerce and tourism).

25. Within the existing portfolio, readjustments should be assessed and potentially realigned in accordance with the above conclusions and recommendations, with regard to:
- the regional focus of programmes;
 - a stronger target group focus, especially on young people;
 - more direct conflict transformation approaches/activities.

2. Background of the Mission

Since 1996, Nepal has been experiencing civil strife, in which the government finds itself challenged politically and militarily by Maoist-inspired rebels. The fact that the conflict has become more pronounced in the course of 2001 led both the BMZ and GTZ to devote particular attention to the impact of the conflict on German Development Co-operation (DC).

Conflict management or peace building is not a formal priority area for German DC in Nepal. Therefore the purpose of the mission was to analyse the impact of the conflict on ongoing programmes, and strategically adapt the country portfolio to minimise negative effects and optimise opportunities for conflict prevention and resolution within the existing programme framework.

Nepal is one of the poorest countries in the world. With an average yearly income of 220 USD, and with 47.1% of children under five malnourished, illiteracy rates of 42% and 77% for men and women respectively,³ and extreme inequality (as expressed by a Gini coefficient ranging from an average of 0.31 in rural areas to 0.43 in urban areas and 0.66 in the Terai)⁴, it is clear that poverty and inequality are central concerns for the country. Yet these do not, in themselves, lead to violent conflict.

Therefore this study seeks to combine an analysis of the root causes of conflict with a political understanding of the triggering factors which have determined the trajectory of the conflict and which constitute the main new challenge for development actors in the country.

2.1 Mission Outline and Methodology

A team from the Sector Programme Crisis Prevention and Conflict Transformation at GTZ headquarters was invited by the BMZ and the head of the GTZ office in Kathmandu to assist in developing a strategy towards the conflict.

³ World Bank Nepal Data Profile 1997, 1998, 1999

⁴ ADB Country Assistance Plans 2001-3, data from 1996

The mission goals included

1. a systematic analysis of the political and social conflict dynamics,
2. a peace and conflict impact assessment (PCIA) on the effects of the conflict on programmes and vice versa,
3. an analysis of the TC portfolio and recommendations toward the adaptation of the portfolio to enable a greater contribution toward peace building and conflict transformation,
4. consideration of the possible adaptation or development of the thematic sector focus,
5. recommendations for future German political dialogue and development co-operation with Nepal, and
6. integration of the German contribution into the activities of the international community.

(see ToR in Annex 1)

The mission team, consisting of Dr. Uwe Kievelitz (GTZ Sector Programme), Tara Polzer (German independent consultant) and Debendra Manandhar (Nepalese independent consultant) carried out the mission in Nepal from 4 to 19 October 2001.

The team carried out extensive consultations with local experts and international actors in Kathmandu. Field visits to East and West Nepal were also carried out to Sankhuwasabha (9.-14.10), Dailekh and Bardiya (10.-14.10) districts. There is a strong Maoist presence in all three areas, but with a significantly different character in each (see Annexes 10 and 11 for detailed district study reports). The purpose of the field visits was twofold: to gather district level perspectives on the conflict, which proved to be significantly different than Kathmandu-based perceptions, and to carry out impact assessments of two projects in collaboration with the project staff.

Since the time available and the breadth of issues to be covered did not allow a detailed analysis of all 16 GTZ programmes to be made, the two rural programmes most affected by the political instability - the Rural Development Programme (RDP) and the Integrated Food Security Programme (IFSP) - were selected as a special focus. One RDP project area in Sankhuwasabha was visited, and some IFSP projects in Dailekh and Bardiya.

The work with GTZ staff included an introductory and analysis workshop (8 October 2001) and a final planning workshop (17 October 2001) with participants from all projects. In addition to the information and analysis gathered by the mission team, the project staff carried out a self-evaluation of the conflict impact of their projects on the basis of a

questionnaire developed in the first workshop. This was then used to develop action plans for each project and for the overall GTZ country portfolio.

Other German DC actors were actively included in the mission. The KfW was consulted in Germany, the DED and FES took part in the first workshop and in detailed consultations, and the German Ambassador to Nepal was repeatedly consulted. Co-ordination with international development actors was extensive, including especially close co-operation and information exchange with an SDC conflict analysis mission. Insights from prior reports by DfID were included in our analysis, and consultations took place in Kathmandu with DfID, SNV, the Ambassador of Norway, ICRC, WFP, and UNDP. The interim findings of the mission were also presented to the donors in the “Peace Support Group.”

Methods used included informal interviews (see list of interview partners in Annex 3) using a basic set of questions, and some visualisation methods described in the “Konflikt-analyse für die Projektplanung und -steuerung” guide prepared by the Sector Programme for Crisis Prevention and Conflict Transformation. These included conflict maps, peace and conflict pyramids, phase diagrams, and time lines (see text below).

This report is based on information gathered in Kathmandu and in three representative districts. While GTZ field staff found many of our findings could to some extent be generalised, it is clear that some elements will differ significantly in different districts. Considering the limited time frame and spatial reach of our analysis, we do not claim to be fully comprehensive. Further detailed consideration of the conflict situation is needed for each district and each project context individually.

3. Conflict Analysis

3.1 Conflict Type

The conflict between Maoists and the government (HMG) is explicitly a competition for control over the state. This competition has been carried out by a combination of violence and political means. Both have largely been expressed at the local and district level, but with national level implications. The main violent clashes have occurred between members of the Maoist armed forces (army and militia) and the police, but have included attacking businesses and offices of (I)NGOs, arson, kidnappings, and extortion. On the other hand, Maoist political activists have carried out social mobilisation activities among poor and marginalised sections of the population, including the punishment of corrupt local officials, exploitative land owners, or moneylenders through “people’s courts”, the redistribution of land to the poor and the establishment of community farms. This combination of violence and political activism has made people highly ambivalent about the Maoist movement. There is still widespread support for many of their social activities and

proclaimed principles (most of their “40 demands” to the government are enshrined in the constitution, and seek greater political and economic justice for disadvantaged communities and groups – see Annex 5), especially among the rural poor, but fear and criticism are growing about the use of violence and extortion.

In this sense, at the ***national*** level, the conflict is primarily a **political conflict**, since the goal of the Maoists is to gain access to state power. Furthermore, the government and the rebels have different conceptions of what constitutes legitimate authority and representation. The government wants to retain the constitutional monarchy and the current multiparty electoral democracy. The rebels want to abolish the monarchy and establish a republic based on a communist model. These political issues (abolition of the monarchy, constitutional reform and the formation of an interim government) are the most contentious ones in the ongoing peace talks.

There is also a strong **socio-economic** element to the conflict. The rebels claim to represent the interests of the poor and the rural population who have been excluded from political and economic access, and whose basic needs are not being met by the government. Differentials of political and economic access are largely determined by the social categories of ethnicity, caste and gender. The levels of support for the Maoists are significantly higher among socially excluded groups such as the dalits (untouchables) and occupational castes, (former) bonded labourers, hill tribes, and poor women. Inequality of resource distribution is generally accepted to be one of the main causes of the conflict (see section 3.2 on root causes). At the ***district*** level, **socio-economic** motivations often seem more primary than political ones. Extreme poverty and unemployment were repeatedly cited as the main reasons for villagers and young people joining the Maoist movement. In districts with a longer and deeper history of Maoist influence, there seems to be a stronger political element than in districts which have more recently come under Maoist influence. The issue of caste and ethnic discrimination was highlighted in Dailekh, whereas it was not mentioned as central in Sankhuwasabha (since the area visited was relatively homogenously ethnic Rai).

While the Maoists themselves express their aims in terms of an **ideological** conflict with the liberal, democratically representative, capitalist model of the government, during this study this element was generally seen to play a subordinate role in motivating most of the Maoist cadre and their supporters.

A Brief History of Recent Nepalese Politics

Nepal was ruled as a largely isolated kingdom for centuries. It was never colonised. In the mid-1800s, the king's power was constrained by the Rana family, who assumed hereditary premiership for 104 years. In 1951 the people, led by the Nepali Congress (NC) and supported by the then King, overthrew the Rana family. After several years of attempts to establish a constitutional democratic political order, a constitution was drafted in 1959. The first-ever general election was held in 1959 and the Nepali Congress formed a majority government. In 1960, the King, who wielded almost absolute power according to the constitution, dismissed the elected government, banned all political parties and introduced a party-free Panchayat system under royal control. The Panchayat regime repressed opposition political leaders and was characterised by arbitrary lawmaking and human rights abuses. In 1990, there was a second democratic "revolution", leading to the constitutional democratic system in place today. This popular uprising was led by the Nepali Congress Party and seven underground communist parties who had fought against the Panchayat regime. After the restoration of a multiparty democratic system in 1990, a general election was held in 1991. The Nepali Congress formed a majority government and the United Marxist-Leninist Party (UML) became the main opposition party. Another leftist group, Ekata Kendra (Unity Centre) led by Baburam Bhattarai, became the third largest party in the parliament. In 1995, the NC majority government fell apart due to internal party conflicts. The parliament was dissolved and a mid-term election was held. The United People's Front, led again by Baburam Bhattarai, boycotted the election. In the election, no political party won a clear majority. UML, as the biggest party in parliament, formed a minority government which was ousted 9 months later in a vote of no confidence. The Nepali Congress, together with RPP (a party of former Panchas), formed a coalition government with Sher Bahadur Deuba as the Prime Minister. It was during the premiership of Deuba (1996) that the United People's Front of Baburam Bhattarai submitted 40 demands to the Prime Minister, demanding that they be met by February 17 of the same year. This was the beginning of the Maoist movement.

3.2 Root Causes of the Conflict

There is widespread consensus as to the root causes of the conflict. The main grievances, all closely related to each other, are inequitable socio-economic and political access, bad governance/ corruption and poverty. These issues are used by the Maoists to justify their challenge to the government, and all contribute to motivate certain sectors of the population to join or at least support their movement and cause.

As mentioned above, the grievance most directly experienced by the people is **economic inequality**: between the centre (Kathmandu Valley) and the remoter regions, between ethnic groups and castes, and between genders. The need for greater equality of economic access is central to the Maoists' "40 demands" and to their characterisation of the conflict as a "class war." It also directly motivates many to join their movement. It must be noted, however, that all the leaders of the Maoists are themselves members of the traditionally privileged Bahun (Brahmin) and Chhetri castes.

Frustrated political expectations explain why this conflict broke out in the mid-1990s, since extreme inequality of opportunity has been a characteristic of Nepali society for centuries. High expectations were raised with the introduction of multiparty democracy in 1990, after decades of the repressive and isolationist Panchayat regime. After six years of democratic politics, it became clear that inequitable political representation - again along ethnic, religious, caste, regional, and gender lines - remained the norm, and that disproportionate power remained in the hands of a few new political elites.

This lack of economic and political access was compounded by the **bad governance** of those in power after the restoration of multiparty party democracy in 1990. Widespread corruption and the immaturity of the political process, including highly personalised politics, have undermined the credibility of government at all levels. A combination of inefficiency and corruption meant that few of the development promises made by the politicians have been fulfilled, while some development indicators have been retrogressive: a higher number of people are now living under the poverty line today than 20 years ago.⁵ This condition is exemplified by two comments by farmer women in Diding village, Sankhuwasabha district. When asked whether government services had been affected by Maoist activities, they answered: "no, we never had any government services." When asked about their conception of peace, they said they wanted a "government that does what it says in the Constitution and in the laws." At the district level, both local and national government representatives are widely mistrusted, and the Maoists have gained support by acting directly against corrupt local officials.

Finally, **poverty** is noted by many as the main reason why many rural poor join the movement. As Goodhand puts it: "In Nepal, poverty appears to be both a cause and consequence of conflict. It has provided a legitimising discourse for violence, while the conflict itself has led to deepening poverty in heartland areas. It is clearly a significant structural factor which needs to be addressed to prevent further escalation and to resolve the conflict."⁶ Absolute poverty may have motivated many young men and women to accept the reported monthly NR. 3000 paid to Maoist fighters. Furthermore, a lack of education among the people, especially in the more remote and western regions of Nepal where the Maoists have found the most support, may have led to a fast and uncritical acceptance of the more educated outsiders and their ideas. However, in many areas it seems that a certain amount of education, leading to high expectations, coupled with unemployment and a lack of opportunity - i.e. poverty relative to aspirations - has

⁵ "Assessing Aid and Development in Nepal," Samparka: The Quarterly Newsletter of the World Bank Kathmandu Office, 2000

⁶ Goodhand 2001, p.33

persuaded young people to join the Maoists. The unfulfilled aspirations created by partial and inequitably distributed development are largely due to the ineptitude of the government, as mentioned above; however, development organisations have also played their part in making the Nepalese aware of the gap between "haves" and "have-nots." While this may be an inevitable part of the development process, development organisations should realise that their presence can exacerbate an awareness of difference and inequality.

So far, Asian regional dynamics have not played a central role in shaping the conflict. There is little reason to fear that either India or China, the mighty neighbours between which Nepal is sandwiched, will try to have a deciding influence on the conflict. There are reports that the Maoists are receiving arms from sympathetic Maoist and extreme leftwing groups in India, but these have not been confirmed. India's official position on the Maoists has played a role in shaping the recent peace process, since there was a sudden switch from tacit acceptance of Maoist safe havens on Indian territory to a condemnation of the Maoists as terrorists after September 11th. The strong popular anti-Indian sentiments, as expressed for example in a series of riots in December 2000, would make it difficult for India to play a strong role in a peace process, since it would not be seen as an impartial arbiter. Because of the instability in Bhutan, there are thousands of Bhutanese refugees within Nepal, and there have been reports that refugee camps are recruiting grounds for the Maoists.⁷

People's Views of Peace

Peace is...

The absence
of fear

When decisions are
made according to
predictable rules

The absence
of fighting

"Because of Food for Work, we have food, work and no more debts: that is peace."
Women in IFSP user group in Dailekh

When different views are
accepted and debated
openly and peacefully

Having food, shelter,
work, no debts, security
and education

⁷ Kathmandu Post, 10.10.01

3.3 Conflict Phase

The Maoist rebel leaders emerged from a radicalised faction of the United People's Front, which left Nepal's fledgling mainstream party system six years after democracy was reinstated in Nepal. A "People's War" was declared in 1996, and since then Maoist activity and influence have been continually spreading, accompanied by low-level sporadic violence. The government has consistently treated the insurgency as a law and order problem, using the police rather than the army in counterinsurgency operations. At first, the government did not react seriously to the Maoist presence. From 1997-1999 the government changed its policy to the use of extreme force, including a series of police operation offensives. During this period, there were many police atrocities and human rights violations against civilians. This fuelled the anger of the people against the police, and contributed to increasing popular sympathy for the Maoists, who attacked many police stations in return which were then abandoned. The social activities of the Maoists against corrupt officials and exploitative landlords were strong at this time, leading to great popular support. Several different governments attempted to establish an armed police force, but did not succeed until 2001. This time has been admirably illustrated by director Dhurba Basnet in his film "The Killing Terraces."

The turning point for the Maoists came in September 2000, when they attacked the district headquarter of Dolpo. This alerted the government to the extent of the Maoists' capacities, leading to a deployment of the army to Maoist-affected district headquarters. In December 2000, the first Maoist district government was declared in Rukum. Between December 2000 and June 2001 there was a great expansion of Maoist activity, characterised by attacks on various police posts, especially in Dailekh and Rukum in April 2001, in which 32 and 35 policemen respectively were killed, and many others abducted. The government response was the further mobilisation of the army under the Integrated Security and Development Programme (ISDP). In July 2001, 71 policemen were abducted in Rolpa, which led to the first (and so far only) direct confrontation with the army. After the unsuccessful army manoeuvre, Prime Minister Girija Prasad Koirala resigned and was replaced by Sher Bahadur Deuba. Deuba immediately declared one of his priorities was to end the conflict by negotiation. A peace building process began, including a ceasefire, which has largely been respected by both sides since July 2001, and three rounds of negotiations in August, September and October 2001.

While there have been virtually no violent clashes between the police and the Maoists since the ceasefire, there has been an expansion of activities on both sides. The Maoists have continued to declare "People's Governments" (areas in which Maoists have set up parallel administrations) in various districts, and had planned a mass rally in Kathmandu for September 21, which although cancelled at the last minute was preceded by increasingly forceful fundraising. The government, meanwhile, has increased its deployment of the army in ISDPs. Therefore the current ***national*** situation can be characterised as simultaneously an escalation as well as a peace process.

At the **district** level, the conflict phase must be determined in each individual case depending on the extent of Maoist influence, since all districts have been affected at different times (see district reports in Annexes 10 and 11). In some districts, there were initial clashes between rebels and police, while in others the police withdrew before violence could occur. The current simultaneous preparation for peace and further conflict is also felt at the district level, especially in areas where the army has been deployed as part of the ISDP.

In general, the current phase, at national and district levels, is characterised by great uncertainty and fluctuation. It is important to recognise that a strict model of consecutive phases, one following the other, does not apply to Nepal. It is possible, and currently the case, for there to be a simultaneous escalation and the willingness to negotiate.

The consequence of this analysis for external actors, such as the GTZ, German DC and international DC organisations in general, is that the possibility of influencing conflict dynamics towards peace is greatest in the phase before the outbreak of extreme violence, and when there is (still) willingness for dialogue. This is the case in Nepal at the moment, and the opportunity should be used to act preventively, before a major escalation takes place.

3.4 Extent of the Conflict

3.4.1 Geographic

The Maoist rebellion started in the Mid-West region of Nepal - Rolpa, Rukum, Salyan, and Jajarkot - which is still its stronghold. Since 1996, Maoist influence has been increasing across the country, from the periphery to the centre and from the mountain areas to the southern plains. Nepal is officially classified as a country in crisis with armed conflict in certain areas (the "Spelten criteria", as used by the BMZ). As of October 2001, "People's Governments" had been declared by the Maoists in 25 districts (see map in Annex 6). There is a Maoist presence in virtually all of the 75 districts. Since mid-2001, there has also been increasing Maoist activity in Kathmandu Valley, urban areas, and the southern Terai region, which previously were hardly affected.

On the government side, the police presence has always been very light in remote areas, and police posts have largely been closed or reduced to a few central camps in areas with a high Maoist presence. The government has begun to develop an armed police force (i.e. a paramilitary). The government is expanding its ISDP programme, through which the army is deployed to Maoist stronghold districts to carry out and provide security for local development programmes. As of October, this ISDP programme had been started in 13 districts: Gorkha, Rukum, Rolpa, Jajarkot, Salyan, Kalikot, Pyuthan, Dolakha, Ramechhaap, Dailekh, Surkhet, Dang, Lamjung. There are currently plans to expand the programme to 21 districts, roughly matching the 25 districts with "people's governments".

3.4.2 The Military

There is no exact information about the number of Maoist fighters, but the so-called army (more formally trained) is suspected to number between 4,000-10,000, and the militia (less formally trained) is estimated to number around 20,000, with a potentially high rate of fluctuation. The Royal Nepalese Army has 40-50,000 soldiers, but has, as mentioned, not yet been directly involved in fighting. The opinion of many external observers, should there be a fully-fledged guerrilla war, is that it would be difficult for the army to overpower the Maoist forces quickly in Nepal's mountainous terrain. However, some people within government circles seem to think this would be possible.

So far, the Maoists have been fighting only with the weapons they have been able to capture from the police and locals. These include traditional weapons, light guns and simple explosives. There has been no significant arms purchasing from abroad, but there are allegations that limited arms have been imported from extreme left groups in India.

3.4.3 Human cost

From 1996 until today, the conflict has claimed around 1,800 lives, with a severe escalation of killings in 1998-2000 (see phase diagram). According to the Nepali Human Rights Yearbook and Documentation Centre, the police have killed a total of 980 people, and the Maoists 715 (see breakdown of people killed in Annex 8). Amnesty International has reported "grave human rights violations by the police and members of the CPN (Maoist) ... including hundreds of extra-judicial executions, dozens of "disappearances" and numerous instances of torture and arbitrary arrests and detention on the part of the police. Members of the CPN (Maoist) have also been responsible for scores of deliberate killings and abductions of civilians and torture."⁸

There have been widespread arrests of suspected Maoists by police (the ICRC reports that in 1998, 1,500 alleged Maoists were in jail, while now there are around 300), and the detention of policemen and those accused of being informants or traitors by the Maoists (in Oct. 2001, *Nepalnews* reported that around 180 policemen remained in Maoist custody). The mutual release of prisoners has been a central part of the peace negotiations.

It is very difficult to determine the number of internally displaced persons because of the conflict, since there is always a lot of economic migration within Nepal and to neighbouring India. There have been suggestions that the number of additional migrants may be high, perhaps even in the hundreds of thousands, according to oral information from knowledgeable sources. There is a clear movement of young men in particular from rural areas controlled by Maoists to district headquarters or to Kathmandu valley because of the fear of forced conscription, or the fear of being targeted by the police. The elite and

⁸ Amnesty International 2000, p.1

political leaders have also moved from rural to urban areas because of the fear of extortion or punishment.

3.5 Impact of the conflict

People's View of the Maoists

Positive Impacts:

- ▶ pressure on local and national politicians to introduce reforms, and increased awareness of existing social problems
- ▶ fight against corruption
- ▶ empowerment of lower castes, ethnic groups and women
- ▶ less gambling and alcohol abuse
- ▶ lowered interest rates of money-lenders
- ▶ active monitoring of government expenditure and development programmes, making them more transparent and efficient
- ▶ local conflict resolution through people's courts
- ▶ decrease in police harassment

Negative Impacts:

- ▶ demands of food and shelter without payment
- ▶ extortion of "donations"
- ▶ impediment of government services, especially education
- ▶ arbitrary law and order system: violent punishment of non-supporters and "enemies of people"
- ▶ spread of sense of insecurity and fear
- ▶ forced participation in activities and rallies
- ▶ "fake Maoists" appearing, who are difficult to control

As noted above, the Maoists have enjoyed widespread popularity because they are considered to have brought about various **positive changes**. At the ***national level***, many consider the pressure put on the government to take the root causes of the conflict more seriously and to consider social reforms a positive step. Indeed, land reform laws, a reform of women's inheritance rights and an eight point social and economic reform programme were launched. However, these are generally considered to have been half-hearted efforts, leading to no significant social change. After strong political and violent pressure from the Maoists, there have been negotiations between the government and the Maoist women's organisation leading to the regulation of the sale and consumption of liquor. The government is also planning to introduce a bill to regulate private and public schools, which is an issue campaigned on by the Maoists. Furthermore, the grassroots political awakening of the rural and marginalized population by the Maoists will have a lasting effect on the democratisation process of the country, as Sailendra Kumar Upadhyay, Secretary General of the Nepal Citizen Forum, states: "One may differ or

oppose the tactics adopted by the Maoists, but one can't ignore the positive political impact they have created on the people of this country.”⁹

At the ***district*** and ***local levels***, the ban on gambling, alcohol production and consumption imposed by Maoist administrations has found wide favour, especially among women, who have been campaigning for similar bans for decades. Some poor, rural women also noted that police harassment, which included extortion and rape, has stopped. The poor have also benefited from enforced reductions in moneylender interest rates, which have in some cases dropped from over 60% to 18%. More broadly, close monitoring and public audit-type activities have led to increased transparency in development activities by government, NGOs and INGOs. Finally, as mentioned above, various community decision-making mechanisms have been introduced by the Maoists, such as people's courts on land issues, domestic violence, abuse by landlords, etc., which have given an unprecedented voice to the poor, socially excluded and women.

Nevertheless, the **negative effects** at the ***local*** and ***district level***, as widely expressed by rural farmers, teachers and NGO partners, have in recent months begun to outweigh the positive ones, leading to a shift in public opinion and reduced support for the movement. Among the social effects are a general feeling of fear and insecurity because of the threat or rumour of violence. Basic government services, such as agricultural extension, and administrative services such as land deeds, birth certificates, etc. have been curtailed because of the closure of many VDCs (village development committees – local government officials) in Maoist controlled areas. The education sector has been especially affected, since the Maoists have targeted private (profit-making) schools, demanding a reduction in fees and closing many down. This has also affected other schools, and teachers have increasingly been forced to “donate” to the Maoist cause.

The issue of “forced donations” and the demand for free food and shelter are seen as an unacceptable economic burden for poor families in many regions, especially in the food deficit areas of West Nepal. “Who has given the Maoists the right to enter farmers' homesteads, to command food and press the rural people for money? Nobody!” complains farmer Man Bahadur Tamang from Dolakha district.¹⁰ Furthermore, the demand for donations in preparation for the ultimately cancelled September mass rally in Kathmandu strongly affected popular perceptions in the valley. The extent of economic effects at the district level is dependent on how far the district economy is integrated with the national or the international economy. In Dailekh and Bardiya, hardly any effect was mentioned, since the level of economic activity is already largely limited to subsistence. In Sankhuwasabha, in contrast, the general perception of economic insecurity in the district led foreign buyers to stay away, with detrimental effects on the prices of the major cash products of cardamom and Nepali paper (see box).

⁹ “Urgency of Starting the Peace Process,” in SAP-N, Quest for Peace, July 2001

¹⁰ Interviewed by Rüdi Högger, SDC, September 2001

At the ***national level***, the general feeling of insecurity has also had a great effect on the economy. The tourism sector, a mainstay of the economy, has probably been more strongly affected by the international condition of insecurity, but Indian tourists, who make up approximately 30% of the total, were arriving in much reduced numbers even before the terrorist attacks on the USA on September 11. No tourists have so far been attacked, but there are reports that trekking agencies have arrangements with Maoists to pay for free passage. The alcohol industry has been most directly hit, since some breweries were burned down by the Maoists and the sale and consumption of alcohol prohibited in Maoist controlled areas. Some banks have also been robbed.

Economic Effects of Political Insecurity in Sankhuwasabha District

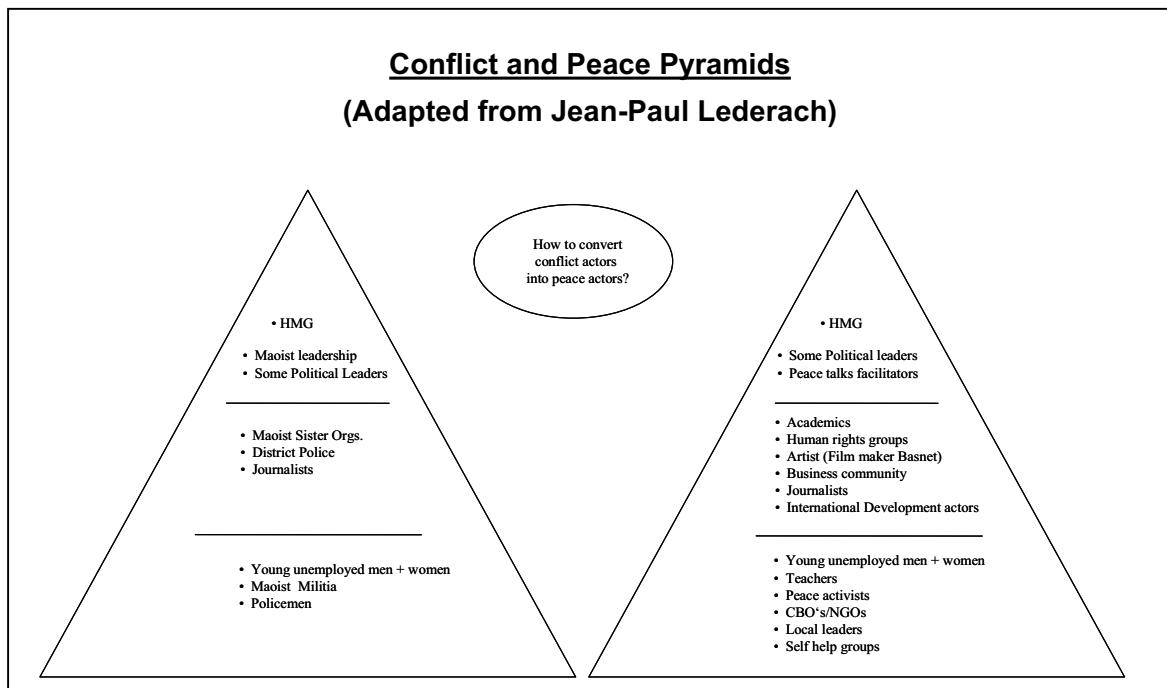
- ▶ Drop in cardamom prices by a third since last year (from NR 12,000 to NR 8,000 for 42 kilos), due to fear of instability by international buyers
- ▶ Drop in Nepali (handmade) paper prices, due to drop in tourism
- ▶ Loss of hotel, porter, service revenue due to drop in international tourism and "development" tourism (i.e. field visits by (I)NGO staff)
- ▶ Knock-on effects for retailers and service providers because of drop in farmer income
- ▶ Remittances from locals working abroad not invested in villages, but in Kathmandu or elsewhere
- ➔ Sankhuwasabha Chamber of Commerce = drop in overall revenue by 80% compared to same time last year

Other industries such as textiles and carpets have been less affected by direct violence and more by extortion, increasingly difficult labour relations with trade unions close to the Maoists, and with the generally uncertain climate, which has delayed or discouraged investment. In general, the *perception* of insecurity, more than the presence of actual violence against businesses, has led to the economic paralysis of much of the country. There has been relatively little destruction of the infrastructure, other than the burning of police stations.

3.6 Stakeholder Analysis

This section can only give a brief and superficial overview of the interests and capacities of some of the main stakeholders concerning the conflict situation. For the effective development of project-level conflict management strategies, a much more detailed analysis of local actors is needed. The conflict map (below) provides a snapshot of current relationships between actors. The main conflict and peace actors are visualised in a

peace and conflict pyramid. Finally, some implications from this constellation of stakeholders for international development organisations are noted.



3.6.1 Nepali Actors

National Level

Government: The government wants to retain the present constitution and democratic system, including the constitutional monarchy. Its main capacities are control over the army and the police, and its claim to be the legitimate representative of the people. However, the government has not been effective in delivering services to the people and is widely seen as corrupt and ineffective. Its main means of dealing with the conflict have been with force, and only the current administration has recognised the Maoists as a political force and has shown a willingness for dialogue (see section 3.7 on the conflict's current dynamics).

Nepali Congress: The party has been in government longer than any other party after 1990, including after the beginning of the Maoist movement. There are hardliners and moderates within the party. The hardliners want to control the Maoists by force and do not accept it as a political movement. The moderates, on the other hand, accept some of the social and economic issues expressed by the Maoists as legitimate problems of the country. This split within the party and the fact that its long rule gives it some direct responsibility for the socio-economic situation of the country make the party's stance toward the Maoists very ambivalent. The current Prime Minister, Mr Deuba, is a moderate

who is generally seen to be personally committed to building peace, but there are strong forces within the party who do not agree with his approach.

Opposition political parties: The major opposition party is the United Marxist Leninist Party (UML). After the Maoist movement started, the party split into two: the UML and the Marxist-Leninists (ML). Both parties have an ambivalent position in relation to the Maoists, and both have a similar history of underground armed struggle under the Panchayat regime. Since the opposition wants to come to power, they want to see the ruling NC undermined. However, if through the peace process the Maoists were to enter mainstream politics, they would become a very strong competitor for the leftwing vote and would therefore become a direct political threat. Attempts by the Maoists to have a dialogue on basic issues (the monarchy, etc.) broke down. UML is now openly carrying out political campaigns against the Maoists and is not playing a constructive role in the peace process.

Army: There is a lack of consensus about the position of the army in the conflict. Many observers note that the army has consciously avoided becoming involved, clearly stating that they see the Maoists as a political force, which needs to be addressed by political means. Others note that neither the King, nor the army itself, nor most politicians wish to see the army attack Nepali citizens. In comparison to other conflict-ridden countries, Nepal has the great advantage that its army does not have political aspirations nor major economic interests of its own.

Integrated Security and Development Programme

The **Integrated Security and Development Programme (ISDP)** is a programme through which the government has deployed the army in Maoist stronghold areas. The stated objectives are (quoted from the HMG summary of programme):

- ▶ to restore peace and security to the people of districts affected by terrorism;
- ▶ to promote people's confidence in the government and government agencies by delivering security, proper justice and service delivery from the government;
- ▶ to accelerate the implementation of social and economic infrastructure;
- ▶ to address the problem of poverty and unemployment by encouraging the people's participation in development work and in social and political decision-making.

Currently (October 2001) the ISDP should be active in 13 districts. According to the HMG's description, the programme in pilot district Gorkha is to include projects on "road/bridge, irrigation, suspension bridges, drinking water, electrification and transmission line and substation, herbs collecting and processing, animal husbandry, agriculture and participatory and poverty alleviation programmes... operation and management of the hospital." "Massive income/employment generating activities" are also announced by HMG, targeted at "rehabilitating" young Maoist fighters. However, aside from the deployment of the army, no major development activities have been seen up to now.

There is no consensus among commentators about the significance or practicability of this programme either for increasing security, or for carrying out development activities. It has been noted that an army presence does not automatically lead to a return of the teachers, doctors, road engineers and other personnel who are needed to carry out the actual programmes, and that international donors, INGOs and NGOs are unlikely to accept working under direct army supervision. While HMG "expects generous external assistance" for ISDP, donors took a joint policy decision in mid-November not to support the programme.

Police: The police are in a difficult position in relation to the Maoists, since they are trained and armed only to maintain law and order, not to fight against a guerrilla army. The motivation to fight the Maoists effectively is therefore very low. There are many complaints of police corruption and ineffectiveness, and there have been police atrocities committed against Maoists and civilians.

Maoists: The overt aim of the Maoists is to gain political control over Nepal and to institute a people's revolution. As noted in Section 3.7 on the current dynamics, the immediate interests of the leadership and the cadres and militias may, however, differ. In terms of capacity, the Maoist army was at first seen to be well trained, disciplined, and committed. Women play a major role as fighters in the "people's army." Both the army and militia are armed with weapons captured from the police and taken from civilians. The movement is financed by extortion (which the Maoists call donations) from businesses and individuals. There have also been some bank robberies. The overall financial capacity of the movement is not known. The capacity for political activities has increased since the movement came into the open following the July 2001 ceasefire. The Maoists claim continued widespread support amongst the population, although this actually seems to be decreasing (see section 3.7 on the conflict's current dynamics). Internal control over lower cadres also seems to have declined after a period of fast growth and recruitment for the movement in 2000. The capacity and level of organisation of Maoist political and armed groups differs by district.

Maoist Ideology

Political Demands:

- ▶ A republic and abolition of the constitutional monarchy (this demand was given up at the 3rd round of negotiations in mid-November 2001)
- ▶ Constitutional reform of the political system through a constitutional assembly
- ▶ Self-determination for ethnic groups and equal rights (education) for all native languages
- ▶ Nationalism: mainly oriented against "imperialist" (USA and West) and "expansionist" (Indian) capital, cultural influence and organisations, including aid
- ▶ A secular state

Socio-economic demands:

- ▶ End of discrimination by caste, gender, and region
- ▶ Improvement of services to the poor (education, medical care, minimum wage, etc.)
- ▶ Land reform, support to farmers. "The tiller should have right to the soil he/she tills."¹¹
- ▶ Decentralisation
- ▶ An end to corruption
- ▶ Freedom of speech and the press

¹¹ 40 Demands (see Annex 5)

Business: Private sector actors have been affected by the deteriorating law and order situation, general feelings of insecurity, extortion and worsening labour relations. Large industrial concerns have a significant influence on the government, and have begun lobbying for a peaceful resolution of the conflict. Smaller businesses are also arguing for peace, mainly through the FNCCI (Federation of Nepalese Chambers of Commerce and Industries).

Media: Nepal enjoys a relatively free printed press with a wide range of political affiliations, although the TV and radio (which are the predominant voices which reach rural areas and the poor) are government-controlled. In the first years of the insurgency, wide sections of the printed press tended to be sympathetic to the Maoists, but many have subsequently changed their position as a result of the increasing violence. The media have been used as a medium for political manoeuvring by both sides in the run-up to the peace talks.

National Civil Society Organisations/ NGOs

There is a wide range of civil society organisations in Nepal, and this is only a small selection.

South Asia Partnership - Nepal (SAP-N): SAP-N is a national non-governmental development organisation. In October 2000, SAP-N initiated a *Peace Building Process*, including a series of workshops at community, district, regional and national levels to provide a forum for debate about the conflict and to develop recommendations on conflict transformation and peace building. The organisation has published a report on the process and a collection of views on the conflict called "Quest for Peace." SAP-N also carries out capacity-building for facilitators among politicians, civil society leaders, etc.

Human Rights Groups: There are a number of active human rights organisations in Nepal. They act as conflict monitors and mainly lobby the government and draw the attention of the public and the government to human rights violations through the media. Some have established an active dialogue with both sides.

Organisations representing ethnic groups: These organisations have become major civil society actors, partly because the marginalisation of the interests and groups which they represent is a key topic of the conflict. The organisations often openly or tacitly support the Maoists because they share their socio-economic aims (greater political and economic access, language rights, greater administrative self-determination), and there is a working dialogue between the Maoists and many of these groups.

Maoist sister organisations: These organisations are formally allied to the Maoist movement and carry out much of their social mobilisation work. They include: the All Nepal Women's Organisation (revolutionary), All Nepal Free Student's Union (revolution-

ary), All Nepal Peasant's Organisation (revolutionary), All Nepal Worker's Organisation (revolutionary), and the Nepal Intellectual's Organisation.

District/ Local Level

Young men and women: The younger generation who belong to politically and economically disadvantaged groups are often angry and unemployed, and are particularly crucial actors, both for conflict and peace. They form the core supporters, active fighters and political activists of the Maoist movement. They could also be the driving force for constructive development and social and political reform if they could be given opportunities and hope.

Government officials and line agencies: Government agencies are dominated by members of the Bahun/Chhetri castes, and office holders are usually not from the area in which they are working. This combination often leads to a lack of engagement or even physical absence from the district, something which has been exacerbated as many officials have left their posts for Kathmandu because of the conflict. There are often complaints of corruption and inefficiency about government officials, although some officials are respected and act as local mediators.

The Elite/ Richer people: These groups of citizens are generally targeted by the Maoists, both with violence and with extortion, and they generally do not support the movement. There are many cases of families leaving rural areas and moving to district headquarters or Kathmandu Valley for fear of the Maoists. This has an effect on the local economy and decision-making structures.

Socially marginalised groups: These groups are generally sympathetic to the Maoists' cause because their socio-economic issues are being championed. They hope that they will gain better access to political and economic opportunities, and a stronger voice in local decision-making.

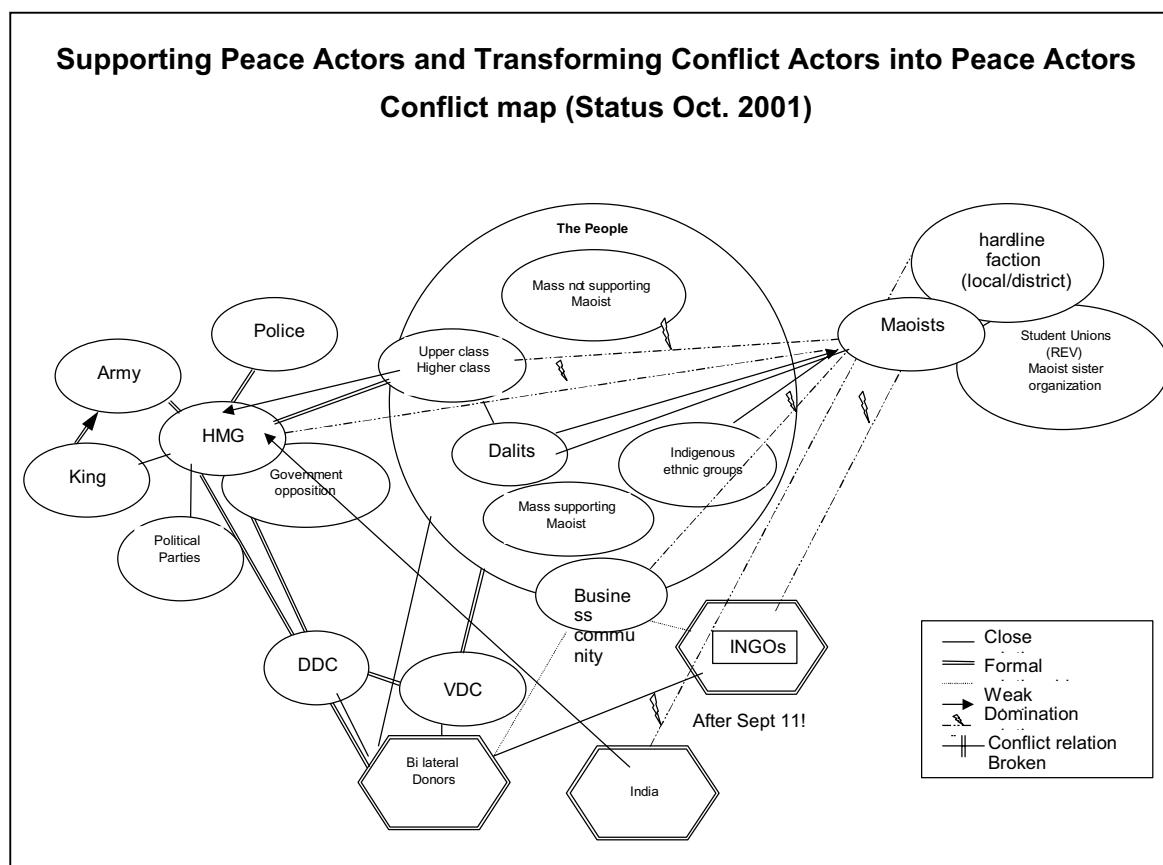
Women: Women have been encouraged to join the Maoist movement as active supporters and fighters, departing from their traditional rural roles, and many have gained in terms of decision-making power and opportunity; however, women are also among the main sufferers from insecurity.

Local Civil Society Actors

Informal community leaders: The mediating role of informal community leaders has been noted several times by discussion partners. However, it is important to distinguish between leaders who really represent community interests, and those who are recognised as leaders because of their (elite) social and economic background and do not speak for marginalised groups in the community.

Local NGOs: Since the advent of democracy in 1990 there has been an explosion in the numbers of local NGOs working in Nepal. It is important to distinguish between those with a genuine concern and capacity for development, and briefcase NGOs. Most, even if well intended and effective in other areas, have little experience of dealing with violent conflict situations.

CBOs (forest user groups, savings groups, etc.): These groups largely represent the interests of the rural poor and strengthen their communal capacity for decision-making and self-determination. They have in some cases acted as mediators between the needs of the community and the Maoists.



The challenge for international development actors is how to turn potential conflict actors into peace actors. As the conflict and peace pyramid (above) shows, many categories of actors may play both roles, such as young people at the local level, journalists at the intermediate level, and politicians at the highest level.

Young men and women looking for a vision and a future are the most important supporters of the Maoists and often willing to act violently if disappointed or without hope. However, they are also the most important potential peace actors, were they to be able to find hope in a positive future and a purpose in peaceful commitment to improving the position of their communities and themselves. Development actors can support this transformation by providing economic opportunities, role models, training, and visions of

peaceful change. The NGO Fund's partners of GTZ are already working in this direction, and experience gained by them in working with young people should be shared with other programmes. There is an existing system of youth clubs around the country, which could possibly be supported and used as the infrastructure for youth-targeted activities and programmes.

Local businesspeople are strong potential peace actors, since they are important community members who suffer directly from political instability in general and Maoist violence and extortion specifically. They are usually from within the local community, in contrast to government officials, who often come from outside the communities in which they work and therefore have a less lasting interest in the community's stability. Local businesses, especially when organised as local chambers of commerce, are a major source of funding for Maoists, through "donations" or "taxation." This also gives organised business some leverage. However, it must be noted that businesspeople often have an elite position in the community because of caste or economic privilege. Therefore they may not be accepted by poor community members as legitimate representatives, and their interests in stability may not match the interests of the poorest (for example in lower interest rates from moneylenders).

Local NGOs, especially those working in tourism and community development, are also potential peace actors. Their work is negatively affected by insecurity and they can argue that the people of the villages where they work are also suffering through the loss of revenue and services. Whether a specific local NGO is perceived to speak for the community, or whether it is seen as an external and unrepresentative actor, must be tested from one case to the next.

Media and other information providers such as **artists** can play an important peace building role. The media should provide a balanced view of the parties and their interests instead of speculating on rumours and perpetuating extreme views of either side. Artists and the media can also provide positive visions for the future and reflect the voice and interests of the people in a peaceful resolution of the conflict, thereby putting pressure on both the government and the Maoists, who both claim to be acting in the interests of the people. International DC can support media sensitisation programmes. It can also link the media with its user groups, giving them a voice. Finally, it can use local media actively to become more transparent to all parties about its own activities and contribution to addressing the root causes of the conflict.

Moderate politicians are crucial peace actors, as can be seen by the peace initiative taken by Prime Minister Deuba. International development actors have only limited means of supporting politicians directly, and they should not take on such a political role. However, support for and co-operation with political foundations such as FES, or local NGOs which advocate political moderation should be considered. Statements by international donor representatives in the media can also have a strong effect on public perception, and

donors should be aware whether they are tacitly giving legitimacy to extreme or moderate positions through their comments about the peace process and the state of the conflict.

The GTZ should seek to work more closely with organisations with existing links to local and national peace actors. The DED has great potential to find and support local peace actors because it works in close co-operation with local civil society organisations. The FES is experienced in working with the media and in supporting civil society democratisation.

3.6.2 External Actors

Regional Actors

India: India is the regional actor which has had the most direct impact on the conflict's dynamics, since China and Pakistan have remained largely distant. Since 1996 the Maoist leaders have had reserve bases in India, near the Nepalese border. The extent to which the Maoists have been supplied with weapons from Indian sources is disputed. After the 11 September attacks in the US, India suddenly changed its position, closed the border with thousands of troops, and condemned the Maoists as terrorists. This had a strong effect on the Maoists' political position, and directly contributed to an atmosphere more conducive to negotiation (see current dynamics below). India remains a possible channel for arms, money and recruitment, since there are many extreme left wing groups in India, especially in the areas close to Nepal. However, this has not yet materialised to a significant extent. India has a traditionally strong influence on HMG and is the pre-eminent economic partner for Nepal. The possibility of India playing a significant role in the peace process, however, is complicated by its highly ambivalent image amongst the population (shown by the widespread anti-India riots in December 2000), and by the fact that the Maoists see India as a regional expansionist and therefore a central enemy.

International Development Actors

International Development Actors have the potential to play a significant peace building role in Nepal. This may happen at two levels: political dialogue and structural socio-economic change. At the level of **political dialogue**, bilateral and multilateral donors have a significant influence on HMG, since they provide 60% of the total annual development budget. Since the start of hostilities, some donor country representatives have advised previous governments to start a dialogue rather than to use force. However, to date there has been no co-ordinated push for a peaceful resolution of the conflict from the donor community, although co-ordination attempts are now being started (see below).

The lack of co-ordinated political advise to the government concerning the conflict may have several reasons. First, until very recently, professional analysis of the effect which the conflict has had on development seems to have been very limited, and perhaps therefore there has been a lack of clear policy formulation by individual donors. Since June 2001, there has been a strong trend within the donor community to increase the

level of understanding, sharing of information, and co-ordination of policy, and therefore this problem is in the process of being addressed. Second, while there was and now is a clear understanding of the conflict by individual donors, there is not necessarily a consensus on this understanding among different donors. There seem to be various positions regarding the desirable outcome, ranging from the inclusion of the Maoists into the mainstream party system through peaceful negotiations, to a military victory by the army. This range of positions clearly complicates reaching common advocacy. Third, even where there is agreement on the conflict's dynamics and the desired outcome, there are differences on what forms of influence donors are ready to use in relation to the government. For example, there is disagreement on whether direct conditionality would be an acceptable or effective tool. There has been no reduction or conditionality of donor funds because of the conflict so far.

At the Nepal Development Forum held in Paris in April 2000, the major donors expressed their concern about the escalation of the insurgency. They noted that peace, including law and order, is the prerequisite for economic growth and poverty reduction. They identified regional disparities in access to social services and economic opportunities as the root cause of the Maoist movement. The next Nepal Development Forum, in Spring 2002, is an opportunity for the donor community to place consistent and co-ordinated influence on HMG to find a peaceful solution to the conflict and to seriously address its root causes.

The second main means by which both donors and international NGOs can contribute to peace building is by supporting structural socio-economic change through their programmes. We have noted that the root causes of the conflict include poverty and unemployment, inequalities of access by region, ethnicity, caste and gender, and bad governance. All these issues can be addressed directly or indirectly by international development programmes (either through working directly with the people or with the government to improve its services), thereby mitigating the grievances which fuel this conflict and contributing to potentially preventing future violent rebellion. Some of the comparative advantages which international agencies bring to conflict transformation and prevention include qualified human resources and technical know-how (also in conflict resolution techniques), models of governance and participation, and funds.

It should be noted that a direct and open role in facilitating the actual peace talks, as international actors have done in other countries, is not likely to form a central part of donor contributions toward peace building in Nepal. Nepali actors on both sides have clearly stated that they see the conflict as a Nepali problem to be solved by the Nepalese, and they do not want international "interference." There may be scope for supporting capacity-building in conflict resolution and negotiating techniques among representatives of both sides, perhaps through exchanges to other countries, but this is probably also best done through the mediation of local NGOs and other Nepali actors.

There is, as we have seen, great potential for donors and international agencies to contribute positively to the peace process and to conflict prevention. However, it is crucial to

note that donors may be unintentionally contributing to prolonging the conflict. This may be happening at two levels. First, the substantial **aid** to the government is **fungible**, meaning that the use of international funds for social expenditure may be freeing resources for military expenditure. In fact, government spending on security has increased dramatically in the last two years (see box).

Recently donors were asked to increase their contributions, with the specific reason that the government was planning to spend more money on the army. Second, support for the government without effective good governance controls or conditionalities may be supporting poor governance performance, which is one of the main grievances driving the Maoist rebellion. The accusation that international aid has increased local corruption has been made for many years, and is one of the main reasons the Maoists want to expel international aid agencies from the country.

Budget of Nepal (figures are in billion Rupees)

Fiscal Year	Total Budget	Army	Police
1999/00	59,579	2,997	3,897
2000/01	67,564	3,499	3,305
2001/02	91,621	3,900	5,271

Discussions with donors about their own conflict-related activities resulted in a very mixed picture. As noted above, while awareness is growing, the process of developing a conscious and co-ordinated international response to the conflict situation is very much in an initial stage. Detailed conflict and impact assessments by donors are rare. The UNDP has hosted a workshop to analyse the conflict, DfID has made a detailed study, which provided much valuable information for this report, while SDC carried out an analysis mission at the same time as this team was in Nepal. Conflict impact assessments seem to have been carried out by very few organisations so far, or they have been kept internal. While there is certainly organisation-specific information, the more openly such analyses can be shared, the more donors and INGOs can learn from each other's mistakes as well as each other's strengths and develop a common position.

Different donors have expressed specific conflict-related interests, in which there is the potential for co-ordination and sharing of information. SDC has already begun working on a study of how to generate employment opportunities for young people to prevent their involvement in militant activities. DfID is hosting a security expert for three months from November and is interested in working on security sector reform, especially with the police. The Norwegian embassy has emphasised the need to co-ordinate a post-conflict reconstruction and demobilisation approach well in advance. UNDP is also interested in developing and co-ordinating a joint donor demobilisation programme. UNDP has generally taken the role of co-ordinating institution, as discussed further below.

Because of the experience and working modalities of various international development actors, there are comparative advantages that can be utilised. SNV has been working in

extremely remote areas like Karnali for many years and has received feedback from the Maoists there that its programmes are effective and well-liked by the population. The German DED has the comparative advantage of very close contacts with local civil society organisations through its placement of international development workers. This makes it especially effective at identifying and potentially supporting local peace actors. The DED's suggestion to start the Civilian Peace Programme (Ziviler Friedensdienst) in Nepal was rebuffed by the government, since it was seen as meddling in internal affairs. Although the German political foundation FES has not specifically oriented its programmes toward conflict prevention, their focus on democratisation and civic education as well as media work has the potential to effectively address the important root causes of the conflict. The foundation's connections with civil society actors, and its experience in working with the media, which the GTZ and some other donors lack, could lead to fruitful co-operation and synergies.

It was not possible to meet with all bilateral and multilateral donors and so this account does not claim to be complete. It is especially regrettable that US actors (USAID and CARE), the World Bank and the IMF, and the Danish and Japanese could not be consulted.

Donor Co-ordination

Donor co-ordination is crucial if a positive impact towards peace is to be achieved. A common approach to security questions, and ideally to political dialogue (see above) is needed. Working together, donors have a strong voice in Nepal, given their substantial contribution to the government's budget. This voice should be used consciously to support peace building in the country, as well as in the interests of the donor's own investments in the country's development. A lack of co-ordination reduces donor effectiveness even in times of peace, but under conflict conditions, donors acting without co-ordination can have an impact that is more negative than positive, since they can be played off against each other by the government or the Maoists.

The conflict situation in Nepal poses an unusual problem for international donors and INGOs. The situation is neither a "normal," relatively stable development context, for which development actors are well qualified, nor is it a full-blown conflict, in which development actors normally give way to specialised humanitarian agencies. The insecurity in Nepal demands flexible decision-making structures, security measures and staff knowledge which development actors are not accustomed to needing. As some donor representatives have noted, this situation requires a great deal of fast learning within development organisations. This learning can happen much more effectively when insights and resources are shared. The current (November 2001) presence of a security expert invited by DfID is a good opportunity for sharing and mutual learning among donors, and such initiatives should be strengthened and expanded to fill this increasingly apparent need.

The main co-ordinating role among donors has been played by the UNDP, which has both the administrative resources and the necessary political neutrality. The main vehicles for co-operation and co-ordination are the UNDP Peace and Development Trust Fund, and the Peace Support Group which grew out of its contributing donors.

The **UNDP Peace and Development Trust Fund** in Nepal has the goal of “reducing violence and promoting peace and development.” The Fund will support activities initiated and carried out by Nepali actors (mainly local NGOs) which address peace building and human rights issues through work in the following areas: 1. awareness raising and advocacy with the government and civil society; 2. capacity-building; 3. initiatives which focus on gender and specific target groups; and 4. action research. The activities must be transparent and non-party-political in nature, and encourage the co-operation and collaboration of various different actors. The fund aims to gather USD 3 million, which will be distributed on a consensus basis by a Project Review Committee made up of 7 Nepali nationals representing the UNDP, civil society, and bilateral donors. The Fund has advertised for applications, started to develop selection criteria, and is currently screening the first applications.

The **Peace Support Group** meets on a regular basis to share information and is developing common approaches to security and to conflict-related policy. Members of the group are the Canadian Co-operation Office, Department for International Development (UK), European Union, GTZ, Royal Danish Embassy, Royal Norwegian Embassy, Swiss Development Co-operation, SNV (Netherlands), and UNDP. Concerning security, the group has developed a set of **Security Related Operating Guidelines Agreed to by Bilateral and Multilateral Donor Agencies Working in Nepal** (see Annex 13). These guidelines set out common minimum working standards which clearly define what kinds of influence or demands from the rebels or the government that donors will not accept. They include practical issues such as financial contributions, staffing policy, and use of vehicles by armed or uniformed personnel, but also more general commitments, such as not working in “environments where authorities and /or communities attempt to force us, or our staff to compromise our core values or principles.” These guidelines have been distributed widely through publication in English and Nepali language newspapers.

3.7 Current Dynamics

Peace Process

Since the July 2001 ceasefire, there has been a lull in overt violence, and the conflict dynamics have circled around various elements in the national peace process. There is disagreement on whether the lack of substantive movement in negotiations is largely due to lack of coherence within the parties, or whether both sides are merely using the talks strategically, while continuing to build up their respective strengths for continued conflict. The Maoists, especially after 11 September, have an interest in demonstrating that they are not simply terrorists. The government's legislative actions on social issues (land reform, women's property rights, and social reform programme) were highly reluctant and

produced questionable results. The negotiations and public rhetoric so far have focused exclusively on the issues on which both parties are least willing to compromise - constitutional reform and the monarchy. The plethora of other issues, such as social and economic reforms, on which there is much room for agreement and compromise, have hardly been mentioned within the context of the actual talks. On the other hand, the rigid public positioning of both sides may be targeted at each actor's own constituency (see next paragraph), while between the leaders there is a real willingness to talk. This interpretation is supported by the round of talks before the *Dashain* festival (end of October): these were formally cancelled, accompanied by mutual accusations in the media, but informal talks were nonetheless held at the highest level. Flexibility seems to be higher among the Maoists, who gave up one of their central demands – a republic – in the third round of talks in mid-November. The government, in contrast, remains inflexible on its promise not to “compromise on the issue of constitutional monarchy, multiparty democracy and the present constitution...”¹², including the refusal to set up a constitutional assembly.

A further dynamic is that the leaders on both sides have a difficult relationship with their own parties. The Maoist leadership has admitted that its lower cadres are not fully under its control. The UML General Secretary reported that “Dr. Bhattarai [senior leader of CPN (Maoists)] has told me that the militias have tended to ignore the party policies.”¹³ Prime Minister Deuba faces strong and open opposition to his negotiation approach from within the NC, especially from the Party President and former Prime Minister Mr Koirala. The danger of a split in the Maoist camp, or that Deuba may be replaced and the party landscape may change, are very real and would create a very different context for potential peace or continued conflict. We strongly agree with Goodhand’s conclusion that “in such a case, peace negotiations which involve only getting the leadership around a negotiating table are unlikely to lead to a sustainable peace.”¹⁴

There is also the danger that the Maoist movement may be developing an economic dynamic: there are signs that many of the recently recruited youths are more interested in the power of the gun in demanding food, shelter and money, than in the political programme of the movement. As a journalist from the periodical *Space Time* noted: “When the dialogue succeeds, then the top Maoist leaders will have a safe landing. But for the many low rank leaders in the villages this might be a catastrophe. Will they continue their career as gangsters?”¹⁵

There continues to be disagreement on the political credentials of the Maoists, affecting whether they are seen to be legitimate negotiating partners. Most politicians and people see them as a political force with some legitimate aims, but also with some followers who may have gone astray. Hardliners, however, continue to argue that CPN (Maoist) is an

¹² Prime Minister Deuba, quoted in *Spotlight*, 19 October 2001

¹³ *Space Time Today*, 14.10.01

¹⁴ Goodhand 2001, p.45

¹⁵ interviewed by Rüdi Högger, SDC, September 2001

extremist, unconstitutional organisation, including members who are known to be thieves or have criminal records.

The practical implementation of the peace talks is characterised by the lack of independent mediators. There are two former MPs who have acted as facilitators, one from a leftist background, and one from the NC. Both are known to be sympathetic to the Maoists' socio-economic demands. Neither party wants professional mediators and especially not international ones, although there have been reports that the lack of professionalism in the process is seen as a problem by the government's negotiating team.

Popular Perceptions

Kathmandu Valley, where most of the country's elite and middle class are based, has only recently become directly affected by Maoist activities. The resulting pressure from the ruling elite's most immediate constituency may increase the urgency of government action.

Popular perceptions of the Maoists at the district level have seemingly shifted significantly toward greater disillusionment in recent months because of increased extortion and threatening behaviour. These seem to have increased, especially since the ceasefire and the Maoists' move from underground to open activities.

Public support largely seems to depend on whether a regime can fulfil the two main demands of the people: a *good livelihood* and *good governance*. According to villagers in Sankhuwasabha, support for the Maoists was high at first because they promised to respond to government failures on both demands. With the increasing presence, growth and influence of the Maoist movement, many people then realised that the Maoists were not able to offer better livelihoods, and were actually damaging local economies and attacking development projects which did improve livelihoods to some extent. Furthermore, Maoist decisions were seen to be arbitrary and unaccountable, and they were accused of allowing corrupt local leaders into their ranks if they paid. There have been a few examples of organised popular resistance to Maoist attacks on development projects, for example in Dailekh (see section 4.2). Therefore, one can see a tentative new opposition developing between:

pro-development:
*the people, civil society,
development actors*

vs.
hindered development:
both Government and Maoists

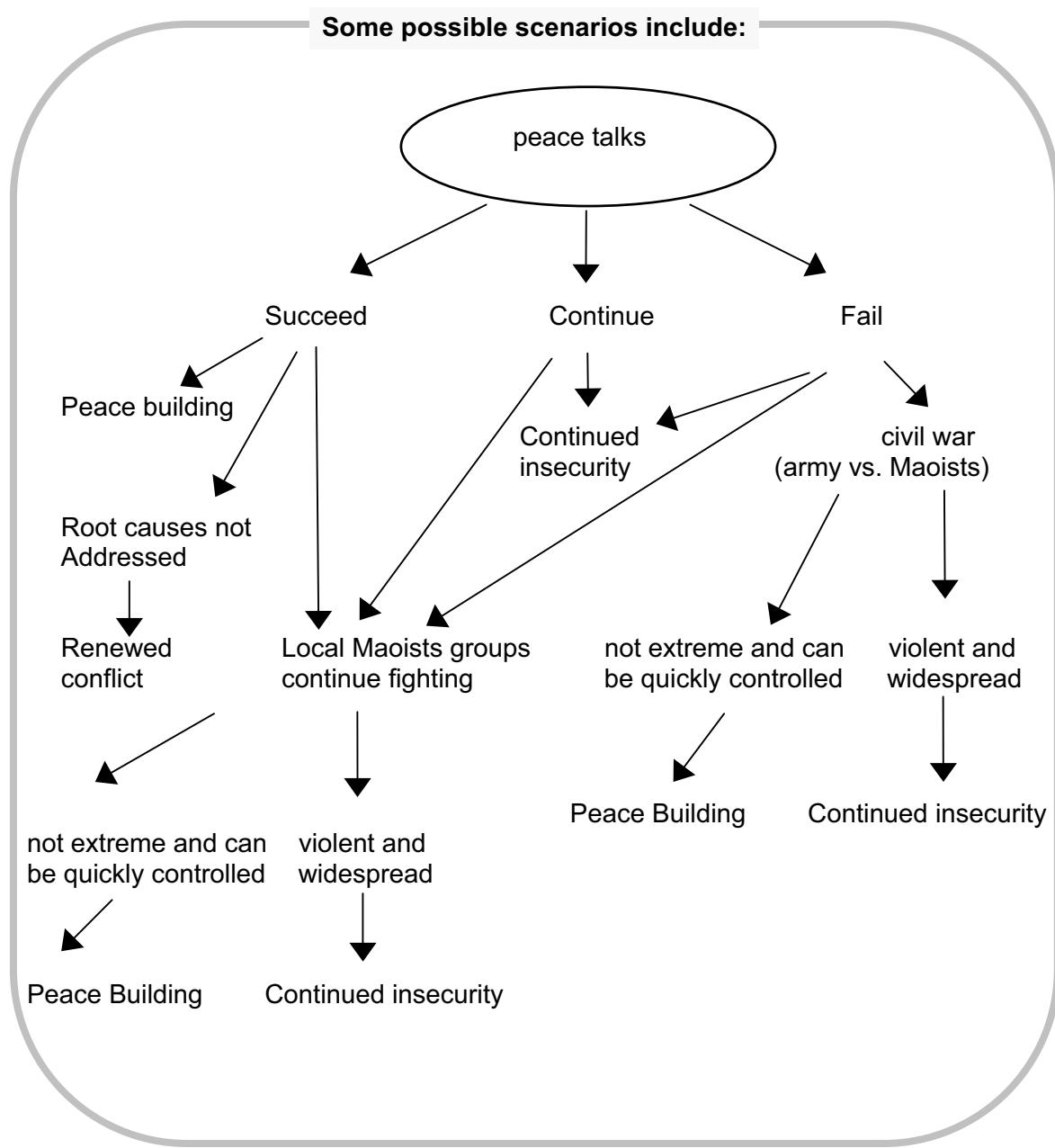
3.8 Trends

The current situation in Nepal is characterised by sets of trends that seem to point in opposite directions. As we repeatedly heard from all sectors of society, it is virtually impossible to predict what will happen next, as the atmosphere and the statements from both sides seem to change daily.

The main trend is the ongoing peace process, which has already led to a rapid de-escalation of violence on both sides and three rounds of negotiations. However, the failure of or long delay in the process could become the excuse for an outbreak of greater violence. It could also lead to a split in the Maoist party or change in government, which could also lead to further violence.

On the Maoist side, there are the simultaneous trends toward strength in increased geographic expansion, but weakness due to reduced internal control within the movement (between leaders and lower cadres) as well as reduced support among the people. On the government side, there has been a limited response to Maoist social demands, as noted above, and a willingness to negotiate which was not present in previous administrations, but simultaneously an expansion of the army's preparation and ISDP deployment.

3.9 Scenarios



The most probable scenario, according to many sources from all walks of life, is that Nepal will continue to “muddle through” with a high risk of continued violence. Neither side has the power to overpower the other, and very few foresee an extreme escalation of violence to the point of civil war. Most expect a long and painful process ahead, with repeated peace attempts and setbacks. The feeling of general insecurity and an atmosphere of unpredictable change will remain, with all the concomitant economic, political and social effects for Nepal’s people.

Even if the peace process should succeed in ending the immediate violence, there is always the potential that violent protest will break out again in the near to medium future if the root causes of the conflict are not addressed effectively and sustainably.

3.10 Reflection on Nepal's specific conflict characteristics

It must be clearly stated that Nepal's conflict has not yet escalated to the point of civil war. There are several factors which may mitigate against this, and which give hope that Nepal need not mirror many of the conflicts in Africa, South Asia and elsewhere. First, although Nepal is sandwiched between two giant rivals in India and China, and even though the two sides of the conflict might seem to be respectively close to one neighbour (i.e. Maoists to China and HMG to India), this conflict, so far, does not have the character of a proxy war. While there have been reports of some arms transports, these are likely to be very small, if not completely in the realm of rumour. The regional dimension in general seems to have only a slight influence, although India's influence on HMG and the economy is traditionally considerable. Nonetheless, the possibility of increased active involvement by either neighbour can not be ruled out in the future.

Second, domestically, Nepal has a functioning and independent judicial system, and a vocal and largely independent media, both strong actors which mitigate against a radicalisation of politics and conflict. Third, and very importantly, the Royal Nepali Army does not have political or economic ambitions of its own, and has shown great restraint, as discussed above. Finally, although Nepal is a very ethnically heterogeneous country, and ethnic discrimination is one of the grievances on which the Maoist cause is based, the actual conflict itself has not become ethnicised or communal. This may change if the Maoist movement splinters, a danger apparently greatest in the Terai, where there are existing tensions between Madhesis (local Terai people) and Pahadis (migrants from the hills). However, this element is not dominant at the moment.

4. Conflict Impact Assessment

The interaction between development co-operation and the conflict can be seen at two levels. First is the structural level: the relative inability of Nepal to develop and the outbreak of violent conflict share the same root causes. These are 1. a social and political system which leads to the inequitable distribution of political and economic opportunity and influence by region, ethnicity, caste and gender, and 2. bad governance and corruption. While being negatively affected by these factors, international development co-operation organisations must also clearly and critically examine their own role in supporting or failing to challenge these structures. If international development co-operation more actively addresses these structural issues, it can both improve its own performance and contribute significantly to conflict prevention.

A second level to consider is the operational one, and this is the main focus of the following section, which looks at how specific development programmes and the overall programme portfolio interact with the local, district and national conflict dynamics at a particular point in time (October 2001).

The following conflict impact assessment is based on two sources of information: first, on observations and comments collected by the mission team during its field visits, and second, on a self-assessment carried out by all team leaders of GTZ projects or programmes (in some cases with their teams).

4.1 Impact of the conflict on development

Many of the impacts which the conflict has had on the overall economy and social infrastructure, such as the education sector, have already been noted above. The overall indirect and direct loss of national development potential because of the conflict is very difficult to measure, especially as there may have been some positive effects, as mentioned above, as well. The government notes that the conflict has put extreme pressure on its budget by demanding security expenditure and reducing revenue from the depressed economy. “The intensity of the problem is so grave that there is apprehension of under-funding even the priority programmes of the government.”¹⁶ A direct loss of local development funds has taken place at the district level in some places through the closing of VDCs.

Concerning INGO and IGO programmes, including those of the GTZ, it is crucial to note that they are not “neutral” or unintended victims of instability, but are conflict “objects” themselves because of the Maoists’ stated policy against international aid. One of the “40 demands” of the movement is the expulsion of all international development actors from the country. How this policy is applied in practice varies from district to district and possibly from local Maoist group to group. For example, in Dailekh all international organisations were consistently and severely threatened, including the use of violence in a number of cases. In Sankhuwasabha, in contrast, the policy of verbal threats against all local and international NGOs was changed after it became clear that popular support for some programmes was very high. Local NGOs stated that current Maoist policy in the area is that “the people can decide on which programmes can stay,” although verbal threats against NGOs are still made.

The increasing lack of coherence and control within the Maoist movement also affects international development actors. Local groups or even “fake Maoists” have led attacks without a clear “policy”. An SNV staff member was held prisoner for eight hours, but when the SNV told higher level Maoist leaders that they would pull out in response, the leaders apologised, stating that the local group was not following central Maoist policy and that they would resolve the issue. In some cases of bombings (The Mountain Institute (TMI) in

¹⁶ National Planning Commission Secretariat in the Proposal for the ISDP, November 2001

Sankhuwasabha) or looting (RDP in Gorkha), it is not immediately clear whether the actors are “real” Maoists, or youths who only claim to be Maoists but actually are seeking retribution or personal financial gain.

Ongoing conflict management through dialogue with the Maoists is a central factor in how development activities are affected by the conflict. In Sankhuwasabha, all (I)NGOs had some kind of continuous informal dialogue between local staff and the Maoists, which often convinced the Maoists that the development programmes served the aims of social empowerment and economic improvement for the people. It was noted by some NGO leaders that the increased transparency toward the Maoists and the need to prove that the programmes were really effective for the target groups had led to an improvement of the programmes themselves. However, such informal co-ordination may not be possible in some other districts, where violence against international organisations is already more widespread.

4.1.1 Impact on German-supported projects/programmes

This section will describe some specific cases in which GTZ programmes have had to change their operations because of direct Maoist or police actions. It will also discuss some general conflict-related issues which many programmes face.

The most extreme effect which the conflict has had on a GTZ project was on an **RDP** green road building programme in **Gorkha** district. The programme was closed down because the money intended to pay the workers was looted by a local Maoist group. In May 1998, Maoists came on a payday and forced staff of the implementing NGO to hand over the wage money (c. NR 700,000.-). In response, the project was temporarily closed down and the situation remained uncertain for about two years. The green road was being constructed following a users’ group approach, with the agreement that five percent of the labour would be voluntary, with the rest of the wages paid in cash. The voluntary labour contribution was opposed by the Maoists, who saw it as exploitation of poor labourers. In May 2000 the programme restarted after repeated requests from local people and after a security assessment found the situation to be stable, but there continued to be opposition, including the claim that the road under construction would lead into a Maoist training zone and stronghold, making access easier for police. Some equipment was also stolen. Therefore the project implementation was slowed down and temporarily suspended.

The second immediate impact of Maoists on a programme occurred in **Dailekh** district, where seven tons of rice were taken from the **RCIW** programme on 20 May 2001. The armed Maoist group who commandeered the rice described it as a 10% tax, and justified it on the grounds that their soldiers lacked food. The project came to a halt for some time, and it was signalled that it would be stopped permanently if this action of “stealing rice from the people” was not immediately undone or compensated for. The situation was resolved with the active mediation of the community and the project user groups, as described in section 4.2.

The **RUFIN** programme also reports that 5 Small Farmer Co-operatives and about 90 Site Project Offices have been attacked by the Maoists, including the burning of official documents and the looting of cash in some cases, although most were able to restart business immediately. The formal connection between the Farmer's Co-operatives and the Agricultural Development Bank of Nepal (ADBN), and the use of market rate interest rates for loans are the main reasons for antagonism with the Maoists, since the ADBN is seen as a government institution and the Maoists see loans to farmers as exploitative.

Programmes have not only been affected by Maoist activities. In the RCIW programme (the precursor of the IFSP) in **Salyan** district, GTZ had to withdraw its technical assistance team in 1998 due to massive police operations, after having continued without problems for two years in an area with a strong Maoist presence.

It is important to note that the Gorkha and Dailekh cases should not be seen as general Maoist policy, but as clashes with specific local groups. Voluntary labour contributions have been criticised by Maoists in other programmes as well, but once the concept of user group ownership was explained, programmes have been allowed to continue and have even been supported. Concerning the building of roads into Maoist recruitment and training areas, in districts such as Dailekh and Sankhuwasabha similar roads have been built without opposition.

There are several general conflict-related impacts which many programmes have to face to a greater or lesser degree. These include Maoist demands for "donations," the lack of formal partners when local government structures are replaced by Maoist ones, and general insecurity. Some positive impacts were also noted by staff, such as the pressure to be more transparent and directly beneficial to target groups. Finally, it should be noted that the level of impact on international organisations who are working in the same areas have differed significantly, and that GTZ programmes often seem to be less negatively affected because their direct benefit to the poor is recognised by the Maoists and the people. The level of impact differs greatly from programme to programme, and from district to district.

Most of our discussion partners in international and national NGOs mentioned that Maoists had demanded **monetary contributions** from NGOs. The demands have increased significantly since the ceasefire in June 2001. The Food for Work programme in Dadeldura district in the Far West was asked for NR 300,000. When neither the programme nor staff paid, however, there was no negative response by the Maoists. The Churia Forest Programme was twice approached for contributions, but also did not pay. GTZ project staff noted that staff of partner NGOs probably had to contribute more often. It was explained that local staff often pay because they feel personally threatened and because they do not want the programme to be attacked and closed down, which would mean losing their jobs. The GTZ policy on "donations" is that the GTZ itself does not pay at any time, and that all requests for "taxes" or "donations" should be passed on from field offices to the team/programme leaders and the GTZ director for a decision. There was a

case in Sankwasabha in which the local Maoist leader called the head of the RDP programme in Kathmandu, and then accepted the explanation that a contribution would not be possible. The conflict mediation skills of district programme staff may also diffuse difficult situations. In the words of the HSSP team: "in Siraha, there was a dialogue between the Maoists and our district co-ordinator, who instead of the requested donation/car offered coffee and convincing words." GTZ policy is that it cannot forbid its staff from making private contributions to organisations of their choice. There may be a need to give counselling support to staff who feel forced to donate against their will.

The issue of helping to finance armed groups through "taxation", thereby potentially prolonging the conflict, is central to the "do no harm" debate. Are significant resources being transferred to the Maoists, if not from official monies then via staff salaries? The examples of Gorkha and Dailekh show that the consequence of closing programmes has been practiced or seriously threatened in the case of large-scale forced resource transfers, and this policy should be continued consistently. It is also very positive that all donors have agreed on common guidelines, stating that "... we do not pay 'protection money', or any other kind of forced contribution in cash or in kind to any party."¹⁷

Concerns about resource transfers to the Maoists are also relevant for other German development actors. The KfW is currently financing the construction of a major hydroelectric plant in Lamjung, an area controlled by the Maoists, for which a conflict impact assessment will be carried out shortly. There may be the potential for significant resource transfers, and possibly long and costly delays to the project because of instability. In this context, KfW will analyse appropriate measures which might benefit the local population in order to avoid possible social impacts.

In some "people's government" areas, where VDCs have been closed and replaced with Maoist administrative entities, GTZ programmes **lack a formal government partner**. This leads to problems of access to official contributions and questions of the legitimacy of working with the Maoist administrative structures. On the other hand, locally elected and community based institutions are often part of the Maoist movement. This dilemma was identified by IFSP and HSSP and is relevant for other programmes working in Maoist-controlled areas. Furthermore, the withdrawal of local government officials from areas of insecurity does not create a conducive atmosphere for those programmes which aim to strengthen local government capacities. A potential reaction to this situation would be to work exclusively through local NGOs in such areas. There is the need to discuss options and strategies in order to be able to act consistently but sensitively to the specific district situation and without putting the programme and the organisation's reputation for neutrality in danger.

¹⁷ Security Related Principles and Operating Guidelines (Ground Rules) for Donor Agencies in Nepal, 9 November 2001

A general sense of **insecurity** may have subtle effects which are hard to detect. Concerning the effect on target groups, the level of active participation of the community in programme activities may be reduced due to fear. Concerning GTZ-internal processes, insecurity may lead to reduced field visits for currently running programmes, reduced interaction with target groups, low staff morale, and increased difficulty of finding well-qualified local staff willing to work in certain areas. The HSSP noted that their programmes are being concentrated in district headquarters rather than insecure rural areas, which further aggravates the poverty and grievances there. If programmes are curtailed, they may be cut first in "difficult" areas, or if programmes are expanded, insecure areas may be avoided. The DED, for example, does not send its international development workers to Maoist controlled areas on principle, so that there is no chance that they would be in danger. This illustrates very well the dilemma of using development programmes as conflict mitigating or prevention interventions: those areas with the most need (highest conflict potential, highest poverty, etc.) are also the most risky in terms of the danger to staff, expense, and likelihood of failure of programme aims. As is the nature of dilemmas, this problem cannot be solved, only negotiated. There must be an awareness that certain additional risks and some different criteria of success apply when one of the goals of a programme is conflict mitigation and prevention.

The **security of staff** is always of paramount importance, and concrete security concerns were often noted in discussions and workshops with GTZ staff. There is a need for programme leaders to be more sensitive to the security concerns of field staff and to provide more active support. The security issue is already addressed by the GTZ's own security plan and guidelines. However, many NGOs, including for example the DED, are only now beginning to design security action plans, and there is the potential for more exchange among agencies on this issue. The highly detailed security contingency plan for various phases of conflict developed by CIDA for Nepal is a good reference point. The donor community has recently begun to increasingly co-ordinate activities on security, including the Security Related Principles and Operating Guidelines, mentioned above, and the current (November 2001) mission of a security advisor from DfID.

Not all the effects of the conflict situation on German-supported development programmes are negative. Local NGO partners of RDP in Sankhuwasabha emphasised that the Maoist **monitoring** of their programmes had led to an improvement of their work and had forced them to increase their transparency toward target groups. This was also mentioned by other GTZ programmes and partners. The emphasis of Maoist "monitoring" is that programmes should directly benefit the poorest members of the community. Programme staff of IFSP and RDP health programmes, reported that they received positive feedback from the Maoists on those elements of the programmes which gave a direct material benefit to the poor through health services, employment, payments in cash or kind and infrastructure gains. Programme elements with non-material gains, such as social mobilisation and skill-gaining, were often criticised by the Maoists, who argued that the majority of the budget went on staff salaries and not directly to the target groups. In some cases, when the approach of Technical Co-operation (in contrast to Financial Co-

operation) was explained and transparently presented to the Maoists, they accepted this and supported the programmes. This tension because of Maoist perceptions of financial and technical inputs is discussed further in Section 5.2 on portfolio analysis.

Compared to other international development organisations who are working in the same areas, GTZ programmes often seem to be less negatively affected. Their direct benefit to the poor is recognised by both the Maoists and the people. In Salyan district, the Food for Work programme worked well for several years in a Maoist controlled area because of the project's direct and immediate benefit for the poor, while other NGOs also working in the district, like Plan International, were asked to leave. In Sankhuwasabha and Dailekh districts it was also noted that GTZ programmes were targeted relatively less than other organisations (see below for effects on other organisations).

4.1.2 Impact on other development actors

All the general issues described above also apply to other development actors. This section will briefly list a selection of the concrete effects on certain international programmes of which we were informed, primarily focusing on the districts of Dailekh and Sankhuwasabha.

United States organisations were the first and most strongly targeted by the Maoists since they are seen as representatives of "imperialism." Eight CARE offices were bombed in 1996, including largely locally staffed offices, leading the organisation to pull its international staff back to Kathmandu and only work through local NGOs. In 1999, a CARE programme in Jajarkot was forced to leave as much because of police abuse as because of Maoist activities. In the Rapti Zone, including Salyan, Rolpa and Rukum districts, USAID had been running its largest rural agriculture programme in Nepal for 15 years: this is exactly the area in which the Maoist insurgency started and which remains its stronghold. The Rapti Integrated Development Project was consequently shut down. The question was raised as to why a rebellion would arise specifically in the area with the country's most extensive international development programme. Commentators note that "the fact that Rapti peasants are actively supporting the Maoist movement ... suggests that the so-called development efforts have polarised the communities and that they have further aggravated poor peasants' overall socio-economic conditions..."¹⁸ It is also possible that expectations were raised beyond the immediately achievable, or that there is no direct connection. The question of how and to what extent international development organisations may have contributed to fanning grievance is clearly important to be able to learn for the future.

The fate of the EU financed Gulmi-Arghakhanchi Rural Development Project was quite different. When its vehicles were set on fire in 1998 and again in 2001, the project was suspended for some time. However, local people asked that the programme be continued.

¹⁸ Nanda R. Shrestha, *In the Name of Development*, 1998, p. 217

The Maoists therefore allowed the project to return, but under the condition of increased transparency.

As an example of an NGO's experience, The United Mission to Nepal (UMN) had to close, suspend or limit its programmes in Karnali, Dailekh, Ramechhap, Mugu and Jumla because of attacks on its offices, looting of equipment and threats to staff.

Practically all I/NGOs with a presence in **Dailekh** district were seriously affected by Maoist activities, most much more severely than the GTZ programmes (see above). Various UN-connected programmes were forced to withdraw from the district completely. The Participatory District Development Programme (PDDP), a joint programme of HMG, NORAD and UNDP, experienced the forceful eviction of some of its mobilisers from several VDCs; presently, only 3 out of a planned 11 motivators are working in the district, and PDDP is contemplating stopping its work there. Similar problems were experienced by the Rural Energy Development Programme, another UNDP programme.

International NGOs have been similarly affected. The office of the United Mission to Nepal in Dullu was burned with all facilities and papers inside; subsequently, UMN stopped its programme. The local NGO Support Activities for Poor Producers of Nepal Foundation (SAPPROS) was driven out of the district after all its belongings were taken or destroyed. The LLINK (Linking Local Initiatives to New Know-how) programme of Swiss HELVETAS was threatened with expulsion from the district, but was given permission to stay until December 2001, during which "its performance would be monitored closely"; it is also contemplating withdrawal. This issue of "reverse conditionality" poses the question of whether it should be seen as unacceptable pressure on independent programmes from an armed group (implying that the armed group is protecting its own interests, and not those of the "people") or whether it can also be interpreted as an effective mechanism of enforced accountability to the people - something which international development discourse considers desirable.

The practice of demanding "donations" from INGO staff seems to be widespread, involving significant amounts of money. The staff of various programmes openly stated that they are asked for "donations" by the Maoists, amounting to as much as 66% of their first month's salary plus an additional 5% of every other salary. They declared that they all pay, in fear for their jobs or even their lives.

In **Sankhuwasabha** district the extent of violence against INGOs has been much less extreme. The US-based Mountain Institute (TMI) office was robbed and then bombed, which led to TMI expatriate staff being recalled to Kathmandu. Programmes are now running exclusively through local partners such as the East Foundation, with short term consultation missions by expatriate staff. Eco-Himal, an Austrian organisation, also reduced its activities. The UNDP Local Governance Programme (LGP) claims that there has been no impact on its programmes, and that work continues even though several

VDC partners have closed. The British Medical Nepal Trust even noted that the increased presence of Maoists in certain areas has had a positive effect on their work, since the Maoists actively support and make their health/drugs programmes possible, in comparison to less engaged government officials.

4.2 Impact of German-supported Projects on the Conflict (PCIA)

The mission's analysis of IFSP and RDP and the self-analysis of the other programmes show that the GTZ's programmes probably have little negative impact on the conflict dynamics, whereas they have a high potential for a positive, conflict mitigating and preventing impact. There are isolated cases where a clear and direct causal link can be made between the activities of a GTZ programme and the actions of the Maoist or the government. In most cases, however, we must carefully speak of potentialities.

The mechanisms through which German-supported projects may have a **negative impact** on the conflict are transfers of resources to warring parties, the creation of perceptions of inequality, the creation of unfulfilled expectations, and the support to existing government structures without there being a visible improvement in services. In the last three cases, international development organisations are strengthening perceptions and grievances which are root causes of the conflict.

The issue of **resource transfers** has been discussed above. The experience of the RDP in Sankwasabha shows that there may also be indirect resource transfers: the labour force of the Rural Infrastructure Programme trail improvement scheme, which the GTZ supports with technical advice, are largely Maoist supporters, and the wages they earn from the project may feed into the Maoist coffers. However, giving such supporters paid work may also be keeping them from taking up arms themselves. In cases such as this, it may not be clear whether an interaction between international organisations and the warring parties has greater positive or negative effects, or both. Some programme staff noted that indirect resource transfers to Maoist supporters can even be seen as balancing out the resources given to government institutions.

The relative affluence of international offices and staff compared to local, rural poverty may lead to envy and a stronger **perception of discrimination and inequity**. This may exacerbate the conflict grievance in general, motivating people to join a movement which promises equality and opportunity. It may also increase antagonism against the international organisation itself. Expensive cars, motorcycles, computers, and (relatively) expensively dressed staff also support the perception that international development monies primarily serve the interests of the privileged few employed by them (educated and often predominantly from elite caste/class backgrounds) and do not reach the truly needy. That this is a common criticism of international and some national NGOs by locals and by the Maoists was noted by the Churia Forest Programme and by GTZ partner NGOs in Sankwasabha.

One of the root causes of the Maoist rebellion is the **unfulfilled expectations of democracy and development** that were raised in 1990. International development organisations also raise expectations through their work, and grievances may be created or strengthened when these are not fulfilled. While this is always the case in development work, it may gain a dynamic of its own in conflict situations. Where a population is already disillusioned with official promises and willing to use force to protest, it may lose faith in international development actors as well and use the same violent forms of protest against them.

In a related point, the non-delivery of services by the government and the perception of corruption are central to the Maoist case. Programmes which directly work with government offices, line agencies and DDCs, without there being some clearly visible improvement in their services to the people, may **confirm the accusations against the government** and make themselves perceived as accomplices in corruption. This is a dilemma, since the government is the formal partner for international agencies. Furthermore, working with government offices is the only way to improve governance and service provision. This dilemma was noted at HSSP and the CHFDP. Working with government institutions may also make a programme seem biased against the Maoists. Some programmes balance this by maintaining informal contacts with local Maoist groups and being transparent to both sides.

Next to these potential negative impacts, which the GTZ shares with virtually all international agencies, the potential **positive impacts** of GTZ programmes are far stronger. Projects may have a positive impact on the conflict in several ways:

- On an **immediate** level, they may help the poorest and most oppressed people to at least temporarily improve their lives, thus giving them an alternative to engaging in extremist activities;
- On a **structural** level, they may have the potential to help people permanently find their way out of poverty, thus decreasing the socio-economic inequalities which are at the root of the conflict;
- On a process level, through group formation and solidarity, they may introduce people to the concept of self-governance, thereby again tackling one of the roots of the conflict.

The RDP and ISDP programmes illustrate these immediate, structural and process effects:

In Sankwasabha district, the RDP green road project has had an **immediate economic impact** on the community. It provides employment for youths, which has led to direct defections from Maoist militias. Such employment probably also helps to discourage youths from joining the militias. The road project also has a **structural economic impact**,

since transport is seen to be the key to economic development in the region. The community sees the road as directly contributing to lasting poverty reduction and there is strong local ownership of the programme. The savings groups also contribute to improving the incomes of rural families in the long run. The social mobilisation elements of the programme have led to an increase in **institutional capacity** among villagers, since they provide a forum for the community to organise themselves to resist Maoist demands. For example, eight self-help groups in Nundhaki VDC together agreed not to give Maoists food or shelter in their village. The experience of self-governance also empowers communities to challenge bad governance elsewhere. Furthermore, the transparent, inclusive and participative process of the GTZ projects provides **institutional models** according to which both government and Maoist promises and actions can be judged. The practice of public audits is particularly appreciated by the communities.

The IFSP in Dailekh district has had a substantial impact on the lives of the poor and disadvantaged groups which are its focus. The food-for-work approach has given them **immediate** food security during the most critical time of the year when employment options are low and grain is consumed. **Structurally**, it has helped to break the poverty cycle by releasing families from the need to take up credits during this time of food deficit. Such credits typically have to be repaid with high interest rates after the harvest, when the prices from agricultural products are low. IFSP has also reduced seasonal migration to India. The savings-and-credit scheme and the orchard project, which are planned to accompany the programme, also have the potential to help people permanently find their way out of poverty. Because of these immediate and lasting impacts, the programme is apparently earning increasing respect and support both from the people themselves and from the government and line agencies.

The community's reaction to the extortion of seven tons of rice shows that here also the **community gained in capacity** to stand up for their rights and to act politically to protect a service which they saw as beneficial. The affected people, on one hand, put pressure on the Maoists ("you can take this project away, but then you have to show us that you can do better!"), and on the other hand, were ready to work for the food taken in order not to lose the project. Even the local government sent a three-member delegation to the Maoists to try to resolve the issue. The result of this co-operation was a limited resolution: the Maoists admitted they had made a mistake, and signalled their readiness to pay back the rations taken - even if they did so by "encouraging" local people to do the work on their behalf! They also acknowledged that the programme is good for the people and should be allowed to continue without further difficulties. For the Maoists, this is however a double-edged sword: while the focus on the poor and oppressed is in line with their own ideology, the increasing creation of strong, independent farmer groups is also a challenge and potential threat.

A further direct way in which German-supported programmes positively affect the conflict dynamics is when Maoists or their supporters take part in **training** sessions: HSSP health training, RDP savings groups meetings, and DED forestry seminars have been visited by

Maoists, either as participants or observers. Maoists and their supporters are members of the community, and so they cannot and should not be categorically excluded. In fact, they are often the more motivated and development-oriented young members of the community with the potential to be effective multiplicators of what they have learned. This is a potential means of turning young men and women who are looking for a vision and a future from conflict actors into peace actors. The NGO Fund specifically trains its NGO partners in negotiation and mediation skills, and they then involve young people who might otherwise be potential recruits for the Maoists in development activities.

While GTZ programme staff do not have a mandate for direct negotiations or mediation between the conflict parties, they often play an **informal mediating and facilitating role** at the daily operational level. In many cases there is a shared interest in poverty reduction and strengthening the voice of the poor and excluded; this can be used to win the support of the Maoists for GTZ programmes and to also make them aware of the negative effects some of their actions (extortion, violence) have on poor communities. There is great potential for strengthening this positive role. The need for further training in conflict management and mediation techniques for staff and implementation partners was expressed repeatedly by programme teams.

5. Portfolio Analysis

5.1 Overview of the German Portfolio

The Mission analysed the programme portfolio of the GTZ in Nepal at the countrywide level as well as at the project level. For a visual overview of the portfolio, see the diagram of all GTZ programmes in Annex 12. The priority areas for Nepal are the Promotion of Local Self-Governance and Civil Society (including decentralisation and rural development), Health and Family Planning, and Promotion of Renewable Energy.

The priority area Promotion of Local Self-Governance and Civil Society captures the need to address the main root causes of the conflict. In terms of intended outcomes (focussing on rural poverty reduction, poor governance and inequality), wide regional distribution in disadvantaged areas and targeting disadvantaged groups, this priority area is already oriented in a way which allows its programmes to make a direct contribution to conflict transformation. While the regional distribution and targeting of individual programmes can be optimised for greater conflict prevention impact, there is no need for major priority area adaptation.

The priority area Health and Family Planning has an indirect conflict-reducing potential through service provision in the area of the most basic needs. A regional focus as well as

a target group focus on those people who are most severely caught in the poverty trap can help to tackle conflict causes indirectly, yet efficiently.

The need for some specific action in the priority area Promotion of Renewable Energy is more ambivalent because of one major investment in a conflict-endangered place (Lamjung district). KfW will initiate a conflict assessment study of this specific project. The small hydropower component of this priority area has the potential to contribute significantly to structural poverty reduction and employment creation, yet this development must also be more consciously tested for conflict-related impacts. KfW will discuss with the main contractors if it is possible to use more local labour in the project.

While the mission team does not see the need to change the country priority areas, it is proposed that conflict transformation and peace building should be included in the development co-operation framework for Nepal as a major cross-cutting issue. This would duly reflect the importance of the issue and its underlying causes as well as allow the portfolio to adapt to the mentioned scenario of prolonged uncertainty, instability and insecurity. This would imply that the conflict issue is raised as a concern and monitored on the political level in the context of bilateral negotiations as well as the general policy dialogue. It would also mean that the GTZ portfolio should be regularly assessed and adjusted to make the best possible contribution to conflict transformation and peace building.

5.2 Project Level Portfolio Analysis

An analysis of the formal project planning documents (*Angebote*) showed that only two projects, RDP and IFSP, included conflict reduction as a conscious goal or intended effect of the activities. All other programmes either did not mention the conflict at all or only very briefly as an external “assumption and risk” (*Annahmen und Risiken*) within the format of the planning document. For some programmes this can be explained, as the planning took place before the conflict began or spread to project areas. However, this general lack of awareness and formal consideration of conflict-related issues in planning can be seen even in recently developed or expanded programmes, in clearly affected areas.

Furthermore, the evaluations carried out in the last two years, i.e. evaluations of PSP, UDLE and CHFDP, did not once mention the conflict as a factor affecting the performance of the programmes.

This general lack of conscious occupation with the conflict reflects what Goodhand calls “working around conflict,” i.e. treating conflict as an “impediment or externality that is to be avoided.” The RDP and IFSP programmes have for some time, due to their direct confrontation with conflict situations in the areas in which they work, been “working in conflict,” i.e. developing more or less ad hoc means of informally dealing with conflict situations. What this portfolio analysis would like to achieve is to help all GTZ programmes

to “work on conflict,” i.e. strategically develop approaches through which each programme can best contribute to conflict prevention, mitigation and perhaps locally even conflict transformation towards peaceful change.¹⁹

A detailed portfolio analysis was carried out by the mission team of the two largest and most affected rural development programmes: RDP and IFSP. The other programmes carried out a self-assessment of their current conflict impact and needs for adaptation and change. There are several issues and needs for action which were shared by virtually all of the programmes. They are especially highlighted below.

Training and awareness-raising among staff and partners:

Training in conflict analysis and conflict transformation techniques was identified as a major need for staff at all levels and in virtually all projects. Most project team leaders noted that many of their field staff are skilled in mediating conflicts which arise in the daily work with communities, but lack the skills to deal with situations arising from a larger political conflict situation. Concerning partner NGOs and implementing agencies, a similar disjuncture is identified between the presence of personal skills in mediation and the lack of a wider understanding of conflict dynamics and the organisation’s conflict exacerbating or mitigating potential. Finally, formal partners at the local and district levels, such as VDCs and DDCs, were also seen to have strong mediating potential, as shown by various individual cases, but generally lacked awareness and training.

In the country level action plan, it was agreed to follow up on this need for training by identifying local and international resources (including the Sector Programme and members of the mission team) and by developing a training programme for field staff and partners.

Including conflict resolution techniques in informal education as part of social mobilisation programmes:

Programme staff also noted that existing formats of interaction with target groups could be used to disseminate conflict resolution techniques. Informal education methods, such as the Participatory Learning and Action (PLA) approach used by some IFSP projects as part of their social mobilisation work, could be expanded and would be ideal vehicles for reaching target groups. All programmes with a social mobilisation component could use this approach. Even programmes whose target groups are members of the government or administration (such as UDLE) should consider including general conflict resolution and mediation techniques in their repertoire. Such training need not be openly connected to the political conflict: individual and group conflict transformation techniques are transferable skills, which are useful in any working situation and lead to better governance in general.

¹⁹ Goodhand 2001, p.61

Increased transparency toward all parties and stakeholders:

The issue of transparency was repeatedly raised in various ways. The GTZ is generally seen to be relatively transparent already compared to many other development organisations and certainly compared to the government. However, this openness is greater toward some actors, for example the local government offices and immediate target groups, than to others, such as the media or Maoist groups. The extent to which such additional transparency is needed and desirable is debatable, and there may be good reasons to restrict certain kinds of information. However, field staff and some programme leaders repeatedly noted that brewing conflicts between projects and Maoists were often based on false impressions about project goals or the distribution of funds. These conflicts could be averted through "preventative" transparency about the TC approach (i.e. that communities benefit even without the direct distribution of financial or material resources) or the budget. There is a need for clarity from management as to what extent financial information (budget, salaries), which is most often demanded by local media and the Maoists, can be made transparent. Judging from comments by journalists in Sankhuwasabha, local media outlets (newspapers and radio) are interested in the activities of development organisations and are willing to provide publicity and transparency toward the general public. It is worth increasing such co-operation with the media through proactive information sharing, given the importance of popular support for development programmes in situations of instability.

Rethink the balance between TC and FC where relevant:

Related to some of the criticisms noted above, there is a need for projects to address the accusation (by Maoists and among the people) that too much of the budget is spent on staff salaries and too little directly reaches the people. Again, a more proactive explanation of the TC approach is needed. However, it was also recommended by several programme staff that the direct benefit of projects to the communities should be made more visible. This includes strengthening the visible infrastructure investment and employment creation element alongside social mobilisation work. It is proposed, therefore, that the possibility of including "Financial Contributions" for investments in the TC budget should be explored.

Target young people through employment generation:

As discussed above, young men and women are the main conflict actors and have the most potential as peace actors. German TC's most effective conflict-mitigating impact has been the direct recruitment of young people away from militias into employment programmes in IFSP and RDP road building. This success should be learned from and expanded. Employment programmes should target both urban and rural youths and should provide opportunities especially for semi-skilled and semi-educated youths, who experience the greatest disappointment in their expectations and are most likely to follow new ideologies. The focus on young people could be integrated into the existing portfolio of programmes.

Early warning - early action:

For programmes to be able to react to a quickly changing and unstable situation, a system to monitor conflict dynamics needs to be established. This is especially the case if programmes are committed to increasing their conflict-mitigating impact by working in especially unstable areas. An early warning system is based on simple but locally adapted indicators and a functioning communication system, ideally set up in co-operation with other organisations working in the same areas (see Annex 14 for more information). The present study can serve as the baseline against which assessments of increasing or decreasing danger can be carried out.

Improved targeting of programmes:

Most programmes (RDP, IFSP, HSSP, NGO Fund, etc.) already focus on direct or indirect poverty reduction and working with excluded populations in disadvantaged areas. However, in some cases the conflict analysis suggested the utility of certain regional shifts (expansion of area of IFSP in Dailekh) or target group adaptations (inclusion of Sukumbasi in the Kamaya project in Bardiya). In general, regional distribution of programmes, target group selection and choice of activities should all be reviewed under the aspect of conflict relevance.

6. Strategic and Political Conclusions and Recommendations

6.1 General Political Dimension

1. There is a high likelihood that the political conflict in Nepal will continue because:
 - The root causes of conflict remain unchanged in the country;
 - The Maoist movement is still widespread and strong;
 - There are indications that both sides are under strong pressure from political camps within not to give in on key issues, which might lead to a standstill or collapse of the negotiations;
 - There are indications that the Maoists might split into many groups, some of which might remain radical and violent.
2. Different scenarios regarding the conflict in the country are extremely difficult to substantiate at the present time. However, what most external and internal analysts, politicians and people agree upon is that a prolonged time of uncertainty, insecurity, instability and potential violence will more than likely persist in the country.

3. Therefore, the development community must be prepared to respond to such a state of longer term insecurity and instability. This in turn means that it should be concerned with four major issues:
 - potential security issues;
 - the principle of "do no harm", i.e. making sure that its development efforts do not unintentionally fuel the conflict;
 - strategic contributions to peace building and conflict transformation;
 - strategic preparation for post-conflict reconstruction.

4. In terms of security, the most important concerns are:
 - clearly established principles and guidelines for action;
 - development of contingency and emergency plans, especially for those districts where German Development Co-operation has a strong presence and is taking high risks due to potential or actual instability;
 - development of an early warning system with a special focus on conflict-prone districts with a strong presence of projects supported by Germany.

Security guidelines have already been developed under the auspices of UNDP, and differentiated for GTZ-specific purposes. They should be periodically reviewed and updated according to actual needs.

Emergency planning can, and should, profit from intensive efforts presently undertaken within the donor community. Organisations such as DFID are putting significant resources into this question, and it is advisable that the German side should learn and profit from this.

5. In terms of the "do no harm" principle, all projects should be screened periodically regarding their potential positive and negative impacts on the conflict. This screening can be based on some established methodologies which are put forward in Annex 14.

6. In terms of strategic contributions to conflict transformation and peace building, many approaches are possible, both within the existing project portfolio, its ensuing activities and beyond. Care should be taken to relate such potential activities directly to the root causes of the present conflict. Examples of this are: integrating conflict resolution and peace building into non-formal education, working with youth groups, etc.

7. In terms of post-conflict reconstruction, care should be taken to start early with respective considerations and programmatic ideas. While the clear focus of attention at present is the conflict itself, it is necessary to think two steps ahead and start preparing for issues such as: the demobilisation of combatants; reconciliation in especially affected areas; and employment generation specifically for (semi-) educated youths.

8. Most of the bilateral and multilateral donors in the country seem to be relatively unprepared to deal professionally with conflict resolution, crisis prevention and peace-building issues in the context of their traditional field of development co-operation. Many are presently making an effort to step up their capacities in such fields (e.g. DFID, SDC, UMN, GTZ). This situation demands the closest possible co-operation and sharing among donors with regard to two major aspects:
 - developing capacities to deal with the above-mentioned four issues (security – do no harm – strategic contributions to conflict transformation – post-conflict reconstruction), and
 - aligning for a policy dialogue vis-à-vis the government.

In a political dialogue, donors can use the leverage of their funding contributions to lobby for and support a peaceful resolution of the conflict. They should also be careful not to contribute indirectly to military expenditures but make sure that their engagement directly aims at the root causes of the conflict, especially poverty alleviation.

As the Nepalese government is extremely sensitive with regard to the ongoing conflict in the country and about donors' involvement, the government can only be influenced by all major donor agencies speaking as one united voice.

The institutional hub for such a co-ordination and sharing effort already exists in the shape of the Peace Support Group, chaired by the UNDP, and this should be developed into a strong co-ordination structure for policy-related issues beyond the management of the Peace Fund.

6.2 Strategic Dimension for German DC

9. It is not proposed that conflict transformation and peace building should be taken up as a priority issue for development co-operation with Nepal, as in the case of Sri Lanka. The conflict has not reached the dimension where this would be warranted; furthermore, the present portfolio of projects is potentially well adapted to make major contributions to conflict resolution and peace building on local and district levels.

However, it is proposed, given the importance of the issue and its underlying causes as well as the above-mentioned scenario of prolonged uncertainty, instability and insecurity, that conflict transformation and peace building should be taken up as a major cross-cutting issue in the development co-operation framework with Nepal. This would imply that :

- the conflict issue is raised as a concern and monitored on the political level in the context of bilateral negotiations as well as the general policy dialogue;

- the GTZ portfolio should regularly be assessed and adjusted to make the best possible contribution to conflict transformation and peace building.
10. For strategic reasons, it is proposed that Germany participates actively in the UNDP-co-ordinated, multi-donor supported Peace and Development Trust Fund. On one hand, the instrument of a fund has the potential to effectively induce and support peace initiatives at the local level by a multitude of civil society organisations. On the other hand, it provides a practical means by which donor co-ordination in the area of conflict transformation can take place in Nepal. In order to participate, Germany should pledge DM 100,000 from the GTZ-managed global Fund For Peace Initiatives as an initial contribution.

6.3 Principles and Methodologies

11. The **mandate** of the GTZ and other German development organisations in Nepal with regard to the conflict is a critical issue. While the Nepalese government continues to emphasise that donors should not get involved in peace building efforts, the German agencies feel that they are very much affected by the issue itself and should act. The mandate issue should be understood as follows:
- The GTZ and other agencies operating on behalf of the BMZ in Nepal are officially bound to political neutrality;
 - They are in the country to support development efforts by the government and Nepalese society;
 - As much of the ongoing conflict in Nepal is both deeply rooted in development issues and impacts strongly on development activities, it needs to be dealt with on these levels. It is here that the GTZ and other agencies are not only mandated but also required to deal with the issue as it affects the objectives, activities and circumstances of their work;
 - German agencies and all their staff are restricted to *political* neutrality and impartiality, but not to *value* neutrality. In cases of conflict, they must stand for the values which the German Government has defined as the basis for its development efforts (i.e. the Five Principles of German Development Co-operation: respect for human rights; participation by the people in political decision-making; constitutional governance subject to the rule of law; socially-oriented market economy; state action geared to development).
12. There are two major **intervention levels** for conflict resolution and peace building:
- the local and regional (i.e. district) level is the main level of GTZ and DED interaction;
 - the national level is the appropriate level for the BMZ, KfW and the work of the political foundation (FES).
13. On these levels, there should be a careful choice of implementing **partners** who have a potential to contribute significantly to the resolution of ongoing political and social

conflicts. While the past years have seen the rise of many new institutions in this field, most of them are either weak or have questionable interests. Nevertheless, good partners are available and can – and should – also be strengthened by means of appropriate capacity-building efforts. One good way of doing so is linking such institutions to the recently established UNDP-steered Peace and Development Trust Fund.

14. With regard to **target group orientation**, two principles should be followed in parallel:
 - on one hand, care must be taken to clearly focus on the most needy groups which suffer the most from poverty, government neglect and discrimination;
 - on the other hand, an inclusive approach should be followed which ensures that the antagonism between different social groups does not increase.
15. When development co-operation becomes an actor in ongoing conflicts – and it always does, willingly or unwillingly, as long as it does not put its co-operation activities on hold – the **transparency** of its work emerges as a key issue. In Nepal, transparency is demanded from both sides engaged in the conflict, and the GTZ has a very good reputation regarding its openness to date. This transparency must be kept up through appropriate mechanisms (such as public audits on the field level) and further developed.
16. As long as the conflict in Nepal is ongoing and could increase in intensity on the national or regional levels, a simple but effective monitoring of conflict dynamics should be established, combined with an **early warning – early action** approach. The present study can serve as the baseline against which such assessments can be carried out. Some initial thoughts and recommendations for the development of such a methodology are put forward in Annex 14.
17. In conflict situations, even more than during regular development co-operation, people and organisations need to feel positive changes happening. This entails, however, economic options being opened, which is usually especially difficult in marginal areas. Initiating such development impacts is often not achieved by Technical Co-operation alone because it usually does not have the financial means to accelerate the local economy. Therefore, in conflict situations it becomes especially important to **combine the instruments of Technical and Financial Co-operation** with a view to optimise the synergy between TC and FC in conflict-prone areas. This is clearly intended in the future cooperation projects in Western Nepal (District Health Programme) and IFSP which should be appraised as soon as the political situation will allow it. Furthermore, closer donor coordination with International Financial Institutions (IFIs) should be assessed in key sectors of common interest.

6.4 Regional Dimension

18. German Development Co-operation is presently operating in all 75 districts of Nepal, with a particularly strong presence in 28 of these districts – mostly through the Rural Development Programme, the Integrated Food Security Programme and the Health Sector Support Programme. Many of these districts are those in which the Maoists have a strong presence and partly have proclaimed “people’s governments”. Strategically,

- German Development Co-operation should be more focused on districts with a high potential for conflict, especially with those programmes which can bring immediate as well as structural solutions to conflict causes (i.e. IFSP, RDP and HSSP);
- As this is a higher risk strategy, however, an early warning methodology for conflict escalation should be applied in order to take the necessary steps to safeguard the German contribution;
- Overall, German Development Co-operation needs to become very flexible in its regional support: taking chances where they open up, and reducing activities or retreating for some time where difficulties rapidly increase.

6.5 Conflict Transformation, Peace Building and the Project Cycle

19. There are a number of steps which can and should be taken to adapt actions in response to the ongoing conflict scenario:

- On the level of the **political dialogue** between Germany and Nepal, efforts should be made to clarify the requirements for a German commitment under a situation of ongoing or increasing conflict. These criteria in turn can be used as indicators for project planning and monitoring;
- In **project appraisal**, care should be taken to include an assessment of conflict relevance as well as potential impacts of, and on, the new project/programme, with a special view to target groups and area focus;
- In **project planning**, attempts should be made to plan for specific conflict-relevant contributions;
- Project monitoring** should include, at least for all projects/programmes which have a direct conflict relevance, the monitoring of conflict impacts. The methodology of Peace and Conflict Impact Assessment should be applied in this context;
- For all modes of planning and decision-making, a few **principles** should be applied which have been developed recently for the Swiss Development Co-operation in the same context. These criteria are:
 - security of staff;
 - ability to pursue the agreed project/programme goals;
 - neutrality from influence of the parties to the conflict;

- specificity and flexibility of decisions taken;
- co-ordination among donors instead of decisions taken in isolation.

These criteria can also serve to define the point of exit of a particular activity, programme or the whole country programme as conflicts escalate.

6.6 Portfolio Adaptation

20. The framework for German Development Co-operation with Nepal has been developed in the latest governmental negotiations. Three major priority areas were agreed upon for future co-operation:
- Promotion of Local Self-Governance and Civil Society, including decentralisation and rural development,
 - Health and Family Planning,
 - Promotion of Renewable Energy.

Any strategic commitment in conflict transformation and peace building needs to take account of this framework.

21. The priority area Promotion of Local Self-Governance and Civil Society in many ways makes a direct contribution to conflict transformation possible, as the root causes of poor governance, poverty and inequality are tackled. The plans for the development of a sector strategy paper provide the opportunity to strategically include interventions which can help to mitigate the conflict.
22. The priority area Promotion of Health and Family Planning has an indirect conflict-reducing potential through service provision in the area of most basic needs. A regional focus as well as a target group focus on those people who are most severely caught in the poverty trap can help to address conflict causes indirectly, yet efficiently.
23. There is need for some additional action in the priority area "Promotion of Renewable Energy". In case of new projects in this energy sector, this sector should be assessed carefully in terms of
- the risks involved in financing hydropower on a large scale in one particular location (Lamjung district);
 - its contribution to poverty alleviation and conflict transformation.

However, it should be considered that the availability of electricity is a precondition for employment generation in the most important sectors of the country in terms of qualified employment (industry/commerce and tourism).

24. The main issue prompting a potentially major portfolio adaptation is the priority area of employment generation for unemployed, (semi-)skilled/educated youths in urban and rural areas.

Two strategies could be potentially followed:

- adding these issues as a to the existing priority area "Energy", which is indirectly contributing to employment generation;
- an intensive inclusion of strategies, activities and investments within the existing priority areas and portfolio (all decentralisation programmes/projects + PSP).

Both strategies can be followed in co-operation with other donors (e.g. SDC). However, it should be considered that the availability of electricity is a precondition for employment generation in the most important sectors of the country in terms of qualified employment (industry/commerce and tourism).

25. Within the existing portfolio, readjustments should be assessed and potentially realigned in accordance with the above conclusions and recommendations, with regard to

- the regional focus of programmes;
- stronger target group focus, especially on young people;
- more direct conflict transformation approaches/activities.

Postscript

(6 December 2001)

In light of the recent escalation of the conflict in Nepal, the mission team felt it necessary and worthwhile to reflect again on the political and strategic conclusions and recommendations, in order to give further and more specific advise and support to the BMZ and the GTZ structure in Nepal, with whom the team has been in continuous close contact.

The escalation after 23 November included the following aspects:

- On 23 November 2001, the Maoists suddenly and unilaterally called off the peace process; first, by proclaiming the constitution of a national level People's Government, and second, by breaking the truce and taking unprecedentedly violent actions in a total of 20 districts within two days after the proclamation.
- In reaction to the violence, a state of emergency was declared by the King upon the recommendation of the national government on 26 November 2001. This included naming the Maoist movement a terrorist organisation and declaring a "constitutional provision for emergency" which provides for the suspension of various constitutional rights (cf. Annex 15).
- The army has become involved for the first time on a large scale, initially in direct response to the violent actions of the Maoists themselves (an army barracks was attacked in Gorahi in Dang district), and then following a formal decision by the Nepalese government.
- There has been a very serious escalation of casualties as a consequence of the Maoist attacks and the government's retaliation. While in six years of conflict a total of 1,800 people were killed, during the last week alone, according to official media reporting, a total of 500 lives were lost.
- There have been serious restrictions on media reporting of the events, either through self-censorship or due to government restrictions.
- An increase in the intensity as well as the severity of fighting is a logical assumption, as the rebels have captured new and heavier weapons from the army (machine guns, modern machine pistols, grenade launchers, etc.), while the government is preparing to acquire heavier arms (such as helicopters etc.) in the near future.

This points to:

- a) a continued rapid and serious escalation of violence; and
- b) a prolonged period in which a return to peace talks and the halting of violence seems unlikely.

While the main thrust of the report, both with regard to the conflict analysis, the conflict impact assessment and the portfolio assessment, as well as with regard to the political

and strategic conclusions drawn, is still completely valid, there are four issues which the mission team believes German decision-makers should take into account in this new situation.

1. Political reactions to the escalation

It is important and necessary that the German government takes a clear position on the escalation of violence and the resulting danger of civil war, especially regarding future perspectives. Such a political position should include the following aspects:

- it is clear that the Maoists have unilaterally, and violently, called off the attempts at a peaceful resolution of the conflict. The German government should make it clear that it sees no legitimacy at all in such actions and that it finds understandable the reactions of the Nepalese government;
- at the same time, the German government should make it clear that it sees the necessity, at the earliest time possible, of ending the ongoing violence and returning to peaceful means of resolving of the conflict;
- the German government should likewise make it clear that, while the conflict is ongoing, it is concerned that both warring parties should respect the Hague Convention regarding the basic rules of war as well as the Universal Declaration of Human Rights.

2. Clarification of the political strategy of the German government

The present sharp escalation of violence is still very recent and scenarios for the future are very difficult to predict. However, German development organisations should, at the earliest possible time, clarify their position regarding further events. There are two main aspects to this:

- Internally**, German development organisations should individually, as well as in co-ordination with each other and international development organisations, clarify their positions in the case of further escalation. In addition to the escalation of military violence, possible reactions to and positions on any increase in violations of human rights within the population, and a continuing state of emergency including the suspension of basic rights, should be considered. One aspect of this would be a definition of the point at which a) individual projects or programmes, and b) the whole country programme, would be suspended. This activity is directly linked to conflict monitoring and early warning - early action (see Section 5.2 and Annex 14).
- It must be recognised that internal decisions by donors can also have major political implications for the conflict parties. Therefore the **external** presentation of political reactions to the escalation of the conflict should be considered with care since the expulsion of international development actors from Nepal is one of the Maoists' stated aims.

3. Donor coordination

In the present situation there is even more need for concerted information-sharing, development of positions and co-ordination of action between donors. This includes the following issues:

- close co-ordination and synergy development regarding **conflict monitoring** and early warning – early action approaches;
- closest possible co-ordination regarding the ensuing **security** issues (short circuit information service, emergency plans, etc.);
- close co-ordination of donors regarding their “watch-dog function” on **human rights** and the Hague Convention (cf. point 1 above);
- sharing of views and possible co-ordination regarding the **political strategy** developed in response to point 2 above;
- common observation and consensus-building on the critical issue of the **fungibility of aid**. The Nepalese government has reportedly already asked donors (in October 2001) to step up their support for the social service side of the Nepalese budget, because of upcoming increasing expenditures on security and defence.²⁰ The urgency of the Nepalese government’s requests with regard to these budgetary considerations has, if anything, increased since then. Donors should make clear that they cannot directly or indirectly finance military expenditures. At the same time, they should make clear even more strongly that they are deeply committed to support poverty alleviation programmes provided that ownership of such programmes by the Nepalese side is assured.

These issues concern the entire international donor community. However, there is a prior need for the main German development organisations in place – i.e. the GTZ, FES and DED – to co-ordinate with the German embassy and agree on their common position regarding the above-mentioned issues. Especially with regard to the monitoring of the conflict and the human rights situation, it is vitally important that these organisations combine their respective strengths to come to the best possible position. For example, the FES’s close contact with the Nepalese media could be used to gather periodic evaluations regarding the question of press freedom vs. censoring, and of “hate media” vs. peace journalism.

In summary, this is a time when the best efforts by each German actor are called for. German development co-operation has a long and largely positive history in Nepal. In these troubled times above all, it is vital that the German agencies live up to their full potential.

²⁰ See "Development projects bear the brunt" in *The Kathmandu Post*, 6 December 2001 on how the government is cutting social expenditure to finance military expenditure.

Annexes

Annex 1:

Terms of Reference of the Mission

Nepal Country Study on Conflict Transformation and Peace-building

I. Background Information

Since 1996 there has been a growing number of violent clashes in the Hindu Kingdom of Nepal between the government and a Maoist movement that disassociated itself from the still young democratic system after participating unsuccessfully in the parliament and has become gradually ever more radical. The demands of these Maoist guerrillas, estimated to have several thousand active adherents in a number of districts located primarily in the high mountain regions, include abolition of the monarchy, a land reform, abolition of real serfdom, and the end of international development aid. The Maoist movement operates on the one hand with acts of violence in rural areas, and to an increasing extent in the capital city of Kathmandu too (for example attacks on police stations, kidnapping, bomb attacks, as well as protection money, forced payments etc.). On the other hand it also brings about public monitoring of corruption and abuse of authority, and supports the poor in the country's peripheral regions. This explains the ambivalent attitude to the Maoist guerrillas in public opinion. Many of the Maoist aims still enjoy broad support, chiefly among the poorer population whose disillusionment with the democracy and the frequently suboptimal inputs of development projects is growing.

The conflict has escalated dramatically during the last few months in particular. This has been reflected above all in

- the taking and "liberating" of a series of districts by the Maoists,
- the growing use of force (most recently the murdering of some 40 policemen and abduction of a further 70 policemen),
- the first-ever deployment of the army (in the attempt to free the abducted policemen) since June 2001. The Maoists have evidently tried to benefit strategically from the great feeling of insecurity among the political institutions and the population after the assassination of the royal family on 1 June 2001. In this connection there were also calls to overthrow the monarchy and proclaim a republic.

Nepal is officially considered to be a country in crisis with war in sub-regions (BMZ's Spelten criteria) and a growing need for crisis prevention ("serious crisis", rising according to the conflict barometer of the Heidelberg Institute for International Conflict Research). During recent months the negative consequences for implementing German development

cooperation have become steadily more acute, especially in the sectors of rural development, food security and health.

Despite various attempts to take up negotiations between the government and the Maoists, above all during the last two years, no substantial political success has been achieved so far. However, on 23 July 2001 both the government – in the person of the new Prime Minister Deuba, appointed just a few days before – and the leader of the Maoists called for an armistice on television (cf. Nepalnews.com). There have been two rounds of negotiations since then, but these have not yet produced any results. The basis for settling the conflict might now be better than it has been for years. This marks the beginning of a crucial phase for development cooperation as regards contributions to conflict management and peace-building in Nepal.

II. Objective of the Study

1. To systematically analyse the political and social conflicts.
2. To analyse the GTZ portfolio and make recommendations on portfolio design, whilst promoting peace and conflict management.
3. To deliberate possible adaptations of sectoral focuses.
4. To design policy dialogue and future DC procedures between the German government and Nepal
5. To incorporate German perspectives and efforts in the international community's activities

III. Activities

1. Analyse the present conflict situation in Nepal

- Analyse the structural causes of conflicts and factors that aggravate or mitigate conflicts.
- Analyse the dynamics of conflict situations.
- Analyse the impacts of the crises and conflicts on politics in general, from a regional angle and in terms of the programmatic focus of DC.
- Take an in-depth look at ongoing developments and initiatives targeting constructive conflict management.
- Analyse the impacts of development projects on the conflict situation (conflict impact assessment).
- Prioritise GTZ areas of activity.

Conflict analysis and conflict impact assessment should make use of the analytical methods developed by the sector project Crisis Prevention and Conflict Transformation.

2. Inventorise and assess activities by other actors in the field of conflict management and peace promotion

Talks and analyses should be conducted at the following levels:

- representatives of the government of Nepal,
- representatives of international donors (UNDP (Peace Fund), DFID, DEZA) and NGOs,
- German DC (KfW, DED, political foundations),
- local NGOs,

the aim being to:

- inventorise existing approaches in the field of conflict management in Nepal as well as the most important experience gained in the process.
- determine the priorities set by the government of Nepal.
- identify potential partners in cooperation.
- determine the comparative advantages of German DC and generate synergy with other institutions.

Particularly close cooperation is targeted with Swiss development cooperation activities, since Switzerland is dispatching a mission with a similar thematic content to Nepal at the same time and it has been agreed in advance to make use of synergetic effects between the two partners.

3. Inventorise ongoing GTZ portfolio

- Inventorise GTZ's ongoing portfolio, taking account of the issues raised and approaches given in the manual "Conflict Analysis in Project Planning and Steering", issued by the sector project.
- To deal fully with this issue, intensive talks will have to be held with GTZ staff and partners in Nepal, the aim being to elaborate proposals that will enable the GTZ portfolio to focus more strongly and coherently on conflict management and peace promotion.

Make proposals on portfolio design, on the requisite process of alignment and on further conflict-oriented inputs, taking account of possible cooperation with the sector advisory project.

4. Elaborate proposals facilitating the integration of conflict-management and peace-promotion approaches (especially at district and local level) in the existing project portfolio, especially in the sectors food security and rural development

- Implement a model conflict analysis at local (community) level in two districts.
- The participatory methods for conflict analysis generated by the sector project should be applied here.

- Inventorise past and future project activities to ascertain the level of experience with the theme of conflict management.
- Elaborate proposals facilitating the integration of conflict-management components into the project under review.

5. Political dialogue

Analyse the ongoing situation to determine the extent to which the theme of conflict management and peace promotion has been integrated into political dialogue.

Clarify the various positions and approaches of the different donors involved.

Elaborate initial proposals detailing how the various options afforded by political dialogue and official DC procedures can be used to promote peace and help overcome conflicts.

Implementation of the Study

The study is to be implemented by a Nepalese-German team of experts with established country knowledge and experience in the field of crisis prevention and conflict transformation. The team will participate directly in the sector project Crisis Prevention and Conflict Transformation.

The experts:

Dr. Uwe Kievelitz, head of the sector advisory project/Nepal expert

Tara Polzer, independent expert and staff member of Transparency International

Debendra Manadhar, independent expert

The results of all the work steps are to be discussed and agreed with representatives of German development cooperation within the framework of a concluding workshop.

Close cooperation has also been agreed with the study being conducted by the Swiss organisation DEZA at the same time on "Clarification of the Framework Conditions for Development Cooperation in Nepal" (expert Dr. Ruedi Högger).

The process and results of the study are to be documented in the form of a report (approx. 40 pages without Annex). A first draft of supplementary guidelines on the theme will be drawn up separately on the basis of the experience gained in the portfolio analysis and design.

Time Frame

September	Study of files and literature, research; brainstorming with country experts; discussion and agreement with the BMZ and KFW (Germany)
3.-4.10.	Outward travel
5.10.	Introductory workshop with GTZ
6.-8.10.	Conflict analysis and inventorising of other actors
9.-14.10.	District analysis in two districts; Conflict Impact Assessment
15.-17.10.	Completion of the portfolio analysis; consequences for development cooperation
18.-19.10.	Analysis workshop with German development cooperation and international participants
20.-21.10.	Completion of the report
22.10.	Return travel
to 15.11.	Finalising of the report and the supplementary guidelines for portfolio analysis

Areas of Responsibility

Uwe Kievelitz:

- Overall coordination and Team Leader
- Conflict analysis from the international perspective
- District analysis in District A
- Recommendations on policy dialogue and on German development cooperation

Tara Polzer:

- Portfolio analysis
- District analysis in District B
- Responsibility for the overall report
- Design of the portfolio analysis

Debendra Manadhar:

- Conflict analysis from the Nepalese perspective
- District analysis in District A or B
- Conflict Impact Assessment

UK, 24.9.2001

Annex 2:

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Maoism: www.ipcs.org

News on Nepal: <http://www.nepalnews.org>

Annex 3:**List of Interview Partners****Discussion Partners for Nepal Country Analysis on Conflict Transformation**

Name	Organisation/Affiliation
1. German Decision-Makers	
Mr. Jochen Kenneweg	BMZ, Head of South Asia Division
Mrs. Elke Röntgen	BMZ, South Asia Division, Nepal Desk
Mr. Hans-Peter Baur	BMZ, Sector Dept. 304
Mrs. Sabine Jüngling	GTZ, Head of Regional Division Nepal-Sri Lanka
Mr. Christian Thomsen	KFW, Division Chief South Asia
Mr. Rudolf Freisens	KFW, Senior Project Manager South and Central Asia
Dr. Martin Raschen	KFW, Chief Economist South and Central Asia
Mrs. Almut Wieland-Karimi	Friedrich-Ebert-Foundation, Division International Development Cooperation (Asia)
Mr. Ruediger Lemp	German Ambassador to Nepal
Dr. Alfred Diebold	Head of Friedrich-Ebert-Stiftung Nepal
Mr. Karl Heinz Siekmann	Country Director German Development Service (DED) Nepal
2. Nepal Authorities	
Dr. Mohan Man Sainju	Former Nepal Ambassador to the United States
Mr. Padma Jyothi	Businessman, former President FNCCI
3. International Donor Community in Nepal	
Mr. Peter Rhode	Head of GTZ Office
Mr. Jean-Jacques Bovay	Head Delegate, ICRC
Mr. Henning Karcher	UNDP Resident Representative
Mr. Jan de Witte	SNV Director
Mrs. Sue Wardel	Former Head of DfID Office
Mr. Anton Hagen	Head of SDC Coordination Office
Mrs. Ingrid Ofstad	Norwegian Ambassador to Nepal
Mr. Douglas Casson Coutts	Country Director, WFP

Name	Organisation/Affiliation
4. Project Staff	
Mrs. Barbara Abbenthaler	Former GTZ/FFW project staff
Mr. Rajendra Aryal	Staff, UNDP
Mr. Johannes Knapp	Team Leader, Rural Development Programme
Dr. Dietrich Stotz	Team Leader, Integrated Food Security Project
Mrs. Sushma Bajracharya	Team Leader, NGO Fund Project
Mrs. Charlotte Addy	Team Leader, Child Labour Project
Dr. Angelika Schettenbrunner	Team Leader, Primary Health Care Programme
Mr. Jim Tomecko	Team Leader, Private Sector Promotion Project
Mr. Ulrich Wehnert	Team Leader, Rural Finance Nepal
Mr. Laxman Rajbhandari	Team Leader, Acting Team Leader, Urban Development through Local Efforts Programme
Mrs. Milu Shree Shakya	Gender Coordinator/PR Officer GTZ Office
5. Nepali Intellectuals	
Prof. Krishna Bhattachan	Dept. of Anthropology and Sociology, Tribhuvan University
Dr. Rohit Nepali	South Asia Partnership
6. District Level	
Dailekh and Bardia	
Mr. Kapil Silwar	Regional Coordinator, FKFSP/IFSP
Mr. Narendra	Motivator, FFW Dailekh
Mr. Bharat Timsina	District Coordinator IFSP, Dailekh
Mr. Ram Bahadur Shahi	Chairman, DDC
Mr. Rabindra Sharma	Mayor of Dailekh
Mr. Dev Bahadur Shahi	Acting LDO, Dailekh
Mr. Govinda Subedi	District Development Advisor, PDDP Dailekh
Mr. Lekha Nath Acharya	DADO, Dailekh
Mr. Shankar Pd. Koirala	CDO, Dailekh
Mr. Amar Bahadur Thapa	District Secretary of UML, Dailekh
Mr. Neupane	LLINK Program of HELVETAS, Dailekh
Mr. Khem Raj K.C.	Teacher, Dailekh Government School
Mr. Mani Ram Tiwari	VDC Chairman, Dandaparajuri VDC
Nine Farmers	

Name	Organisation/Affiliation
Sankhuwasabha	
Mr. Netra Prasad Sharma	Central District Officer
Mr. Daya Ram Thakar	Local Development Officer
Mr. Hem Raj Ghimire	Vice Chairman DDC
Mr. Hem Kumar Gurung	Member of People's Government of Sankhuwasabha
Mr. Kiram Shakya	Mayor of Khandbari Municipality
Mr. Ram Chandra Bhandari	Deputy Superintendent of Police
Mr. Shyam Sundar Udash	Chairman of Chamber of Commerce
Mr. Tika Ram Panthi	UNDP Local Governance Programme
Mr. Khangendra Sangam	The East Foundation
Mr. Saroj Bajracharja	Nepali Red Cross Society
Two representatives	British Medical Nepal Trust
Mr. Nabin Gouli	Businessman
Mr. Parshu Ram Dahal	Campus Chief
Staff of Partner NGOs	SODEC, CSD, Ceapred, Forward,
	6 journalists
	Diding VDC Chairman
	Chairwoman, Vice-chairwoman and Member of Diding savings group
	Chairman of Green Road user group
	Headmaster and two teachers from Diding school
	Three women running teashops
	Women in a business literacy class

Annex 4:**Time line of the Maoist Movement in Nepal**

Maoist Movement	Year/ month	Government
	1996	
- United People's Front presents 40 point demands to the then government led by Deuba		
- Start of People's war	February	
	1997	
	March	- Deuba loses vote of confidence and Chand of RPP forms a coalition government with UML
	April	- The then Home Minister requests that HR activists mediate a dialogue
		- Local election held, disrupted, - DDC could not be formed in several districts
	October	- Thapa of RPP forms new government
	1998	
	April	- GP Koirala forms a minority government
	May	- Kilo Sera Two operation by launched police
- A staff of US-AID project killed	July	
	August	- Koirala forms government with ML
	1999	
	May	- General Election held, NC wins majority, Bhattarai forms government
- Local election in Rukum	July	
	2000	
		- Initiation of Basket Funding programme
- Baburam Bhattarai reported to attend a mass meeting in Jajarkot	January	
	March	- Koirala charged Bhattarai government with inefficiency in dealing with Maoists, corruption and poverty; Bhattarai resigns and Koirala forms new government

Maoist Movement	Year/ month	Government
- Local election in Jajarkot, HMG engineer Polling Officer	September	- Home minister blames army for not co-operating
- Maoist attacks Dolpa district HQ, 14 policemen killed		- Mobilisation of army in selected district HQs
- Intensified activities in eastern Terai		
- Dialogue attempted but failed	October	- Dialogue attempted, but failed
- First District people's government declared in Rukum	December	
	2001	
	January	- US ambassador : Maoist and corruption are the hurdles for Nepal's development
- Economic sanctions imposed on Kalikot district HQ	February	
- Co-operative bank founded in Jajaorkot	March	
- Declaration of Prachandpath		
- Demand for all party government	April	- Initiation of ISDP, army mobilisation starts
- Policepost in Rukum attacked, 35 policemen killed		
- Policepost in Dailekh attacked, 29 police men killed		
- Prachand and Baburam met with Royal nominee MP Padey		
	May	- National Census held, partially disrupted
		- PM Koirala resigns
		- Deuba new PM
- Prachanda accepts cease-fire		- Deuba proposes cease-fire
		- Deuba proposes dialogue
		- HMG ordered to free Maoist detainee

Maoist Movement	Year/ month	Government
- Meeting with leftist party leaders in Silgudhi in India	August	- All party meeting for dialogue
- Area government in Lamjung		- Deuba : "Prachanda is a brave leader"
- Team for dialogue announced		- Parliament endorses Armed Police Force bill
- People's government, Interim constitution and republic as key points for dialogue		- PM announces 8 point social and economic reform programme
		- Monarchy cannot be discussed
- First round of dialogue held		- First round of dialogue held
- Prachanda and Baburam reported to attend Maoist party central committee meeting in Rolpa		-
	September	
- Mass meeting in Kathmandu announced		- King Gyanendra : 'I shall not stay passive'
- Forced 'donation' collection in Kathmandu		
	11	- Tragedy in US
- Second round of dialogue, 11 point agenda presented	14	- Second round of dialogue
		- Public meeting and rally banned in the valley
- Planned mass meeting in Kathmandu postponed	16	
- Prachanda publicly apologises for forced 'donation'		
- People's government in Rasuwa-Nuwakot		- Nuwakot DDC Chairman resigns, joins Maoists
- Some abducted policemen freed		- India says Maoists are 'Terrorists'
	October	
- Maoists refuse to have third round of dialogue before government releases maoist detainees		- Government presses for third round of dialogue before Dasain

Maoist Movement	Year/ month	Government
- Unofficial contacts and discussions between Maoists and the government continue		- Unofficial contacts and discussions between the government and the Maoists continue
		- US diplomat : Maoists are not yet 'Terrorists'
		- Anti-Maoists committees of people established in various areas of the country
		- Vice chairman of Maoist's Village government was killed in anti-maoist move by the villagers in Nuwakot; Maoists declared revenge will be taken; Army was mobilised in the area for security
- Maoists abducted 4 UML leaders in Jumla including the Jumla DDC chairman, former MP; were released after 3 days after the government mobilised army to search for them		- UML criticised Maoists; government mobilised army to search for the abductees
	November	- Koirala blames the Deuba government of inaction in the name of 'dialogue' and wants to end the dialogue as soon as possible
- Third round of talks: Maoists give up demand for republic		- Third round of talks: government will not accept constitutional assembly
- Maoists attack police stations and army barracks in over 20 districts around the country, killing and abducting many	From 23	- Police and army respond and kill many Maoists
	26	- King declares state of emergency, declares Maoists as terrorists and orders army to stop the rebellion

Annex 5:**The Maoist's 40 Point Demands**

These demands were submitted by the political front of CPN (Maoist) United People's Front with the coalition government headed by Nepali Congress party. These are the same demands which were raised during the 1990's people movement including the end of bandhs of political parties. The UPF raised these demands for 5 years after the so-called democratic negotiation with the monarchy. But the successive government and Nepali Congress government acted just opposite of the demands. Thousands of supporters and workers of communist party and UPF were imprisoned or trapped on false charges and more than 100 sons and daughters of Nepalese were killed when peacefully they demanded.

I. Demands related to nationalism:

- 1) Regarding the 1950 Treaty between India and Nepal, all unequal stipulations and agreements should be removed.
- 2) HMG should admit that the anti-nationalist Tanakpur agreement was wrong, and the Mahakali Treaty, incorporating same, should be nullified.
- 3) The entire Nepal-Indian border should be controlled and systematized. Cars with Indian number plates, which are plying the roads of Nepal, should not be allowed.
- 4) Gorkha recruiting centers should be closed and decent jobs should be arranged for the recruits.
- 5) In several areas of Nepal, where foreign technicians are given precedence over Nepali technicians for certain local jobs, a system of work permits should be instituted for the foreigners.
- 6) The monopoly of foreign capital in Nepal's industry, trade and economic sector should be stopped.
- 7) Sufficient income should be generated from customs duties for the country's economic development.
- 8) The cultural pollution of imperialists and expansionists should be stopped. Hindi video, cinema, and all kinds of such news papers and magazines should be completely stopped. Inside Nepal, import and distribution of vulgar Hindi films, video cassettes and magazines should be stopped.
- 9) Regarding NGOs and INGOs: Bribery by imperialists and expansionists in the name of NGOs and INGOs should be stopped.

II. Demands related to the public and its well-being

- 10) A new Constitution has to be drafted by the people's elected representatives.
- 11) All the special rights and privileges of the King and his family should be ended.
- 12) Army, police and administration should be under the people's control.
- 13) The Security Act and all other repressive acts should be abolished.
- 14) All the false charges against the people of Rukum, Rolpa, Jajarkot, Gorkha, Kavre, Sindhupalchowk, Sindhuli, Dhanusha and Ramechap should be withdrawn and all the people falsely charged should be released.
- 15) Armed police operations in the different districts should immediately be stopped.
- 16) Regarding Dilip Chaudhary, Bhuvan Thapa Magar, Prabhakar Subedi and other people who disappeared from police custody at different times, the government should constitute a special investigating committee to look into these crimes and the culprits should be punished and appropriate compensation given to their families.
- 17) People who died during the time of the movement, should be declared as martyrs and their families, and those who have been wounded and disabled should be given proper compensation. Strong action should be taken against the killers.
- 18) Nepal should be declared a secular state.
- 19) Girls should be given equal property rights to those of their brothers.
- 20) All kinds of exploitation and prejudice based on caste should be ended. In areas having a majority of one ethnic group, that group should have autonomy over that area.
- 21) The status of dalits as untouchables should be ended and the system of untouchability should be ended once and for all.
- 22) All languages should be given equal status. Up until middle-high school level (ucchamadyamic) arrangements should be made for education to be given in the children's mother tongue.
- 23) There should be guarantee of free speech and free press. The communications media should be completely autonomous.
- 24) Intellectuals, historians, artists and academicians engaged in other cultural activities should be guaranteed intellectual freedom.
- 25) In both the terai and hilly regions there is prejudice and misunderstanding in backward areas. This should be ended and the backward areas should be assisted. Good relations should be established between the villages and the city.
- 26) Decentralization in real terms should be applied to local areas, which should have local rights, autonomy and control over their own resources.

III. Demands related to the people's living

- 27) Those who cultivates the land should own it. (The tiller should have right to the soil he/she tills.) The land of rich landlords should be confiscated and distributed to the homeless and others who have no land.
- 28) Brokers and commission agents should have their property confiscated and that money should be invested in industry.
- 29) All should be guaranteed work and should be given a stipend until jobs are found for them.
- 30) HMG should pass strong laws ensuring that people involved in industry and agriculture should receive minimum wages.
- 31) The homeless should be given suitable accommodation. Until HMG can provide such accommodation they should not be removed from where they are squatting.
- 32) Poor farmers should be completely freed from debt. Loans from the Agricultural Development Bank by poor farmers should be completely written off. Small industries should be given loans.
- 33) Fertilizer and seeds should be easily and cheaply available, and the farmers should be given a proper market price for their production.
- 34) Flood and draught victims should be given all necessary help
- 35) All should be given free and scientific medical service and education and education for profit (private schools?) should be completely stopped.
- 36) Inflation should be controlled and laborers salaries should be raised in direct ratio with the rise in prices. Daily essential goods should be made cheap and easily available.
- 37) Arrangements should be made for drinking water, good roads, and electricity in the villages.
- 38) Cottage and other small industries should be granted special facilities and protection.
- 39) Corruption, black marketing, smuggling, bribing, the taking of commissions, etc. should all be stopped.
- 40) Orphans, the disabled, the elderly and children should be given help and protection.

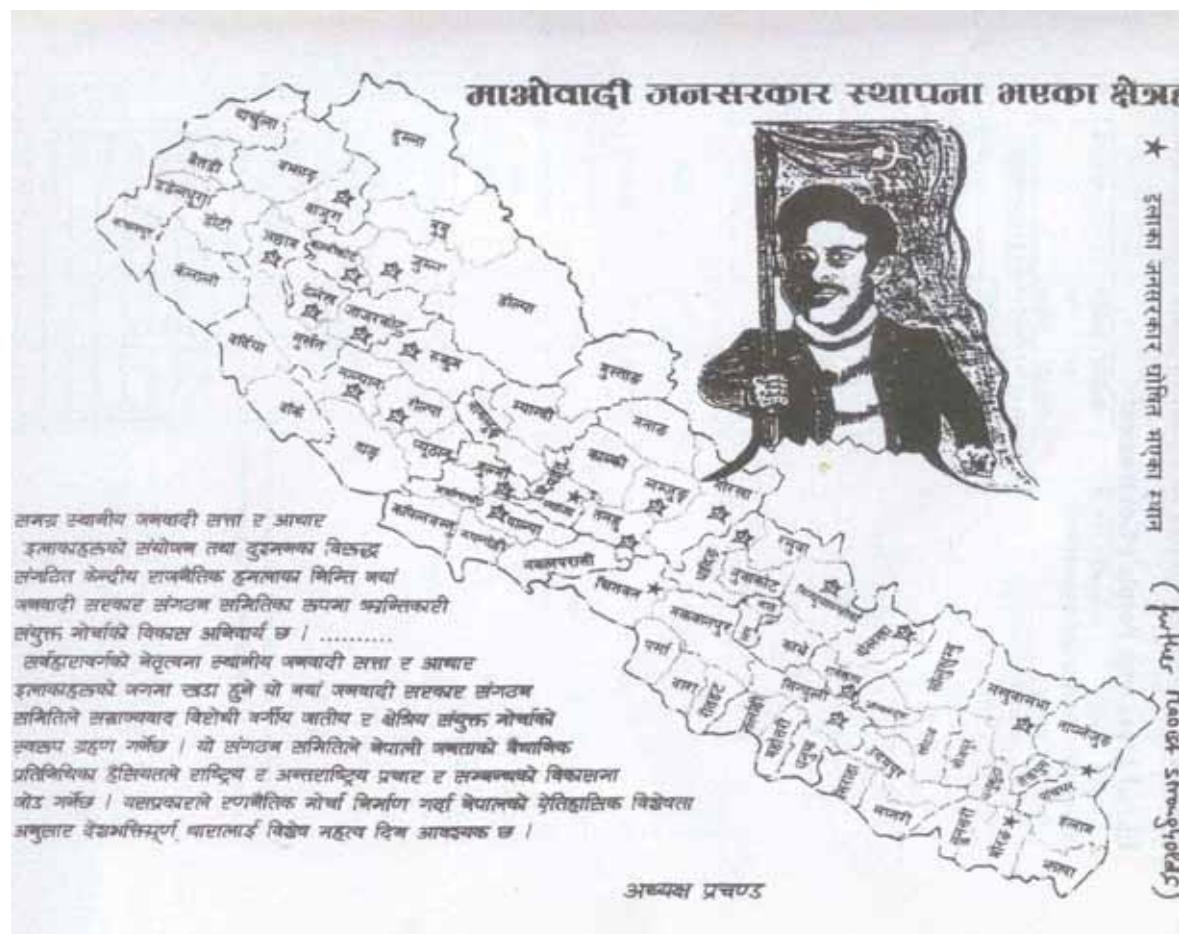
We offer a heartfelt request to the present coalition government that they should, fulfill the above demands which are essential for Nepal's existence and for the people's daily lives as soon as possible. If the government doesn't show any interest by Falgun 5, 2052, (February 17, 1996,) we will be compelled to launch a movement against the government.
 *** The above demands put forth by the Samukta Jana Morcha, led by Dr. Bhattacharai, were handed over to the then prime minister Sher Bahadur Deuba.

(As published in People's Review, 1996)

translated by Barbara Adams

Annex 6:**Map of Maoist Presence in Districts**

(as depicted by the Maoists themselves in October 2001)



Explanation: The map was taken from the Internet presentation of the Maoist movement in Nepal, and depicts the Maoist's self-assessment in October 2001 of the districts in which they had either installed a so-called "peoples' government" (hammer and sickle symbol) or a power stronghold (star symbol). This self-depiction was assessed by a number of non-Maoist discussion partners as being fairly adequate. However, the utilization of this map as an indication of the regional representation of the Maoist movement is in no way meant to legitimise the Maoist movement or the propaganda writing in Nepali which accompanies this map.

Annex 7:**List of Areas with People's Government****District, inter-districts and regional level**

S. No.	District	Name of the chief of the government
1	Rukum	Mr. Purna Bdr. Gharti
2	Rolpa	Mr. Santosh Budhamagar
3	Jajarkot	Mr. Bhakta Bdr. Shah
4	Gorkha	Mr. Amar Tamu
5	Kalikot – Achham - Bajura	Mr. Kahdga Bdr. Kishwokarma
6	Dolakha	Mr. Rut Bdr. Khadka
7	Tanahu	Mr. Hari Man Chuman
8	Dhading	Mr. Buddhi Lal Tamang
9	Gulmi	Mr. Sudarchan Baral
10	Sankhuwasabha	Mr. Basu Shakya
11	Palpa	Mr. Kewal Laha Magar
12	Jumla-Kalikot	Mr. Paran Bdr. Dharal
14	Sindhuli	Mr. Sonam Singh Syangtang
15	Ramechhap	Mr. Baburam Lama
16	Lamjung	Mr. Purna Bdr. Tamu
17	Sindhupalchowk	Mr. Dawa Tamang
18	Parbat	Mr. Gunakhar Basyal
19	Dailekh	
20	Salyan	
Area governments		
21	Panchthar – Taplejung	Mr. Shree Pd. Jawegu
13	Sindhuli (Eastern)	Mr. Sani Devkota
22	Morang	
23	Syngja (Southeastern)	Mr. Tika Ram Regmi
24	Chitwan (Northern)	Mr. Sudarshan Paudel

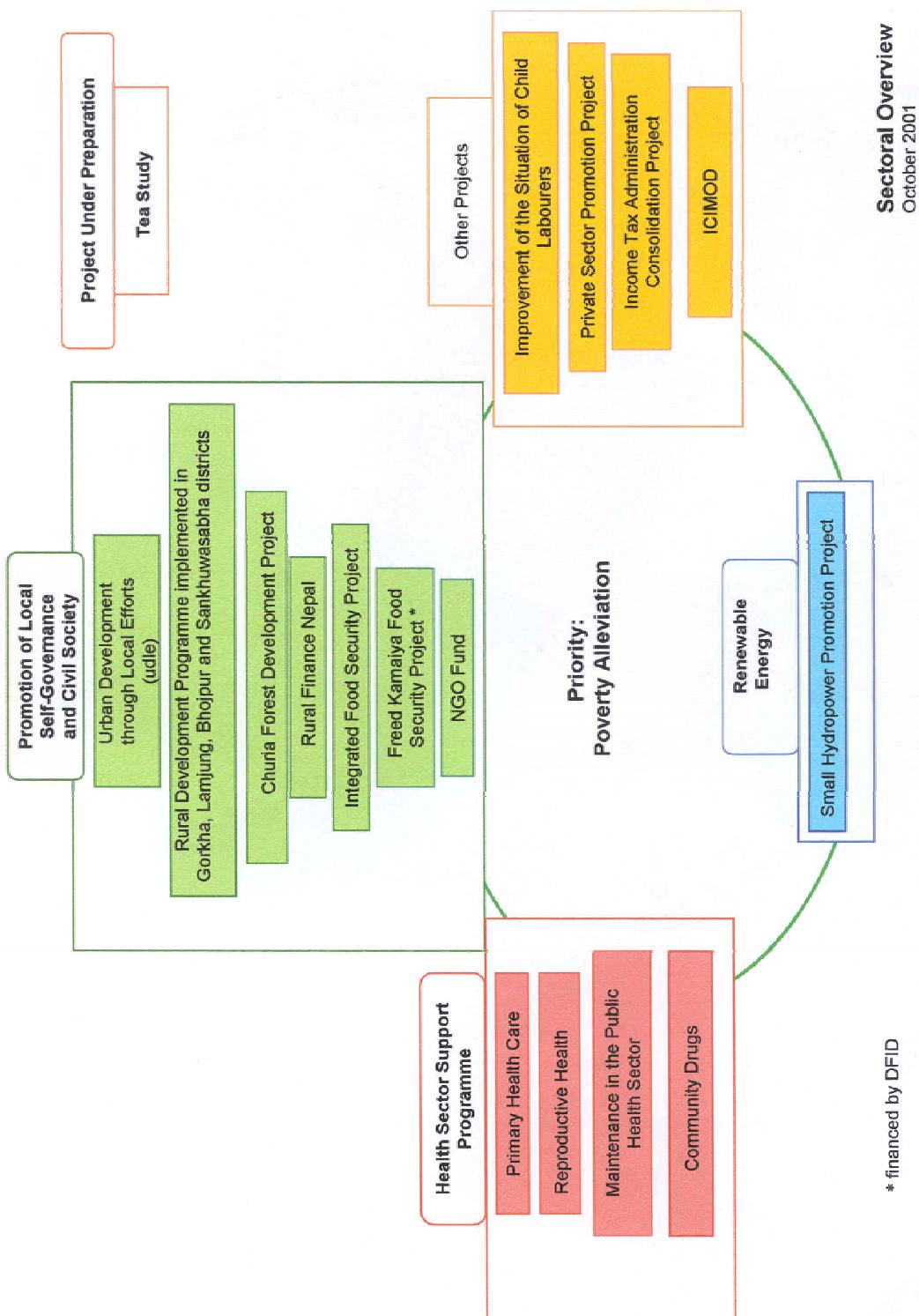
Total number of districts with district government - 22

Total number of districts with area government - 5

Annex 8:

Number of people killed by the police and by the Maoists per district

S. No	District	Killed by police	Killed by Maoists	S. No	District	Killed by police	Killed by Maoists
1	Jhapa	-	3	40	Arghakhanchi	2	3
2	Ilam	1	1	41	Gulmi	2	15
3	Morang	2	1	42	Baglung	2	9
4	Sunsari	-	2	43	Parbat	-	1
5	Dhankuta	-	1	44	Myagdi	1	-
6	Tehrathum	-	4	45	Dang	18	14
7	Bhojpur	-	1	46	Pyuthan	1	5
8	Sankhuwasabha	-	1	47	Rolpa	206	77
9	Saptari	-	1	48	Salyan	36	24
10	Siraha	1	8	49	Rukum	215	97
11	Udayapur	10	-	50	Banke	8	3
12	Khotang	-	1	51	Bardiya	10	2
13	Okhaldhunga	7	7	52	Surkhet	20	21
14	Solukhumbu	3	4	53	Jajarkot	91	61
15	Dhanusha	-	5	54	Dailekha	10	36
16	Sarlahi	4	1	55	Dolpa	9	25
17	Sindhuli	54	16	56	Jumla	14	10
18	Ramechhap	7	6	57	Kalikot	85	35
19	Dolakha	11	11	58	Mugu	1	-
20	Rautahat	-	3	59	Kailali	18	9
21	Bara		2	60	Achham	16	7
22	Chitawan	1	1	61	Bajura	1	19
23	Makawanpur	1	-		Total	980	714
24	Lalitpur	3	4				
25	Kathmandu	-	2				
26	Kabhre	27	24				
27	Dhading	2	5				
28	Sindhupalchowk	10	17				
29	Nuwakot	3	15				
30	Rasuwa	1	-				
31	Tanahu	4	13				
32	Gorakha	47	28				
33	Lamjung	14	41				
34	Syangja	-	4				
35	Kaski	-	1				
36	Nawalparasi	-	2				
37	Rupandehi	-	2				
38	Palpa	-	2				
39	Kapilvastu	-	1				

Annex 9:**German Technical Cooperation in Nepal**

* financed by DFD

Annex 10:

Sankhuwasabha District Study

Field Report from East Nepal (Sankhuwasabha) in the Context of Nepal Country Study on Conflict Transformation and Peace Building

1. Introduction

1.1 Rationale and Objectives for Field Visits

The field visit to East Nepal was carried out in the context of the country study on Conflict Transformation and Peace Building. The objectives were:

- to carry out a conflict analysis at the district level
- to assess the impact of the conflict on the Rural Development Project, as well as the impact of the project on the conflict (conflict impact assessment)
- to suggest possible avenues and activities for action (action planning in the context of a larger portfolio analysis).

As the conflict is mainly impacting on rural development projects working at the district level, the RDP was chosen as the main focus for this district study. The district of Sankhuwasabha was proposed because a “people’s government” had recently been declared in the republic, but there was no direct threat or danger to programmes and visitors. The district is fairly accessible by aeroplane, but remote by other forms of transport.

1.2 Approach and Methodology

The main focal points of the district analysis were a visit to the district headquarters and to a field site of the RDP (Diding VDC), in order to

- a) talk to representatives of all main actors in the district,
- b) observe the actual physical, economic and social situation in the district.

The main stakeholders consulted included:

- | | |
|---|--|
| <input type="checkbox"/> Women’s Groups | <input type="checkbox"/> Local business people and Chamber of Commerce |
| <input type="checkbox"/> Project user groups | <input type="checkbox"/> Teachers |
| <input type="checkbox"/> Govt officials (DDC, LDO, CDO, VDC, mayor of municipality) | <input type="checkbox"/> Local NGO staff |
| <input type="checkbox"/> Police | <input type="checkbox"/> INGO staff |
| <input type="checkbox"/> Member of “People’s Government” | <input type="checkbox"/> Journalists |

The main methodology used was informal non-structured interviews. The topics covered were :

- Interpretation of conflict: causes, actors, current situation
- Impact of conflict on lives and work
- Future scenarios, expectations and hopes
- Impact of GTZ programme on lives and on conflict

These interviews were complemented by the use of some visualisation methods in discussion with GTZ staff, the staff discussion of the PCIA questionnaire developed at the national-level workshop (8.10.01), as well as by observation

1.3 Focus of Activities of the Project(s)

In Sankhuwasabha, the RDP programme has two main components:

- Construction of a “green road”: a labour-intensive and environmentally sound road from Tumlingtar airport to the districts headquarter Khandbari.
- A social mobilisation programme and establishment of saving-and-credit groups in rural communities.

2. Analysis of Current Conflict Situation in the District

2.1 Conflict Profile

There was general agreement on the **root causes** of the conflict at district level, and on the order of importance. The main issues named were: poverty, unemployment, disillusionment with corrupt and inept/ inactive government, and a generation gap with unfulfilled development expectations.

As can be seen from the order of root causes, the conflict is perceived to be largely based on economic factors. There was agreement among most contacts that people, especially youth, join the Maoist movement because of poverty and lack of food and work. The political and ideological arguments of the Maoists are seen as less relevant: many of the farmers and user group members said that they did not see a clear and consistent political and ideological concept among the Maoists. Disillusionment with local and national government is high, however. Social discrimination by caste or ethnicity was not mentioned as a major motivating factor, which might have been due to the relatively homogenous Rai population in the area of Sankhuwasabha visited.

Maoists only very recently became active in Sankhuwasabha (since December 2000). There was a very fast expansion of influence and activities because of a lack of resistance from the government and police. The district saw only limited violence, because there was virtually no direct opposition from government or police. There has been almost no overt violence since the cease fire in June 2001. 11 VDCs have been locked since July 2001,

stopping all local government activities in those areas, and a “people’s republic” was declared in August 2001. Currently (October 2001) 14 VDCs in the district have local Maoist administrations, largely in the remote northern region, and almost the whole district is affected in some way. The current **phase** mirrors the national level, in that there is a feeling of waiting to see what the national peace negotiations would bring. However, there is a continued formation of VCD level people’s committees and general expansion of activities.

Initially, public support was strong because of the Maoist introduced people’s courts and punished local exploitative landlords. Public perceptions became increasingly critical *after* the cease fire brought a decrease in violence. Negative perceptions are based on economic demands (food and shelter), negative economic impacts (see below), arbitrary decision making, and rumours of violence from other areas. There has been increased active resistance, including the forced re-opening of locked VDCs.

The Maoist presence has had both positive and negative **impacts** on the population of Sankhuwasabha. Positive social impacts include the introduction of local conflict resolution mechanisms in favour of the poor, women’s empowerment and punishment of domestic violence, the curtailment of alcohol and gambling, and the reported support of various health programmes. Both the British Medical Nepal Trust and the Nepal Red Cross Society report active support from the Maoists. Economically, the Maoists have enforced lower interest rates among money lenders. Negative effects include attacks on private schools with knock on effects on other education provision; the closure of VDCs and the concomitant reduction in basic administrative services; and an atmosphere of general insecurity and fear which constrains rural people’s freedom of movement. This atmosphere of insecurity has had a major impact on the economy of the area. Because of fear of attacks, foreign buyers of cardamom and Nepali (hand made) paper no longer come to the district and refuse to pay in advance, leading to extreme drops in prices, long transport distances for producers and debts from having to take out loans. The price of cardamom this year is only 2/3 of what it was last year. Tourism is an important source of income in the region, and the general international climate, as well as the national insecurity have hit local service providers very hard. “Development tourism,” i.e. field visits by international agencies, has also gone down, according to local hotel and business people. The district Chamber of Commerce claims that turnover of the most busy pre-Dashain period this year was only 20% of last year’s turnover. They also note that the economy has suffered most from *perceptions* of instability, not from actual experiences of violence against businesses.

2.2 Stakeholder Analysis

Primary Actors	Characteristics
Maoist rebels (both political and military elements)	Control 14 VDCs and have declared district government. Not perceived to be very well organised and have problems finding people willing to make up the government committee. The number of armed fighters in the district is estimated at around 200.
District government and line agencies	All representatives of government seem to be Bahun, Chettri or Newari and to come from outside the district. A member of the district development committee is known to co-operate with the Maoists. Some heads of line agencies act as effective mediators between Maoists and communities.
Political parties	There is a tradition of cross-party consensus and co-operation in the district, which is UML dominated. This has also been used to resolve and avoid conflicts with the Maoists.
Police	Now exclusively stationed in two bases, including the district headquarters and the airport, after they gave up all other outposts. Are not seen to be very effective.
National and international NGO's and donor representatives	There are only a few international organisations working in the district, and many local NGOs. While all have been harassed by the Maoists in some way, there have been only a few serious attacks.
Media	Young journalists, who also report for national newspapers, radio and TV, have recently started a local newspaper. They are interested in reporting more closely on INGO activities.
Business	Have a strong interest in stability and much influence in communities.

Peace Actors

- informal leaders
- communities acting together to mediate between Maoists and development agencies
- self-help groups
- successful development projects
- political party leaders
- local media
- local business community
- teachers and intellectuals (especially those with connection to youth)

2.3 Conflict Constellation

Compared to the western regions of Nepal, Sankhuwasabha and the East are relatively better off, with higher levels of education and more to lose economically from insecurity. For these reasons, as many contacts noted, the population was more critical of Maoist claims and activities from the beginning than they were in the West. However, there are large areas of the district which are very remote and neglected by the state, and it is here that the Maoists have built their support base. This year's bad harvest and famine danger in the northern block of the district may drive more people to join the movement. On the other hand, the food scarcity through natural causes also exacerbates the economic impact which the insecurity has had on farmers (see above), perhaps increasing their resistance to Maoists and their extortion.

2.4 Current Dynamics

Because of the recent and quickly expanding political presence of the Maoists in the district, their political position has less depth than in some other parts of the country where they have been active for a longer time. The population seems to be less interested in political and ideological programmes and more in the concrete economic effects of the Maoists' actions. The movement also seems to be finding it difficult to convince comrades to take on formal responsibility for "people's government" posts. A member of the "people's government" said that the district leadership would follow the decisions of the national leadership, if they negotiated a peace within the mandate given to them by the grass-roots Maoist supporters. If, however, this mandate was broken, then the local Maoist groups would consider their leaders as traitors and continue to fight. He did not say what the mandate included.

The nation-wide problem of weak command structures is mirrored in the district: locals see "fake Maoists" and uncontrolled youth with guns to be an increasing problem. However, community members are generally very positive that it will be possible to reintegrate fighters into their home communities, once a peace agreement has been reached. There has not yet been enough violence to create long-lasting divisions within communities.

The expectations in the future are highly ambivalent. Many, especially people in the villages, expressed hope that a peace agreement would soon be reached, but simultaneously spoke of rising insecurity and fear. Intellectuals and NGO staff in the district headquarters were more cautious, expecting insecurity and a possible escalation of violence if the peace talks brought about an unsatisfactory result for the local Maoist groups.

2.5 Trends and Scenarios

A series of mutually contradictory trends show the instability and unpredictability of the current situation:

- ⇒ Maoists are continuing to expand their influence geographically
- ⇐ Popular support is waning, including defections from the people's government and militia
- ⇒ Government officials are conciliatory and non-confrontative
- ⇐ The army presence in the region is increasing
- ⇒ There is increasing active popular resistance to Maoists, including the defence of development projects
- ⇐ There is continued popular fear and insecurity about the future

District developments are seen to depend on the national peace process. Overall, there is agreement that presently it is extremely difficult to develop a clear scenario for the coming months. It is most probably that low level violence will continue, since no-one expects a strong government or army campaign to regain control over the district.

3. Impacts of the Conflict on Development Co-operation

Government representatives claim that there has been little impact on government development programmes so far, since the time since the declaration of the "people's government" was a fiscal "rest period" anyway, in which government departments freeze their budgets. Others noted that the government programmes are continuing to work in informal co-operation or in parallel to Maoist activities, without conflict. The people in the villages also claimed that there has been little impact, but argue that there were no government development activities to begin with. The closure of VDCs has had a direct effect on the communities, since administrative duties such as birth and death registration or land deeds could not be fulfilled and local government funds were frozen. Some mentioned that local government services have improved and become more transparent through the monitoring by the Maoists.

3.1 Impacts on the Projects Supported by Germany

The RDP in Sankhuwasabha has received less threats and experienced less problems than other (I)NGOs working in the districts. The staff and user groups report no direct negative effects on either the self-help savings groups or the green road programme. There is continuous informal information exchange between RDP staff, partner NGOs and local Maoists, and the staff have received largely positive feedback on their activities.

Partner NGOs even note that their programmes have improved through the enforced greater transparency.

3.2 Impacts on Projects of other (I)NGOs

This positive picture should not distract from the fact that (I)NGOs remain a conflict “object” in the district and that the Maoists’ stated policy is to chase them from the district. While this policy was expressed when the Maoists first gained influence in the district, and while all (I)NGOs were verbally threatened, the Maoists since claim that the people can now decide which programmes they would like to keep. This followed a rising expression of popular support for international and local NGO activities. Most (I)NGOs have a continuous informal dialogue with the Maoists on their programmes, through which potential conflicts can be managed. Most note the positive aspects of this increase in transparency. The British Medical Nepal Trust even says that Maoists actively support and enable their health and drugs provision programmes. The most direct negative impact was on The Mountain Institute (TMI), an INGO based in the United States. Their offices were robbed and bombed, leading to the retraction of expatriate staff to Kathmandu and the continuation of programmes through a local partner NGO. Ecohimal, an Austrian NGO, also reduced its activities in the district.

4. Impacts of the Projects Supported by Germany on the Conflict

The potential negative effects which the presence of the GTZ is having in the district are minor. Some of the programmes may be indirectly contributing resources to the Maoist coffers by giving work and wages to Maoist supporters. The Rural Infrastructure Programme trail improvement labour force, for example, to a large part support the Maoists. However, giving such supporters paid work may also be keeping them from taking up arms themselves. A second potential conflict-supporting effect is the contrast between (I)NGO resources (staff salaries, office equipment, etc.) and local poverty. This can lead to jealousy and motivate people to join a movement which represents and promises greater equality. It may also increase antagonism against the international organisation itself by supporting the perception that international development monies primarily serve the interests of the privileged few employed by them (educated and often predominantly from elite caste/class backgrounds) and do not reach the truly needy.

A point of criticism often made by the Maoists is that the programmes with a TC approach, such as the social mobilisation elements, do not directly benefit the people and that funds only go toward staff salaries. According to RDP staff, this perception stems from a lack of information on the TC approach and the purpose of the programmes. This information deficit can be reduced through better transparency about methods and budgets. A better balance between TC and economic inputs such as small infrastructure development in the villages would also be helpful to make the direct benefit of the programme to the people more visible.

The RDP is having a positive impact on the conflict dynamic in the district in several ways: On an **immediate** level, it helps the poorest and most oppressed people to at least temporarily improve their lives, thus keeping them from joining extremist activities. The chairman of the Green Road user's group reported that youth had defected from the Maoist militias to join the working teams and had explained to the militia leader that they preferred work and food to fighting in the hills. Employment probably also works preventatively against people joining the militias.

On a **structural** level, it has the potential to help people permanently find their way out of poverty, thus decreasing socio-economic inequalities which are at the root of the conflict. Since transport is seen to be the key to economic development in the region, the green road programme is seen to directly contribute to lasting poverty reduction. There is strong local ownership of the programme.

On a **process** level, social mobilisation provides forum for community to organise themselves to resist Maoist demands. Also teaches self-governance and empowerment to challenge bad governance. 8 self-help groups in Nundhaki VDC agreed together not to give Maoists food or shelter in their village. The institutional models and the transparent, inclusive and participative process of the projects provide criteria by which Maoist as well as government promises and actions can be judged and challenged by communities to protect their own interests.

5. Peace Perspectives on District Level

5.1 Conflict Resolution and Peace Actions

Conflict resolution actions are found primarily at the daily level of personal contacts and negotiations. As noted above, the political parties and some government officials keep regular and largely informal contact to local Maoist groups. Local and international NGOs also try to avoid confrontation through consultation and information sharing.

6. Strategic Conclusions

Concerning accusation against the TC parts of the programme, the staff concluded that a greater FC/ economic promotion element should be included in the social mobilisation programme. Furthermore, the social mobilisation format could be used to include conflict resolution content in informal training for community members and leaders. For this, and to increase the general capacity of staff and partner NGO staff to play a conflict mitigating role, the need for conflict sensitisation and conflict resolution training for staff was expressed.

Annex: List of People Met in Sankhuwasabha

NAME	POSITION / ORGANISATION
Mr. Netra Prasad Sharma	Central District Officer
Mr. Daya Ram Thakar	Local Development Officer
Mr. Hem Raj Ghimire	Vice Chairman DDC
Mr. Hem Kumar Gurung	Member of People's Government of Sankhuwasabha
Mr. Kiram Shakya	Mayor of Khandbari Municipality
Mr. Ram Chandra Bhandari	Deputy Superintendent of Police
Mr. Shyam Sundar Udash	Chairman of Chamber of Commerce
Mr. Tika Ram Panthi	UNDP Local Governance Programme
Mr. Khangendra Sangam	The East Foundation
Mr. Saroj Bajracharja	Nepali Red Cross Society
Two representatives	British Medical Nepal Trust
Mr. Nabin Gouli	Businessman
Mr. Parshu Ram Dahal	Campus Chief
Staff of Partner NGOs	SODEC, CSD, Ceapred, Forward,
	6 journalists
	Diding VDC Chairman
	Chairwoman, Vice-chairwoman and Member of Diding savings group
	Chairman of Green Road user group
	Headmaster and two teachers from Diding school
	Three women running teashops
	Women in a business literacy class

Annex 11:**Dailekh/Bardiya District Study****Field Report from West Nepal (Dailekh/Bardiya) in the Context of Nepal Country Study on Conflict Transformation and Peace Building****1. Introduction*****1.1 Rationale and Objectives for Field Visit***

The field visit to West Nepal was carried out in the context of the country study on Conflict Transformation and Peace Building. It was supposed to highlight the situation of the ongoing conflict on district level, to shed light on the complex situation facing the GTZ-supported projects, as well as to show their potential and actual impacts on the projects in order to better understand options for action by GTZ.

The objectives thus were:

- Understand the conflict situation on district level (conflict analysis)
- Assess the impact of the conflict on the project, as well as the impact of the project on the conflict (conflict impact assessment)
- Suggest possible avenues and activities for action (action planning in the context of a larger portfolio analysis).

As the ongoing conflict is mostly having impacts on the rural development projects working on the district level, the RDP, IFSP and NGO Fund Project were chosen as main focus for district studies. For IFSP, the district of Dailekh was proposed, because it was on the one hand strongly affected by the conflict between Maoists and the Government in a fairly representative for the situation in West and Far West Nepal; on the other hand it was fairly accessible by transport so that for a short visit of a few days it was still in reach.

1.2 Approach and Methodology

The main focal points of the district analysis were a visit to the district headquarters (about 12 hours by road from Nepalganj airport) and to field sites of the IFSP, in order to

- a) to talk to representatives of all main actors in the district, i.e. the people, the district and village government, service agencies and people, as well as representatives from local and international NGO's
- b) to observe the actual physical, economic and social situation in the district.

In Dailekh, it was possible to actually contact all representatives with the exception of the Maoists themselves, due to the security situation.

The methodology followed was mainly based on informal non-structured interviews, complemented by the use of a few methods from conflict analysis and PCIA as well as by observation.

1.3 Context: Objective, Scope and Focus of Activities of the Project(s)

Dailekh is one of the poorest districts of Nepal with an extremely limited form and quality of physical and social infrastructure (check!). In consequence, the FFW programme has worked in Dailekh over the past six years. While initially a strategy of presence all over the district was followed, lately an approach of regional concentration has been embarked upon, zeroing in on 9 VDC's.

In Dailekh, the programme has been focusing on the following major activities:

- construction of 30 km of "green roads", i.e. labour-intensive and environmentally sound hill tracts, in two different stretches. This is a programme specifically targeted at households with less than 6 months of food-sufficiency, who get periodically contracted as labour force
- establishment of saving-and-credit groups out of participants in the green road programme
- introduction of agricultural improvements, mainly through an orchard programme which propagates citrus, mango and walnut tree cultivation.

Targetting of poor and food-deficit households is achieved via public community meetings, in which all people of a village decide who is eligible for the programme. It is said that nowadays almost 70% of group members are women, probably because still men need to work in India during part of the year for an additional living. Women get the same "payment" as men per work done, i.e. the rations are calculated on the basis of 4 kg of rice per day plus one additional rupee per kg.

2. Analysis of Current Conflict Situation in the District

2.1 Conflict Profile

The conflict as portrayed on the district level is basically identical to the national conflict: it shows itself as a mainly political conflict revolving around political power and the establishment of competing political systems (multi-party democracy including constitutional monarchy vs. single-party republic) based on different and competing ideologies (Maoism vs. liberal capitalism). However, the root of the conflict being social and resource-based in origin: namely, deep-rooted inequality and exclusion from the political system, as especially expressed in an oppressive caste system and the failure of the government to deliver. The failure of delivery by the government is acknowledged by present politicians and representatives from line agencies. The oppression within the caste system – but less vis-à-vis the ethnic groups which are also present in the district – is primarily expressed by aid workers on district and local level.

The conflict phase in the district is roughly similar to the national phasing, and presently oscillates between open conflict and low-level sporadic violence; however, overall there is a certain time gap between the events on national level and on district level. The open conflict in the district started about three years ago with the taking over of certain Northern

VDC's and the looting of a governmental rice depot. It is said that the grains were used both to hand them over to the poor people and to feed the Maoists themselves.

Three events are of key importance for understanding the conflict dynamics in the district:

- first, Dailekh was proclaimed as having a “people’s government” in April 2001, which meant that except for the district headquarters, the majority of VDC's were controlled by Maoists
- second, around April of 2001, practically all NGO's and INGO's (including GTZ) were attacked or harassed by the Maoists, as they were apparently trying to set an example for driving out “imperialist forces” from the district
- third, in return, the government launched an ISDP in the district as recently as a few weeks ago.

As far as the extent is concerned, almost the whole district is presently affected by, and practically in control of, the Maoist movement. It is said, that the Maoists have put in place an army platoon of about 500 well-trained people, whereas the police force is amounting to about 200 people only and the intended army force for ISDP is not disclosed.

The major casualty from the conflict so far was the death of 32 policemen after an assault on the police station of Naumale in April of this year, as well as some individual killings over the last two years. Aside from this, the major effect of the conflict on the district has certainly been the halting of, and in the case of UMN and SAPPROS the complete withdrawal by, supporting NGO's. Additionally, houses and offices were looted and burned down, large-scale extortions undertaken up to the present day, and a climate of insecurity and partial fear established.

2.2 Stakeholder Analysis

The primary actors are the following ones:

Primary Actors	Characteristics
the Maoist rebels (both political and military side)	Well organized with district people's government, 9 area commanders, committees in 36 VDC's, various organizations (students, intellectuals, women, peasants, dalits) a militia group and a trained army
the district government (DDC chairman = UML) and line agencies	Presence in the district is infrequent, and it is said that the DDC is not really committed to solve the problems; all representatives of government seem to be Bahun or Chettri; some have a very good education and training (e.g. CDO, ADO)

Primary Actors	Characteristics
the police	About 200 men, now exclusively stationed in the district headquarters' after they gave up all outposts
the upper castes	
the lower occupational castes: Kami, Damai, Sarki	Strong presence in the district: according to a district profile, making up about 30% of population; supporters/recruits of the Maoists
the ethnic groups: mostly Magars	
the national and international NGO's and donor representatives	Several organizations still remaining, even though increasingly harassed by the Maoists

2.3 Conflict Constellation

The conflict context is one of a severe poverty in this district: Dailekh being one of 55 food deficit districts with a yearly deficit of about 1750 tons for the five major food grains (rice, wheat, corn, millet, ...).

The conflict pattern closely follows the scenario in other districts and indeed over the whole country, with the one exception that I/NGO's were targeted more strongly and directly than in most other areas. This seems to suggest a somewhat independent leadership which is only loosely associated to the top level of the Maoists. Overall, the Maoists seem to follow the strategy of guerrilla warfare against a "colonial and feudal state" as expressed by Mao and outlined in an interview by Comrade Prachanda, the national leader of the Maoist movement (cf. ... 2000).

2.4 Root Causes of the Conflict

The root causes, as expressed in most interviews, can be seen in a combination of political and socio-economic factors, exaggerated by the underlying cultural dynamic of the country. The scenario is thus not different from the national level.

2.5 Current Dynamics

The current dynamics are expressed by the following points:

- interpretations of followers and their present rationale vary between committed fighters for their political aim and armed bandits. Thus also the classification of the cause varies between one of political extremism and terrorism
- the question of district leadership and its adherence to the national leadership, especially in case of a peace accord on national level, is a point of concern of everyone regardless of the organization he represents
- the present suspension of violence after the beginning of the peace talks, while however other forms of conflict still abide, such as extortion of money and threatening of people

- the apparent lack of many people to believe in a (short-term) success of the peace dialogues and a suspension of violence. ON the contrary, many people expect, and some Maoists apparently proclaim, that even in the case of successful negotiations, the peoples' war might flare up again.

2.6 Trends

The major trends of the past six months were

- a) a rapid and serve escalation up to June, being highlighted by the raid on the police post and the attacks on I/NGO's
- b) a rapid de-escalation of open violence and a "wait-and-see" mode of operations since the beginning of the peace talks
- c) stepwise anti-Maoist sentiments by the people, which were expressed in steps to assure that development programmes were not driven out of the district, open resistance to Maoist practices (e.g. staying overnight at farmers' district houses; getting free food) and decreasing belief in the approach of "first destroy, then construct", because increasingly people seem to belief that the Maoists in the diswetric don't have a constructive alternative.

2.7 Scenarios

Overall, almost everyone seems to agree that presently it is extremely difficult to develop a clear scenario for the coming months. The most probable alternative seems to be one where, as a result of unsuccessful or prolonged negotiations on national level, the district base of the Maoist movement will turn independent and partially violent again.

While this scenario seems to be widely shared, there are some that assume that still such an insurgency would be crushed by the military – which is now moving in under ISDP – within a matter of one to two years.

3. Impacts of the Conflict on Development Cooperation

3.1 Impacts on the Projects Supported by Germany

The major impact on the IFSP has been the "robbery" of about 7 tons of rice provided for the food for work approach from the storage in Dailekh. This extortion was reasoned by the Maoist leadership by food problems and the need of the project to pay its contribution. It is argued that it was apparently also due to a new leadership at district level which could not keep the military wing of the movement from taking this.

The project came to a halt for some time, and it was communicated that it would be stopped permanently if this action of "stealing rice from the people" was not immediately undone or compensated.

An additional negative impact of the conflict is the attempt of the Maoists to receive monetary contributions from staff members of the project. While the GTZ project staff denies to have had to pay themselves, they mention that NGO's working for them would have to contribute.

Overall, the problem in the district has created an atmosphere where the staff feel increasingly challenged. While they state that they don't feel directly threatened, it is obvious that they are not happy with the present instability and insecurity.

3.2 Impacts on Projects of other Donors

Practically all I/NGO's with presence in the district were seriously affected by Maoist activities:

- the office of the UMN in Dullu was burned with all facilities and papers inside; subsequently, UMN stopped its programme
- SAPPROS was driven out of the district after all its belongings were taken or destroyed
- The PDDP of the United Nations experienced the forceful eviction of some of its mobilizers from several VDC's; presently, only 3 out of a planned 11 motivators are working in the district, and PDDP is contemplating to stop
- Similar problems were experienced by REDP, another UN-supported programme
- The LLINK programme of HELVETAS was threatened to be kicked out of the district and got a permission only to stay till December 2001, during which "it's performance would be monitored closely"; it is also contemplating to withdraw

The staff of other programmes openly express that all of them were asked for "donations" by the Maoists, amounting to as much as 66% of their first months' salary plus an additional 5% of every other salary. They declared that they all pay, in fear for otherwise losing their job or even their life.

4. Impacts of the Projects Supported by Germany on the Conflict

Overall, the project seems to be having a substantial impact on the lives of the people in the district, mainly the poor and disadvantaged groups which are in its focus. The food-for-work approach has given them food security during the most critical time of the year when employment options are low and grains are consumed. This has not only helped in improving direct food security, but moreover seems to have the consequence that less people need to seasonally migrate to India. But what is more important, it has helped people to brake the poverty cycle, which is usually reinforced by the need for credit during the crucial time of food deficit – a credit, which later in the year has to be paid back with high interest rates, at a time of plenty when the income from agricultural products is low.

As the conflict regarding the extortion of 7 tons of rice and the subsequent dynamics shows, the German-supported IFSP has actually become another mass movement which challenges the mass movement which the Maoists attempt. It has become a mass movement because it has substantial impact on a large number of people and VDC's, especially the poor households. It is a mass movement, because it has captured the hearts of the poor by providing them not only with food and work during the most critical months of the year, but of lately even more with a perspective which might help them to permanently escape from the cycle of poverty. Already now, the project helps people not to get indebted during the most critical time of the year. Once the saving and credit programme and the fruit tree programme will be successful, this will even show a structural way out of poverty. That is why the programme is apparently earning increasing respect and support both from the people themselves and from the government and line agencies. For the Maoists, this is however a very double-edged sword: while on the one hand the focus on the poor and oppressed is in line with their own ideology, the increasing creation of strong, independent farmer groups is a challenge and potential threat to them as they have recently experienced.

This means that in fact that project is in fact having a positive impact on the ensuing conflict in several ways:

- On an immediate level, it helps the poorest and most oppressed people to at least temporarily improve their lives, thus keeping them from joining extremist activities
- On a structural level, it has the potential (mainly through the savings-and-credit scheme and the orchard programme) to help people permanently find their way out of poverty, thus decreasing socio-economic inequalities which are at the root of the conflict
- Finally, through the approach of group formation and group solidarity, it introduces people to the concept of self-governance which again tackles one of the roots of the conflict. As the reactions of the poor to the extortion of rice from the project – meaning from THEM – shows, this has already led to a point where they begin to stand up for their rights and to act politically.

5. Peace Perspectives on District Level

5.1 Peoples' View on Peace

- People expressed their views on peace in the following ways:
- Peace is absence of fighting
- Peace is unity
- Peace is the ability to have different ideas but still to live in harmony with each other
- Peace: If others are in peace, then I am in peace also
- Peace grows gradually
- Because of the FFW programme we got work and we got food: that is peace.

5.2 Peace Actors

Presently, the main peace actors are:

- the people themselves who try increasingly to actively oppose unjust measures by any party to the conflict (lately, mostly the Maoists, see above)
- teachers and other intellectuals who can bring new insights to the two camps, and especially to the youths
- those development projects which focus on the poor and oppressed and help them as much to actively govern their lives as to develop better income sources. Most of them have already united and formed a district development forum which shares information and increasingly tries to coordinate activities among the projects and with the DDC.

5.3 Conflict Resolution and Peace Actions

So far, activities to resolve the ongoing conflict on district level and to establish peace have been extremely limited. There seems to be practically no official contact between the Maoist side and the District Government representatives. For example, the CDO of Dailekh denies to have (had) any contact. Likewise, it is reported that Maoist leadership increasingly retreats from any contacts, even on an unofficial level, and that it is very difficult to approach their headquarters in Dullu. This despite the fact that it is said about the political leadership that they are more “rational” than the lower ranks whose behavior would be unpredictable. Whatever relations to the Maoists exist seem to be mainly concentrated on the local representatives of NGO or programmes like the IFSP.

The main example for conflict resolution is the case of the rice extortion from IFSP. As a result of this event, two actions were taken to resolve the conflict:

- a) the poor people affected tried, on the one hand, to put pressure on the Maoist side (“you can take this project away, but then you have to show to us that you can do better!”), and on the other hand, seemed to be ready to work for the food taken in order not to lose the project
- b) the local government apparently sent a three-member delegation to the Maoists to try to resolve the issue.

The result of this seems to be a limited resolution: the Maoists expressing to have made a mistake, and their readiness to pay back for the rations taken (if by “encouraging” local people to do the work on behalf of them!), while at the same time acknowledging that the programme is good for the people and should be enabled to work without further difficulties.

Aside from this, there are rather tendencies of escalation of the conflict, at least from the government side which recently introduced the army to the district in the context of the ISDP programme. The CDO expresses the strategy of trying to establish a “safety umbrella” throughout major parts of the district.

6 Strategic Conclusions

6.1 Potentials of Projects to Support Peace Building and Conflict Resolution

- main structural potential: poverty alleviation, employment generation, local governance
- “national integration” through road construction etc.?
- potential for peace education within NFE?
- Need for training in peace and conflict resolution: training of staff, key people in the user groups, key officials

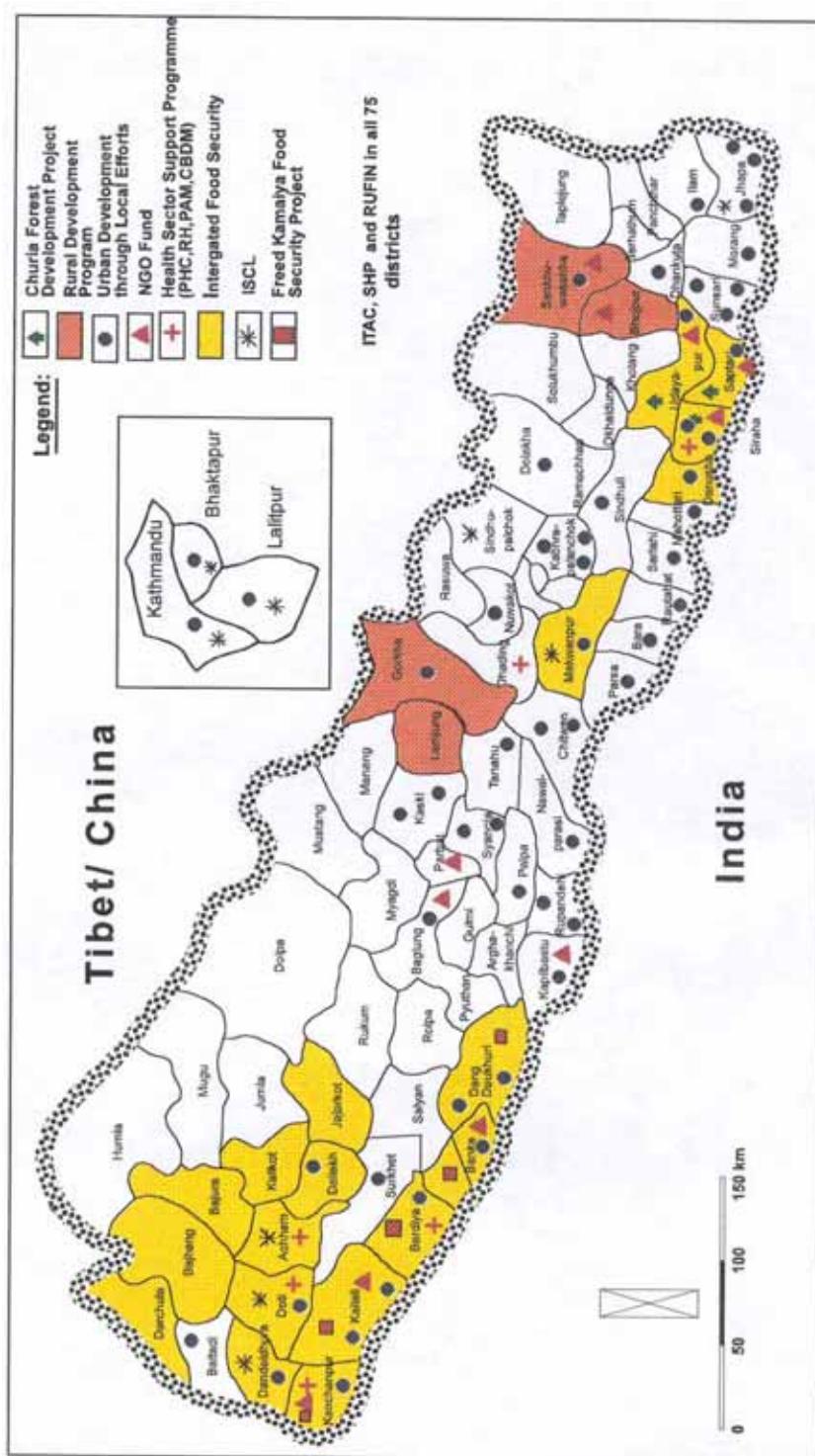
6.2 Potential Strategic Directions

- Immediate direction: capacity building
- Medium term direction: Increase emphasis on income generation and employment

Annex: List of People Met in Dailekh

Mr. Kapil	Regional Coordinator, FFW
Mr. Narendra	Motivator, FFW Dailekh
Mr. Barat	District Coordinator FFW, Dailekh
Mr. Ram Bahadur Shahi	Chairman, DDC
Mr. Rabindra Sharma	Mayor of Dailekh
Mr. Dev Bahadur Shahi	Acting LDO, Dailekh
Mr. Govinda Subedi	District Development Advisor, PDDP Dailekh
Mr. Lekhna Nath Acharya	DADO, Dailekh
Mr. Koirala	CDO, Dailekh
Mr. Amar Bahadur Thapa	Leader of UML Dailekh
Mr. Neupane	LLINK Program of HELVETAS, Dailekh
Mr. Khem Raj K.C.	Teacher, Dailekh Government School
NN	9 local farmers

Annex 12:

GTZ-Portfolio Overview

Annex 13:**Security-related Operating Guidelines****Agreed to by Bilateral and Multilateral Donor Agencies Working in Nepal**

The objectives of our work in Nepal are to contribute to improvements in the quality of life of Nepali people and to support the creation of a just and peaceful society in which all members can lead lives free from poverty. We condemn all acts of violence, threat and intimidation.

We agree to the following operating guidelines:

1. We operate in a manner that does not endanger our staff, partners or project participants.
2. We do not work in an environment where authorities and/or communities attempt to force us, or our staff, to compromise our core values or principles.
3. We do not support agencies or groups with aims which conflict with our core values and principles.
4. We do not make contributions to political parties and we do not pay 'protection money', or any other kind of forced contribution in cash or in kind to any party.
5. Donor agency equipment or supplies will not be used for purposes other than those stated in programme objectives.
6. Vehicles belonging to donor agencies and their partners will not be used to transport persons or goods which have no direct connection with the donor agency or partner or with the project or programme to which the vehicle has been allocated.
7. No armed or uniformed personnel are allowed to travel in vehicles belonging to donor agencies or their partners.
8. We seek to recruit a diverse staff on the basis of merit, qualification and suitability for defined job positions. We do not allow our staff hiring process to be influenced by political considerations or ethnic or religious biases.

Annex 14:

Conflict Monitoring and Early Warning Proposal

Objective:

The conflict in Nepal needs to be carefully observed and monitored on two levels by the German development agencies:

- on the district level: in a number of districts either the Maoist movement (might) try to increase its sphere of influence or the Government (might) try to capture ground; this means that constant decisions need to be taken on the project level whether and how work in individual districts can be continued;
- on the national level where the overall conflict scenario needs to be assessed in order to estimate whether political activities and decisions, including the decision to suspend development cooperation with Nepal need to be taken.

These needs demand a conflict monitoring and early warning system to support decision-making on the two levels.

Setting up the system

The conflict monitoring and early warning system need not be complicated and very resource intensive. In fact, it can rest on a few simple but effective conflict indicators. However, it must take care to assure the following premises:

- the monitoring approach must be based on a clear conceptual understanding of the conflict (cf. Adelman 1998)
- the monitoring and early warning approach must from the beginning be geared towards appropriate decision-making and action
- the indicators must be well chosen to actually allow to capture sensitive events and processes
- the collection of data must not unduly endanger those who collect them
- the monitoring must take place timely and in regular intervals

Because of all these aspects, it is necessary to develop and install the system carefully and in the country. Within the context of the conflict study mission, such a development was and is not possible.

However, based on the available literature on conflict monitoring and early warning – early action mechanisms (see literature list below) it is possible to assemble a list of possible indicators for conflict monitoring and early warning which can be further developed on site.

In order to do so, it is proposed to involve the support of a “short-term aide from the sector programme crisis prevention and conflict transformation” who can, together with key staff from the main involved projects and programmes, devise an appropriate system and test run it within a time framework of three months.

Main questions for system set-up:

In order to devise and set up the system as explained above, a few key questions need to be answered and agreed upon:

- For what kind(s) of action do we need monitoring (e.g. security, ...)
- What are the key dimensions and aspects of the conflict which need monitoring on national and on district level (refer to the conflict analysis in this study)?
- What are special “trigger” events at which escalation of violence might happen?
- What are the thresholds at which action needs to be taken?
- How – by what indicators and which means - can these aspects be measured?

List of Possible Indicators²¹

Dimension	Indicator
Primarily regional or local level	
Violence	# of people killed as a result of the conflict
	# of people affected (injured, loss of property, displaced etc.) as a result of the conflict
	Changes in overall patterns of violence (does violence become more widespread and legitimate?)
Human Rights violation	# of political prisoners (or # of detentions without explanation)
	# of people disappeared
Security	# of police and army in the area
	# of Maoist militia/army estimated in the area
Damage	Amount of public infrastructure damaged as result of the conflict
Mobility	# of roadchecks in the area
	% of the area not accessible as a result of direct violence or non-allowance by one conflict party
Health and nutrition	Nutrition status of the population
	% of malnourished children under 5 years of age
	Change in food deficit situation as a result of the conflict
Government services	Extent of availability and actual presence of education and health services in the area
	Extent of administrative services (VDC level) in the area
Primarily National level	
Extent of Violence	# of people killed as a result of the conflict
	# of people affected (injured, loss of property, displaced etc.) as a result of the conflict
Human Rights violation	# of political prisoners (or # of detentions without explanation)
	# of people disappeared
Democracy and good governance	% of military expenditures
	Relation of military expenditures to social expenditures
Media	Extent of media censoring

²¹ Drawn from: Sector Project Crisis Prevention und Conflict Transformation: Guidelines on Conflict Analysis for Planning and Management, Eschborn 2001.

Dimension	Indicator
	Relation of peace-oriented reporting (“peace journalism”) vs. violence legitimising reporting (“hate media”)
Corruption	Corruption index of the country
Economic Impact	Changes in investment patterns
	Changes in currency valuation
Ethnic relation	Occurrence of political mobilization along ethnic, class, caste or religious lines
	Occurrence of radical ideologies
Civil society	Amount of sidelining of civil society organizations (lawyers, trade unions, religious groups etc.)

These are just indications of potential indicators. They would have to be further developed according to:

- Location (e.g. district x)
- Time (e.g. change in # between year/month x and year/month)
- Threshold for action

Networking and Cooperation:

In the literature on the subject of early warning, it is indicated that due to the difficult and partly subjective nature of early warning, networking with other organizations for monitoring and assessment purposes is very advisable (cf. Adelman 1998a). In the case of Nepal, this approach can also only be advised. The fact that donor organizations like DFID and SDC are likewise struggling to assess the conflict dynamics in the country and have employed outside expertise to develop appropriate response mechanisms gives a good opportunity for GTZ to cooperate with these development organizations (and potentially others) as well for the specific case of conflict monitoring and early warning – early action. This could have a number of advantages: agreement on helpful indicators – sharing of actual data and assessments – broadening of the ground for political assessment, thus improving the possibilities to react quickly, professionally and early.

Literature used:

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Annex 15:

Constitutional provision for State of Emergency, 28 November 2001

As quoted in <http://www.nepalnews.com.np>, Nov. 26, 2001

(Part 18 and Clause 115 of the Constitution of the Kingdom of Nepal, 1990)

Emergency Power:

1. If a grave emergency arises in regard to the sovereignty or integrity of the Kingdom of Nepal or the security of any part thereof, whether by war, external aggression, armed rebellion, or extreme economic disarray, His Majesty may, by Proclamation, declare or order a State of Emergency in respect of the whole of the Kingdom or of any specified part thereof.
2. Every Proclamation or order issued under clause (1) above shall be laid before a meeting of the House of Representatives for approval within three months from the date of issuance.
3. If a Proclamation or order laid for approval pursuant to clause (2) is approved by a two-thirds majority of the House of Representatives present at the meeting, such Proclamation or Order shall continue in force for a period of six months from the date of issuance.
4. If a Proclamation or Order laid before a meeting of the House of Representatives pursuant to clause (2) is not approved pursuant to Clause (3), such Proclamation or Order shall be deemed ipso facto to cease to operate.
5. Before the expiration of the period referred to in Clause (3), if a meeting of the House of Representatives, by a majority of two-thirds of the members present, passes a resolution to the effect that circumstances referred to in Clause (1) of the Proclamation or Order of the State of Emergency for one other period, not exceeding six months as specified in such resolution, and the Speaker shall inform His Majesty of such extension.
6. During a dissolution of the House of Representatives, the National Assembly shall exercise the powers of the House of Representatives for the purpose of Clauses (2), (3), (4) and (5) above.
7. After the State of Emergency has been declared pursuant to Clause (1), His Majesty may issue such orders as are necessary to meet the exigencies. Orders so issued shall be operative with the same force and effect as law so long as the State of Emergency is in operation.
8. His Majesty may, at the time of making a proclamation or Order of a State of Emergency pursuant to Clause (1), suspend sub-clauses (a), (b), (d) and (e) of

Clause (2) of Article 12, Clause (1) of Article 13 and Article 15, 16, 17, 22 and 23 of this Constitution for as long as the Proclamation is in operation.

Provided that the right to the remedy of habeas corpus under Article 23 shall not be suspended.

9. In circumstances where His Majesty has suspended any Article of this Constitution pursuant to Clause (8), no petition may lie, nor question be raised in any court for the enforcement of the fundamental rights conferred by such Article.
10. If, during the continuance of a Proclamation or Order under Clause (1), any damage is inflicted upon any person by an act of any official which was done in contravention of law or in bad faith, the affected person may, within three months from the date of termination of the Proclamation or order, file a petition for compensation for the said damage and if the court finds the claim valid, it shall cause compensation to be delivered.
11. A Proclamation or Order of a State of Emergency issued pursuant to Clause (1) may be revoked by His Majesty at any time during its continuance.

(Editor's Note: The Articles mentioned in Clause 8 of Article 115 - Emergency Power - are as follows:

Sub Clauses a, b, d, e of Article 12 refer to: Freedom of Opinion and expression, Freedom to assemble peacefully and without arms, Freedom to move throughout the Kingdom and reside in any part thereof, Freedom to practise any profession, or to carry on any occupation, industry or trade; Clause (1) of Article 13 refers to: Press and Publication Right; Article 15 refers to Right against Preventive Detention; Article 16 refers to Right to Information; Article 17 refers to Right to Property; Article 22 refers to Right to Privacy; and Article 23 refers to Right to Constitutional Remedy)

Main features of Terrorism Control Ordinance and definition of terrorism

The Terrorism and Disruptive Activities Control and Punishment Ordinance issued Monday by His Majesty the King has defined terrorism in the context of Nepal. It has described the following acts as terrorism and disruptive activities:

1. Any act or plan of using any kinds of arms, grenades, or explosives, or any other equipment or goods with the objective of affecting or hurting sovereignty or the security and law and order of the Kingdom of Nepal or any part thereof or the property of the Nepalese diplomatic missions abroad thereby causing damage to property at any place or any act causing loss of life or dismemberment or injury or setting fire or hurting physically and mentally or any act of poising goods of daily consumption causing loss of life or injury, or any other aforesaid acts thereby causing panic among the people in motion or assembled;

acts of intimidation or terrorizing individuals at any place or in any vehicle or abducting them or creating terror among them by threatening to abduct them from vehicles and places or abduction of people traveling on such vehicles as well as activities like taking the life of others, causing physical mutilation, injury and harm or causing other types of damage by using substances mentioned in the relevant section in that connection or by threatening to use such substances or any other substances other than those mentioned in that section or threatening to use them, or,

Acts like the production, distribution, accumulation, peddling, import and export, marketing or possession or installation of any kind of arms and ammunition or bombs or explosive substances or poisonous substances or any assistance in this connection, and;

Acts of gathering people or giving training for this purpose;

Any other acts aimed at creating and spreading fear and terror in public life;

Act such as extortion of cash or kind or looting of property for this purpose, forcibly raising cash or kind or looting property in pursuit of the said purpose.

Any attempt or conspiracy to engage in terrorist or disruptive activity, or to encourage of force anyone to take up such activity, gathering more than one individual for such purpose, constituting any group to the same end, or assigning anyone to such activity or participating in such activity with or without pay or engaging in publicity for such activity, causing obstruction to government communications systems, or giving refuse to any individual engaged in terrorist or disruptive activity, or hiding any person doing any of this things.
2. Anyone indulging in crime in Nepal while residing abroad will also be subject to punishment
3. The government can declare a terrorist affected area or terrorist individuals.
4. House arrest can be used to prevent any terrorist and disruptive act.
5. Cases will be heard in a court constituted or designed by His Majesty's Government.

6. Arrangements will be made for reasonable expenses for treatment and compensation in case of the maiming or death of security personnel or police assigned to control or investigate terrorist and disruptive activities.
7. Cases instituted under this ordinance will not be subject to any statute of limitations.
8. Individuals arresting or helping in the arrest of any terrorist will be suitably awarded.
9. Despite the State of Emergency, expression of views, running of presses and publications, migration and operation of communications systems can take place as usual without however, infringing the Terrorist and Disruptive Crimes Control and Punishment Act and the Constitution of the Kingdom of Nepal.