

ANALYSIS

High value forests, hidden economies and elite capture: Evidence from forest user groups in Nepal's Terai[☆]

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Abstract

This paper argues that the policy on decentralised forest management in Nepal, informed by experiences from the Middle Hills, overlooks the complexity and conflictual potential of establishing effective and equitable user groups in the Terai. Our case study evidence from West-Central Terai suggests that the combination of high forest value and weak institutional control mechanisms create opportunities for local elites to siphon off substantial shares of the benefits generated by valuable local forests. The rents created by autonomous FUG policies give rise to stark distributional biases, a scramble for control and institutional instability. We estimate the extent of elite capture and argue that institutional reform needs are intimately linked to controlling what we call the hidden economy of forest user groups.

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1. Introduction

Over the last 15 years, pessimistic forecasts about the management of local resources like forests and

rangelands in developing countries, most powerfully expressed in Hardin's (1968) "Tragedy of the Commons", have been replaced by a new optimism. Theoretical progress, conceptual clarifications and a large number of in-depth case studies have paved the way for a more nuanced understanding of the potential and actual contributions of rural communities to the management of local natural resources in developing countries (Ostrom, 1990; Baland and Platteau, 1996; Agrawal, 2001).

The likelihood that local collective action will be effective is determined by the properties of the resources and communities in question. Much re-

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search effort has therefore been geared towards identifying the characteristics that make a difference. Inspired by Wade's (1988) analysis of indigenous systems for irrigation management in South-India and Ostrom's (1990) articulation of principles for design of effective local institutions, the number of such characteristics identified has showed few signs of abating. In a recent review, Agrawal (2001) identified no fewer than 36 variables conducive to effective collective action.

In spite of this abundance, critical relations between resource, community and pivotal outcomes remain unexplored. A salient example of this neglect is the issue of how contrasting characteristics of forest resources and communities in Nepal's Middle Hills and Terai¹ affect the scope for collective action and its consequences.

Whereas Nepal is widely regarded as a success story in community-based forest management (e.g. Arnold, 1998), existing studies have focused on the Hills, on community forest processes and on changes in the condition of the forest, often at the expense of analysis of impacts on equity. With 35% of Nepal's rural population below the poverty line (Nepal Living Standards Survey 2003–04, www.cbs.gov.np), few issues are more important than who the winners and losers from community forestry have turned out to be.²

Such gaps in knowledge are made more urgent by community forestry's rapid progress into the Terai with its heterogeneous communities and high value hardwood forests. This paper argues that the present policy, informed by experiences from the Hills, ignores the complexity and conflictual potential associated with establishing effective and equitable forest user groups (FUGs) in the Terai. This challenges the views of Chakraborty (2001) and others, who suggest that an unmodified

version of community forestry is viable also for the Terai.³

Using case study evidence from five Village Development Committees in West Central Terai, our central argument is that the combination of high forest value and inadequate institutional control mechanisms create opportunities for local elites to siphon off considerable shares of the benefits generated by valuable local forests. Our evidence suggests that rents created by policies adopted by autonomous forest user groups give rise to inequity, a scramble for control and institutional instability within FUGs that control high value forests.

The paper is organised as follows: Section 2 provides a brief introduction to the Terai, reviews the background for and experiences with decentralised forest management in Nepal and pinpoints the predominance of community forestry in the Hills. Contrasts between the Terai and Hills in terms of characteristics of forest user groups, community heterogeneity and the commercial values of forests are emphasised. Section 3 describes the study area, issues in research design and methods for data collection. Section 4 reviews theory and evidence on equity and other outcomes from community forestry. Section 5 elaborates on the concepts of elite capture and the hidden economy⁴ of a forest user group. Section 6 argues that the size and distributional profile of the hidden economy provides a useful indicator of a user group's vulnerability to elite capture. Data for a key commodity are then used to illustrate the size and distributional profile of the main constituents of the hidden economy in a Terai FUG. We suggest that institutional reform needs are intimately linked to regulating this hidden economy.

¹ FAO (1999, p. 7) divides Nepal into three regions: the Middle Hills, including the Mahabharat and southern Himalaya foothills, the Upper Hills including the Himalayas and inner Himalayas and the Terai comprising the southern plains and the Siwaliks.

² A small body of recent work addresses the distributional impacts of community forestry (Bhattarai and Ojha, 2000; Richards et al., 2003 and Adhikari et al., 2004). While bringing the discussion significant steps forward, these studies miss out on the crucial equity impacts of the timber-economies of many Terai FUGs. More on this below.

³ The main explanation for the discrepancy between Chakraborty's and our observations is that FUGs covered by his case study were managing degraded forests. His evidence did not, therefore, capture the important and conflict-ridden dimension of high forest value.

⁴ The term hidden economy has been synonymous with the underground, black or shadow economy with empirical analyses focusing unregistered economic activities in transition and other countries (Lacko, 2000). Our use of the term is distinctly micro-oriented. A definition suitable for analysis of FUGs is presented below.

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