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Richard Matthew & Bishnu Raj Upreti

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Disaster Capitalism in Nepal

RICHARD MATTHEW AND BISHNU RAJ UPRETI

The borders of Nepal were consolidated in the aftermath of the Anglo-Nepalese War (1815–16). What gradually emerged was a landlocked country in a uniquely precarious position—not only sandwiched between two behemoths, China and India, but also largely defined by the extremely rugged and energetic topography of the Himalayan Mountains, which compelled its growing population to subsist mainly in the scant, flat plains along the southern border of the country. For the next 180 years, the tiny kingdom of Nepal, an expanse the size of Arkansas, was the site of much royal intrigue, roiled on occasion by sporadic calls for democracy. In spite of its size, Nepal was known worldwide as the site of the world’s highest mountain, Everest, and the birthplace of Lord Buddha. Then, twenty years ago, Nepal entered a remarkable period of interconnected, cascading crisis, crisis that affected every aspect of the country. Following a brutal civil war, the country experienced a major earthquake, a painful border blockade, and massive floods and mudslides. Disastrous event after disastrous event catalyzed acts of heroism and sacrifice, but also invited widespread corruption and exploitation.

Compared to the rest of the world, Nepal is on the densely populated side—it is the 93rd largest country by landmass, but it is 41st in terms of population (about 30 million). But because much of the country is uninhabitable, population density is actually much higher than these measures suggest, and some areas, such as Kathmandu, suffer from severe overcrowding. In the capital, the population is about three times too large for the city’s infrastructure and amenities. Nepal is also an extremely poor country, ranking 144/188 on the 2017 Human Development Index, with an economy highly dependent on just three sectors: agriculture (31.7 percent of Gross Domestic Product [GDP] and 56 percent of employment); remittances from abroad (29.1 percent of GDP); and tourism (7.5 percent of GDP). Given years of political turbulence, the country is relatively weak in each of the five forms of capital often used as a basis for assessing sustainable development challenges and opportunities: manufactured, financial, human, natural, and social. This means that there are significant constraints on the country’s capacity to respond to

disaster and crisis. The economic sectors it relies on are highly sensitive to this sort of disruption, the government is new and in many ways weak, and the country does not have deep pockets filled with any form of capital. But scarcity has provided little protection from looting, misuse, and corruption.

Naomi Klein's 2007 book, *The Shock Doctrine*, and Antony Lowenstein's 2015 study, *Disaster Capitalism*, show how during periods of extreme crisis, the private sector often finds ways to profit from conditions of acute need, little oversight, and great confusion, and governments frequently find this a convenient time to pass unfavorable laws. Both forms of exploitation have flourished throughout Nepal's two decades of disaster.

The following is based on the first-hand experience of one of the authors living through four major crises. Two of these had explicitly human causes: the decade-long armed conflict (1996–2006) and the Indian blockade (September 2015 to March 2016); the other two were natural disasters: an earthquake and its aftershocks (2015) and a period of intense flooding and mudslides (2017).

The ten-year civil war was a violent and difficult period of Nepal's history, and it left a legacy of damage, loss, and distrust. According to a 2016 report from the Ministry of Peace and Reconstruction: 17,886 people were killed during the war; 1,530 people disappeared; 79,571 people were displaced; 3,142 were abducted; 8,935 were disabled; 9,000 were widowed; 620 were orphaned; and the personal properties of 17,484 people were damaged. In the public space, 2,149 school buildings, 2,072 offices of the Village Development Committees (VDCs), 130 municipalities and district development committees, 101 suspension bridges, 1,047 office buildings of local governments, 986 offices of district level government, and 2,032 other infrastructures were destroyed during the time of armed conflict.

The civil war formally ended with the signing of a Comprehensive Peace Agreement on November 21, 2006. Two years later, after a period of slow and frustrating negotiations, the first Constituent Assembly formally ended the centuries-old "Monarchy," and in May 2008 declared the country a democratic republican state. Transformation proceeded slowly. In late 2015, the second Constituent Assembly promulgated the new Constitution with the endorsement of more than 90 percent of the Constituent Assembly Members. This established a "federal democratic republic political system" with three levels of government: a central government, 7 provincial governments, and 753 local units comprised of 6 metropolises, 11 sub-metropolises, 276 municipal councils, and 460 rural municipalities within 77 districts.

The slow pace of reaching agreement on the structure of a new, inclusive governance system was plagued by the typical challenges of a post-conflict society, such as ongoing political instability, widespread corruption, easy access to small arms, ongoing violence, mistrust, and different conceptions

of a preferred future. The 7.8 magnitude earthquake that devastated much of the country's populated areas on April 25, 2015, further complicated negotiations. The epicenter was in the Barpak area of Gorkha district, 80 kilometers west of Kathmandu, and it was followed by a 7.3 magnitude earthquake on May 12, 2015—a one-two punch that devastated the Nepali people and caused billions of dollars of damage to property and infrastructure.

According to the Post Disaster Need Assessment Report (PDNA) published in late 2015, 8,790 people lost their lives, 22,300 were injured, and more than half a million houses were destroyed or damaged, affecting 8 million people—almost one third of the population from 31 of the country's 75 districts. Fourteen of the 31 affected districts were declared as “crisis-hit”; another 17 districts were deemed partially affected. The greatest damage took place in rural areas, leaving poor and vulnerable people largely alone for extended periods.

The earthquake damage was still being fully assessed when Nepal experienced extreme flooding in the summer of 2017. According to the 2017 PDNA Report of the National Planning Commissions, continuous rainfall from August 11 to 14 caused heavy flooding across 35 of the 75 districts of Nepal, inundating about 80 percent of the land in the southern plains (Terai) of Nepal and triggering dangerous landslides and flash floods in the hills and mountains. The floods caused the deaths of 134 people and 22 people were severely wounded in the 18 most affected districts. Overall, the floods severely affected around 1.7 million people. The most flood-affected sectors were the social sector (housing, health, and education), the productive sector (agriculture, livestock, and irrigation), and infrastructure (transport, water and sanitation, and energy).

According to a number of analysts, damage was seriously aggravated because: first, India would not open floodgates along the border in the Koshi Barrage, Gandaki Barrage, and Laxmipur Barrage at the time of the crisis, and second, water was trapped by the 1,355 kilometer long road-cum-embankment constructed by India along the border.

Further adding to Nepal's despair, according to government officials and other Nepali analysts, India sought to influence the shape of the new constitution by imposing an informal blockade during the negotiations in 2015. The earthquake had closed transportation routes to China, leaving the country completely dependent on India for all of its fuel. During a seven-month period, the movement of fuel trucks from India into Nepal declined by some 97 percent. The government of India acknowledged the decline, but blamed it on the disruptive behavior of a segment of Nepal's own population—Madheshis, those people of Indian ancestry living in Nepal—rather than government policy.

This period of acute crisis may have had the positive effect of encouraging contending political parties to work together to finalize and pass Nepal's new constitution, which had been in a state of limbo since the first election of the constituent Assembly in April 2008. After seven years of inertia, the Constituent Assembly finally promulgated a new constitution in late September 2015. But the content of the new constitution triggered an extremely costly reaction when just two days after its approval, agitators started to block cross-border transportation at key transit points between Nepal and India.

According to government officials and other Nepali analysts, India had sought to influence the shape of the new constitution and when it failed in this regard, it decided to express its unhappiness by imposing an informal, and very costly, blockade. The earthquake had closed transportation routes to China, leaving Nepal completely dependent on India for all of its fuel. During the seven-month period following the approval of the new constitution, the movement of fuel trucks from India into Nepal declined by some 97 percent. The government of India acknowledged the decline, but blamed it on the disruptive behavior of a segment of Nepal's own population who were unhappy with the new constitution—Madheshis, those people of Indian ancestry living in Nepal—rather than on any government intervention or policy. While few Nepalis would agree with this argument, there is no disagreement that the blockade triggered an economic crisis that hampered the country's ability to respond to the massive damage caused by the earthquake.

As noted earlier, this intense 20-year period of shock and stress certainly elicited a considerable amount of genuine concern, selfless behavior, and invaluable assistance. But there is also a much darker side to all of this as people inside and outside of Nepal took advantage of the chaos to profit, manipulate, and exploit. Although it may take years to document the full extent of disaster capitalism in Nepal, below are examples based on personal observations and newspaper reports.

Throughout Nepal's long years of crisis, price disruptions were frequent, but after the earthquake and floods merchants and suppliers hiked up the prices of basic goods such as dry foods, water, sugar, salt, and rice. For example, the price of most popular dry food called "wai wai chau-cahu" (a type of noodles) was almost doubled. Under conditions of dire need, traders also quickly raised the price of tents and of construction materials including cement, iron rods, and corrugated sheets. There were frequent media reports about the involvement of government officials in price hikes under the financial influence of the business community. According to the 2017 Macroeconomic Report of Nepal's central bank, consumer prices increased by 7.9 percent overall.

Hiking prices is an example of an opportunistic practice that takes advantage of the fact that the crisis might itself cause scarcity and impact prices, and government oversight is likely to be relaxed. In a similar way, several government agencies have used disaster as an opportunity to take unpopular actions that were not possible under normal circumstances. For example, army and police forces purchased helicopters and vehicles. Perhaps egregiously, some officials also acted to profit personally from the situation. For example, reports contend that several officials and members of parliament took tents and other relief materials that were supposed to be distributed to the affected people in villages for their personal use (a few were eventually charged with this).

Secretaries of some VDCs, responsible at the local level in the earthquake-affected districts to coordinate financial assistance to affected people, stopped working and demanded more benefits. Powerful people close to political parties and bureaucrats having alternate houses were able to easily get financial assistance whereas weak and powerless affected people with no alternate housing were not able to get financial assistance on time.

Given the potential for personal gain and for rewarding supporters, there was a constant struggle to control relief funds. After the earthquake, for example, the government of Nepal established a high profile Nepal Reconstruction Authority. It was held in check for several months, however, as the major political parties sought to have their own candidates appointed as chief executive officer (CEO), a delay that severely hindered the reconstruction. Eventually, the government appointed a CEO but he was terminated once the government was changed. The government changed every nine months or so, and consequently, within two years there were three different CEOs. At the local level, there were many complaints about the ways in which local authorities politicized processes of identifying the affected people and implementing the reconstruction. Big contractors directly and indirectly influenced decision-making authorities, and the outcome was slow, delayed, poor quality work by contractors cutting corners.

Corruption and inefficiency also plagued the Nepal Peace Trust Fund, created by the government and donors to support the implementation of some of the provisions of the Comprehensive Peace Agreement. Due to the failures of this fund, donors withdrew their support shortly before the 2015 earthquake. Suspicions that grew during the post-conflict period haunted the disaster response. The government wanted to stop the misuse of funds through its “one door policy,” a policy that would have all relief funds move through a central authority. But donors, local authorities, and nongovernmental organizations argued against such a policy, regarding the central government as itself inefficient and corrupt. This heated disagreement put constant constraints on

the flow of funds to the places and people where they were most urgently needed.

When funds do arrive they are often poorly utilized. Throughout the two decades of crisis, reconstruction work has been extremely slow and unsatisfactory. Procedures for obtaining assistance have been bureaucratic and pathetically slow. Reconstruction work often has been of poor quality, largely because of the nexus of construction contractors and government officials. According to the Ministry of Federal Affairs and Local Development, for example, 76,824 people affected by the earthquake registered complaints for delay, manipulations, and poor-quality work.

People have also been concerned about the behavior of international organizations. For example, the World Food Program (WFP) has been accused of distributing damaged rice and pulses in the Gorkha district to victims of the earthquake. According to an article in the December 30, 2015, *Kathmandu Post*, in response to public pressure, WFP destroyed 6.7 metric tons of rotten food items scheduled for distribution.

More broadly, the way money collected in the name of Nepal earthquake support was handled has been widely criticized. Through a remarkable array of activities including crowd funding and online donations, individuals and institutions all over the world collected money to support earthquake victims. It appears, however, that some of the collected money never reached Nepal; when it did, there were often concerns about who received it, how it was spent, and how much was used for “administrative purposes.” Frequent media coverage included assertions that relief organizations used up to 65 percent of the funds for administrative purposes and for hiring battalions of international experts and workers who were not needed. Related to this is the general problem of outsourcing. While immediate needs can make outsourcing appear necessary, and hence relief funds may be exported as fast as they are received, many observers feel this is often not the case. Local actors are often available who would be better positioned to carry out assessments, develop plans, and implement reconstruction activities.

It is sad to think that through years of crisis, profiteering and corruption continuously countered acts of great courage and selflessness. Through all of this, Nepalis have learned a great deal; the country has lessons to share.

One of the main causes of disaster capitalism observed in Nepal was the poor coordination among key stakeholders at the time of the crisis. Hence, dedicated but flexible and responsive institutional mechanisms and process are essential for better coordination. Inter-ministerial coordination was a major problem and this can be overcome by establishing a powerful authority in the prime minister’s office that is above the ministries. The creation of the Nepal Risk Reduction Consortium and Community Based Disaster Risk

Reduction Piloting were positive outcomes of recent experiences, and their strengthening is essential.

Nepal's experience shows that a permanent dedicated institution working on macro issues such as policy, planning, preparedness, and early warning and micro issues such as research, risk reduction, rescue, relief, and resettlement is essential. The current National Emergency Operation Center under the Ministry of Housing (MoH) is not effective. Decentralized mechanisms such as District Natural Disasters Relief Committees were relatively effective in dealing with crisis responses. Hence, strengthening local-level mechanisms is essential.

A holistic approach to disaster preparedness and recovery with proper coordination and cooperation among the external and internal actors is essential. A dedicated information system for disaster risk warning, mitigation, and management is equally essential. For example, in Nepal the flood warning system is managed by the Ministry of Population and Environment (MoPE) but rescue operations are led by the MoH. In 2017, flood-warning messages from MoPE did not reach MoH in time, and so it was not able to send rescue helicopters when they were first needed. On this front, one of the important issues observed in all the crisis events was the need for proper communication systems able to circulate trusted, reliable, and timely information.

At a more general level, the recent cluster of disasters suggests the importance of a comprehensive and functional national land-use policy and planning as well as investment in crisis prevention infrastructures. Strict adherence to building codes of conduct, use of seismic technology, early flood warning systems, trained competent human resources, strengthening preparedness capacity, and investment in research are all essential to develop long-term capacity to respond to the potential future crisis.

Looking externally, there is the complex issue of how a small and poor country can and should engage with international actors. On the one hand, Nepal relied heavily on the financial, technical, and logistical support of international actors. But, on the other hand, there was frequent tension and conflict among external actors, as well as with the host government in many areas. Engagement with international supporting agencies is critical, but improving transparency and shared understanding is essential.

Finally, being squeezed between two great powers is in itself a challenge. Because of its topography, Nepal's southern border is critical, and therefore so is its relationship with India. Looking ahead, it is essential that Nepal find a way to address the delicate issues related to flood gates in the Koshi, Gandaki, and Laxmipur barrages as well as the ways in which flooding is aggravated by the road-cum-embankment that runs parallel to the Nepal-India border in the south.

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Richard Matthew is Professor of Urban Planning and Public Policy, Director of the Blum Center for Poverty Alleviation, and Associate Dean for Research and International Programs in the School of Social Ecology at the University of California Irvine. E-mail: rmatthew@uci.edu

Bishnu Raj Upreti, Ph.D., is Research Director at Nepal Centre for Contemporary Research (NCR) a Kathmandu-based research foundation, and Adjunct Professor in the Development Studies Department of the Agriculture and Forestry University. E-mail: bupreti@nccr.wlink.com.np