

## Country Profile Report

# Forestry Sector in Nepal

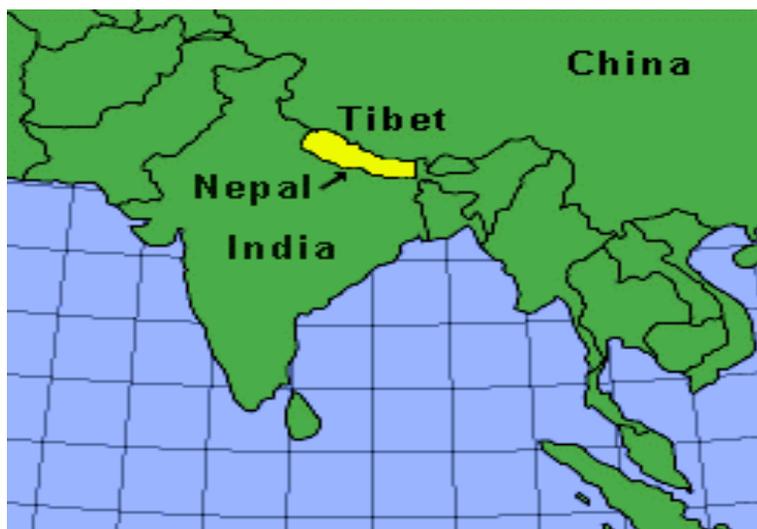


Fig 1. Map showing position of Nepal in Asia  
(Source: [web.raex.com/~siona/nepal\\_map.htm](http://web.raex.com/~siona/nepal_map.htm))

## Political, Social and Economic Framework

Nepal is a small, landlocked mountainous country in South Asia (see Fig. 1). Located between India and China and occupying an area of 141,181 sq km, the northern part of the country includes major ecological zones of High Mountains, Middle Hills and Shiwaliks while the southern part includes the Terai. The altitude ranges from less than 100 m in the southern plains to more than 8,000 m in the northern Himalayas, including the highest peak on earth, Mount Everest (8,848 m). The climatic variation from subtropical monsoon conditions in the Terai region to alpine conditions in the Great Himalayas harbours a large diversity of plants and trees. Annual precipitation is approximately 1,800 mm in the eastern Terai whereas in the West it is 760 to 890 mm. Average winter temperatures vary from 19<sup>0</sup> C in the southern Terai region to 13<sup>0</sup> C in the inter-montane basins with summer temperatures varying from 28<sup>0</sup> C to 21<sup>0</sup> C in the same regions<sup>1</sup>. Approximately, 6,306,000 ha of the country is covered by forests<sup>2</sup>. Forests and other wooded land<sup>3</sup> as a share of the total land area in 1990 was 32.7 percent whereas in 2000 it was 27.3 percent<sup>4</sup>. The forest resources provide 81 percent of total fuel consumption and more than 50 percent of fodder to livestock and are one of the main resources of the country, contributing about 14 percent in the national GDP<sup>5</sup>. While revenue from non-timber forests products (NTFPs) including medicinal herbs and aromatic plants account for 5 percent of the total revenue collected from the forestry sector, in certain areas, NTFPs alone provide up to 50 percent of the family income<sup>6</sup>.

Nepal is one of the poorest countries in the world. In terms of various indices of development, Nepal ranks towards the bottom of the global hierarchy, falling in the category that the United Nations describes as a 'least developed country'. Nepal ranks 143 out of 175 countries with a human development index (HDI)<sup>7</sup> value of 0.499, which indicates that the level of human development in Nepal is low<sup>8</sup>. Of the total population (about 23.2 million growing at a rate of 2.24 percent per year according to 1991-2001 data), a substantial portion lives below the poverty line<sup>9,10</sup>. The population density is 157 persons/km<sup>2</sup>, but over 600 persons/km<sup>2</sup> of arable land, which is one of the highest in the world.

With only 14 percent of the total population of the country living in urban (municipal) areas, Nepal is predominantly a country of villages. The rural set-up of the country with limited size of land-holdings means that the agricultural system in the country relies on the interdependence between arable land, livestock and forests. The Nepalese economy is overwhelmingly rural and agriculture-based, the economic structure being characterised by subsistence agriculture. Agriculture, forestry and fishing account for around 66 percent of the usually economically active population while accounting for 39 percent of GDP (2001/02). Economic growth averaged about 5 percent per year during the 1990s but was negative (-0.6 percent) in 2001/02. The difficult security situation and political instability have adversely impacted on recent economic performance, especially that of the tourism and manufacturing sectors. Around the end of the 1990s an estimated 38 percent of the population were living below the poverty level, using USD 1.00/day as the measure, and this proportion is likely to be higher now following the recent unfavourable performance of the economy.

The political situation in Nepal has been characterised by uncertainty and chaos as evident from the chain of events in its recent history. The country was run under direct rule by the king since 1961 in the name of monopolistic partyless '*Panchayati* system' that collapsed after 30 years in 1990 as a result of a revolution led by Nepali Congress and Communist Party of Nepal. Although a multi-party system with a constitutional monarchy in line with the British model of democracy was introduced in 1990, political instability with frequent changes in the government has become the main feature of Nepalese multi-party democracy. During the past 13 years, the country has been ruled by a series of unstable political coalitions. In June 2001, the country was struck by tragedy when ten members of the Royal Family were killed. The only main member of the royal family, Gyanendra Bir Bikram Shah, the younger brother of King Birendra was then declared the king of Nepal.

The Maoist insurgency, started in 1996 with its guerrilla warfare tactics, has been the major problem in Nepal. A ceasefire begun on January 23, 2003 broke down on August 27, 2003, after three rounds of peace talks. The peace negotiation process collapsed after the government could not agree on the demand of a constituent assembly of the Maoists to decide the fate of the monarchy. Immediately following the breakdown, violence resumed between Maoists and security forces, resulting in over 2,000 casualties since August and bringing the death toll to more than 10,000 since the beginning of the conflict. The sphere of influence of the conflict is extending to virtually all parts of the country. Both sides in the conflict in Nepal have violated human rights. The Royal Nepali Army have been killing innocent civilians in fake encounters. Extra-judicial killings in captivity and the disappearance of persons under custody have become common. On the other hand, the Maoists have tortured and killed innocent civilians and they

have been sometimes used as human shields or caught in crossfire. Youths and children have been recruited by force to the rebel army.

Several political events have occurred that have helped shape the current situation. On October 4, 2002, King Gyanendra dismissed the democratically elected Prime Minister Sher Bahadur Deuba and installed his own government. This created more turmoil and confusion on the political front. The King has yet to schedule new parliamentary elections as required by the Constitution, claiming that the precarious security situation has created an unsuitable environment for holding elections. Deeming the King's assumption of executive powers unconstitutional and a regression in Nepal's movement for democracy, political parties have been organizing mass protests demanding that the king reinstate parliament or create an all-party administration. On May 30, 2003, Prime Minister Lokendra Bahadur Chand, appointed by the King, resigned, setting off a scramble to replace him. Though the King invited political parties to submit a name for his replacement, their recommendations were rejected and the King instead chose Surya Bahadur Thapa, a recognized royalist and five-time former prime minister.

So far the Thapa Government has not been able to negotiate with the political parties and has been drawn into controversies for filling up the vacant posts of local bodies with their own people and not being able to fix the date for the election. Furthermore, instead of seeking peaceful means of negotiation with the Maoists, the Thapa Government recently decided to set up 'unified command' under the army by providing the villagers with arms to resist the Maoists, a move highly condemned by human rights groups and donors. Neither the palace and the parties, nor the army and the Maoists show any signs of negotiating. This political crisis, the Maoist insurgency, the lack of elected officials at any level of government and endemic corruption in the political system have created an intractable political struggle between the King, the political parties and the Maoists, and the situation has caused many Nepali citizens to lose confidence in democracy<sup>11</sup>. As there is no parliament, no local bodies and no active constitution, the political situation in Nepal still seems uncertain. In a bleak scenario of prolonging political instability and deadlock in the reconciliation among major political forces, the situation could become more difficult in the near future.

## **Civil Society and NGOs**

Various development organisations have been active in Nepal since 1951 when the country was opened to the outside world<sup>12</sup>. A number of bilateral and multilateral aid organisations, different international non-governmental organisations (INGOs) and Nepali non-governmental organisations (NGOs) have been working in Nepal in various sectors of development. Following the restoration of multi-party democracy in 1990, there has been a spectacular proliferation of NGOs and their involvement and activities in the development sector have increased. The *Panchayati* system had exerted a strict control on the NGO sector through the Social Service National Coordination Council (SSNCC) established in 1977. In 1992, a Social Welfare Council (SWC) was reconstituted to replace SSNCC and the Social Welfare Act 1992 was promulgated with the mandate to facilitate, promote, mobilise and coordinate the activities of NGOs<sup>13</sup>. In the 1990s, the growth of NGOs has been spectacular. There were 94 INGOs and 10,475 NGOs registered with the SWC as of March 26, 2000. According to the Finance Ministry, there are

30,000 NGOs out of which about 8,000 are active in various sectors of development<sup>14</sup>. Among these, it is encouraging to note that a substantial number of the organizations are environment and development related. After the political change in 1990, policies such as economic liberalisation and institutional pluralism were introduced, creating space for various NGOs and civil societies.

Despite the rapid proliferation of NGOs, a large majority of civil society organisations in Nepal are still at an early stage of development, and those few NGOs who have the capacity, have been swamped by donor demands and unrealistic expectations, and therefore have no time (or lack commitment) to take up the critical issues faced by civil society<sup>15</sup>. In addition to that, NGOs and civil society in Nepal are currently working in a challenging environment created by the continued conflict situation. Therefore, the need for capacity building of NGOs at a large scale has become a major issue. As the government's presence is virtually limited only to the district headquarters and major towns, NGOs have become the only link to deliver services to the poor and disadvantaged communities in most parts of the country. However, the increasing conflicts in the rural areas have created considerable insecurity in many parts of the country, making it difficult for various agencies to carry out development activities. In particular, it is difficult to work in the forests, which are often controlled by the Maoists or the security forces. The problem is further aggravated by the Maoists sometimes considering some NGOs as a means of 'American imperialism' and 'dollar business', and banning NGOs that have any links to US aid to work in the areas of their control<sup>16</sup>.

## **International Financial Assistance**

Nepal relies heavily on foreign aid (both grants and loans). The country has become highly dependent on the international donor community. During the current Tenth Plan (2002-2007) period as a whole, it has been projected under normal case scenario that foreign financing would be equivalent to 58 percent of the development budget—about the same ratio (56 percent) under the Ninth Plan—while domestic borrowing would finance 21 percent, and the revenue surplus the remaining 21 percent. Nepal's increasing dependence on external economic assistance and its growing debt service payments have had a negative impact on the overall development of the country. Although Nepal's external debt was contracted on highly concessional terms, the amount to be repaid every year is high<sup>17</sup>. The present value of Nepal's external debt service is about 118 percent of its exports and 31 percent of its GDP<sup>18</sup>. Despite having received large amounts of foreign aid to enhance economic development, the well-being of the Nepalese people has not increased, demonstrated by the lack of improvement in living standards indicators<sup>19</sup>.

International financial assistance to the forestry sector is substantial in Nepal. With financing and technical support provided by the World Bank and diverse group of bilateral donors and INGOs, the Nepalese Government was able to initiate community forestry pilot projects in many of the country's watershed in the mid 1970s. Donor organizations were eager to establish field projects in the scenic Himalayas, and community forestry provided an ideal approach to address both social and environment concerns by the 1980s<sup>20</sup>. By the end of 1980s, approximately 50 percent of all donor assistance to the forestry sector in Nepal was being invested in community-based initiatives<sup>21</sup>. The first 'official' Community Forestry Development Project was initiated in 1980 with the establishment of the Community Forestry Development and Training Project funded by

the World Bank and technical assistance provided by the Food and Agriculture Organization (FAO). Shortly thereafter, Australia (1978), Britain, Denmark, Finland, the United States (1980), and Switzerland also initiated community forestry projects in Nepal<sup>22</sup>.

Now, a number of community forestry projects have been supported in different districts in Nepal by various international aid organizations. These organizations include: DFID (UK Department for International Development), Swiss Development Agency (SDC), GTZ (German Aid Agency), SNV (Netherlands Aid Agency), USAID (US Agency for International Development), DANIDA (Danish), and AusAid (Australian). However, recently due to the increasing political conflict and existence of a 'void' situation in the parliament and local bodies, together with Maoists activities hampering development works at the local level, some donors have threatened to pull out their development aid for Nepal, including community forestry projects.

## Forests Policy and Practice

The forestry sector policy in Nepal can be divided into three broad groups, viz. privatization (pre-1950), nationalization (1957 and up to the mid 1970s) and the community orientation which began in the late 1970s with the introduction of community forestry concept<sup>23</sup>. Following the democratic revolution in 1950, the government nationalised all forests in 1957 in an attempt to prevent the feudal *Rana* rulers from continuing to use Terai forests as their personal property. The Private Forest Nationalisation Act 1957 was primarily concerned with bringing an end to indiscriminate felling of trees in the Terai forests and the unregulated trade of timber with a view to check the further degradation of forests in the country. However, the nationalisation of all forestland in 1957 and subsequent protectionist practices by the government undermined indigenous management systems and led to overgrazing and random harvests. This accelerated degradation of the landscape and caused deforestation on a massive scale, which gave rise to the emergence of community forestry in Nepal.

Community forestry has evolved as one of the major components of Nepal's forest development strategy during the past 25 years, with local Forest User Groups (FUGs) preserving the forests with support from the government and donor agencies. Community forestry is most accurately and usefully understood as an umbrella term denoting a wide range of activities which link rural people with forests, trees, and the products and benefits to be derived from them. Gilmour and Fisher (1991) define community forestry in terms of control and management of forest resources by the rural people who use them especially for domestic purposes and as an integral part of their farming systems<sup>24</sup>. Despite the rather gloomy political and socio-economic background, it is praiseworthy that the community forestry policy in Nepal has made considerable headway.

Community forestry in the mid-hills is often regarded as one of the few notable success stories in the national context of poor public sector management, improving people's livelihoods on the one hand and conserving natural landscapes on the other<sup>25</sup>. Though the current political crisis in Nepal is casting a shadow over community development efforts, there has been good progress in community forestry initiatives. It is important to note that since there are no elected officials at present in Nepal, Community forest user groups (CFUGs) currently operating are the only existing form of democratic governance in the country, albeit imperfect at times. The rate of

formation of FUGs has exceeded original estimates and a backlog of groups awaits registration. By 2003 there were 12,079 community forestry user groups formed across Nepal, managing 15 percent of Nepal's total forestland area (955,358 ha out of 6,306,000 ha of total forestland area), and over 28 percent of the land allocated is to be handed to communities (3,551,849 ha)<sup>26</sup>. The formation of FUGs has proceeded at the rate of about 1,000 per year. Some critics suggest that the emphasis on 'quality' of the formation process has gradually changed to an emphasis on 'quantity'. The implementation of community forestry has also proceeded in the Terai region, with 1,477 FUGs (12 percent of the total) now managing 224,136 ha<sup>27</sup>. However, different conditions of high-value and accessible forests, recent settlement and problems in identifying and organizing user groups, together with wide-spread and organized illegal timber-felling, have caused much slower progress<sup>28</sup>. Illegal logging, fuelwood cutting, grazing, fire and agricultural conversions have contributed to the deterioration of Nepal's forests.

The Master Plan for the Forestry Sector (1989) recognized that the restoration of public forestlands in the hills could only be achieved through the participation of local people (the users). It envisaged that people, principally through community forestry, should manage all accessible forestland in the hills. The Community forestry concept was institutionalized through Forest Act (1993), Forest Regulations (1995), the Operational Guidelines (1995), Revised Operational Guidelines (2001-02), and the Forestry Sector Policy (2000). These legal instruments have legitimized the concept of CFUG as an independent, autonomous and self-governing institution responsible to protect, manage and use any patch of national forest with a defined forest boundary and user group members. CFUGs are to be formed democratically and registered at the District Forest Office (DFO), with CFUG Constitution, which defines the rights of the users to a particular forest. The forest is handed over to the community once the respective members through a number of consultative meetings and processes prepares the Operational Plan (OP), a forest working plan, and submits it to the District Forest Officer (DFO) for approval. The plan has to be countersigned by the Chairperson of the CFUG. The general assembly of the CFUG is the supreme body to finalize the plan before it is submitted to the DFO for its approval. The plan is generally implemented by an executive committee nominated by the general assembly<sup>29</sup>.

Despite three decades of supporting local forest management practices and the achievements and contribution that community forestry has made in Nepal, there is still a lack of appropriate approaches to assist community and local forest stakeholders in developing monitoring mechanisms that could effectively help to reflect, review and adapt their forest management practices and through this maximise impacts on forest condition (landscape) and rural livelihoods. This leaves an urgent need to develop effective monitoring mechanisms and provide civil society with the skills and tools to regulate the sector and monitor the forestry activities more efficiently. Monitoring skills may also help to plan and decide the harvest and marketing potential of forests and its resources. Recently, during the development of and under the Tenth Plan, monitoring has become a highly recognized issue. Considering the importance of effective implementation and monitoring of the poverty reduction strategy, the Government is developing a comprehensive participatory implementation, monitoring and evaluation strategy, with technical support and assistance from the development partners (Tenth Plan 2002-2007). To address this, ministries have to develop their respective plans using a logical framework approach where indicators are the key.

Besides community forests, some areas of forests in Nepal are classified as leasehold forests, which are leased to private individuals, cooperatives, institutions and commercial enterprises. In 1998, National Planning Commission (NPC) of Nepal declared leasehold forestry as a priority programme for poverty alleviation. These allow for the leasing of land with degraded forest to poor communities on 40-year leases, automatically renewable upon satisfactory adherence to the agreed operational plan, with exclusive rights to the produce of the land. A total of 25 districts have been identified for implementing leasehold forestry programme for poverty alleviation, 10 districts were already under this project by 1999 with initiative of International Fund for Agriculture Development with Ministry of Forestry and Soil Conservation, Department of Forests (Ohler 2000). A new project is currently being developed<sup>30</sup>. In 1999-2000, there were a total of 1,549 leasehold forests user groups with about 10,500 socially and economically disadvantaged families managing some 6,600 ha of forest area in several districts of the country (Ohler 2000)<sup>31</sup>. The Leasehold Forestry Policy 2002 envisages the granting of leases to: (i) commercial forestry enterprises; (ii) entrepreneurs for eco-tourism; and (iii) households living below the poverty line<sup>32</sup>.

Some forests are owned, controlled and protected by the state (national forests)<sup>33</sup>. And some areas have been kept under protected areas system, which form about 17 percent (24,717 km<sup>2</sup>) of the total land area of the country. These consist of conservation areas, hunting reserves, wildlife reserves, and national parks (see Resources Nepal 1999)<sup>34</sup>. With the introduction of the concept of Buffer Zone area management, community orientation in protected areas system is getting wider recognition<sup>35</sup>.

The following is a summary of information about forestry sector and practices in three major zones of Nepal: the highlands or mountains; the Mid-hills; and the Terai. As there is a wealth of information about community forestry in the Mid-hills of Nepal, the focus of this profile will be on the Terai, which has often been neglected but possesses high-value potential for a sustainable forestry sector if managed effectively.



Fig 2. Map of Nepal showing the position of the Mountains, Mid-hills and Terai

Source: [www.southalabama.edu/nepal/map.htm](http://www.southalabama.edu/nepal/map.htm)

## The Highlands or Mountains

The highlands or the mountains area in Nepal fall in the northernmost part of the country on the border with Tibet. The area normally starts with an altitude of 2,300 m with a population density of 33 people per square km as compared with the national average of 157 people per square km<sup>36</sup>. This area covers about 15 percent of the total area of Nepal. Though the population density is low, the resources are scarce and climatic conditions are unfavourable. Mountains are much more disadvantaged than other regions as they are much more remote and isolated, and lack physical and social infrastructure. Within the Hills and Mountains, the Mid- and far-Western regions are relatively more disadvantaged as these are characterised by relatively low rainfall, rugged terrain, remoteness and lack of access by road.

Four different types of forests occur in the high hills: montane/Himalayan moist temperate forest, Himalayan dry temperate forest, sub-alpine forest and alpine scrub<sup>37</sup>. Besides providing fuelwood, small timber and fodder, these forests form an important source of non-timber forest products (NTFPs), including medicinal plants and *lokta* (*Daphne spp.*) (a plant used for Nepali papermaking). There has been some news report suggesting that timber smuggling has recently become rampant in the mountains and mid-hills taking advantage of weak security in the region thus supplying illegal timber for house-building in Tibet. Forest destruction has reached crisis proportions in Larke Bhanjyang, parts of Mugu and eastern Nepal along the Northern border with Tibet. Nepali logs are taken across the border to a roadhead in China by destitute villagers to barter for food<sup>38</sup>. The lack of customs posts and a security presence has increased this illicit trade.

## Mid-hills

The mid-hills are located at an altitude of between 200 m and 3000 m between the Terai and the High Mountains, with 44 percent of Nepal's population residing in the area. The area covers about 68 percent of the total area of Nepal. Communities in the Mid-hills generally tend to be well established with little in-migration, but noticeable out-migration, mostly for job opportunities. Numbers leaving the area have increased due to the recent escalation in Maoists' violence in the country. The region has eight tropical, subtropical, and lower temperate forests types: sal (*Shorea robusta*), subtropical deciduous, pine (*Pinus roxburghii*), katus-chilaune (*Schima-Castanopsis*), uttis (*Alnus nepalensis*), khasru-gurans (oak-rhododendron), under slope coniferous forests, and upper slope mixed hardwood<sup>39</sup>. While commercial logging has been limited by the absence of road networks, heavy subsistence demands are placed on Nepal's hill forests for firewood, fodder, and green mulch for fertilizer<sup>40</sup>. Community forestry is in place in the mid-hills and most of the forests are generally in fair condition, except near lucrative timber markets.

## The Terai Forests

The Terai or the plain areas of Nepal lie in the South of the country adjoining India (Fig 2). This region refers to the southern lowlands of Nepal, which form part of the Gangetic plains, and also the river valleys located between the Shiwalik and Mahabharat ranges (generally referred to as the Inner Terai) (Fig 2 and 4). Strategically, the Terai has been identified as the region with the greatest immediate economic potential for the forest sector in Nepal, as the region possesses forests of high economic value and is one of the more biologically diverse areas in Nepal. The continuous stretch of dense forests from east to all the way to the west of the country was popularly known as *Char Koshe Jhadi*, and the rhetoric *Hariyo Ban Nepalko Dhan* (Green forests are Nepal's wealth) reminds of the vast resources that existed<sup>41</sup>. The Terai plains still possess about 487300 ha of forestlands, which are predominated by high value hard-wood species such as Sal (*Shorea robusta*) (43 percent of total stem volume); a single mature Sal tree may fetch US\$ 1000 or more (Winrock 2002; also see Fig 3). It has been proposed that, if managed efficiently, the Terai natural forests could boost the local economy of poverty stricken areas and could also be one of the most significant revenue sources for Nepal, changing the cost-intensive forestry sector to an income and surplus sector<sup>42</sup>. However, given the consequences of political instability and the weakness or lack of governance mechanisms, it is not clear that the regulatory framework and institutional capacity needed to ensure a transparent, accountable and sustainable forestry industry is achievable in the current political climate. The danger of promoting timber extraction without a suitable governance framework, which includes state and civil society, is that Nepal will squander the Terai forest resources with no long-term benefit to the country and its people.

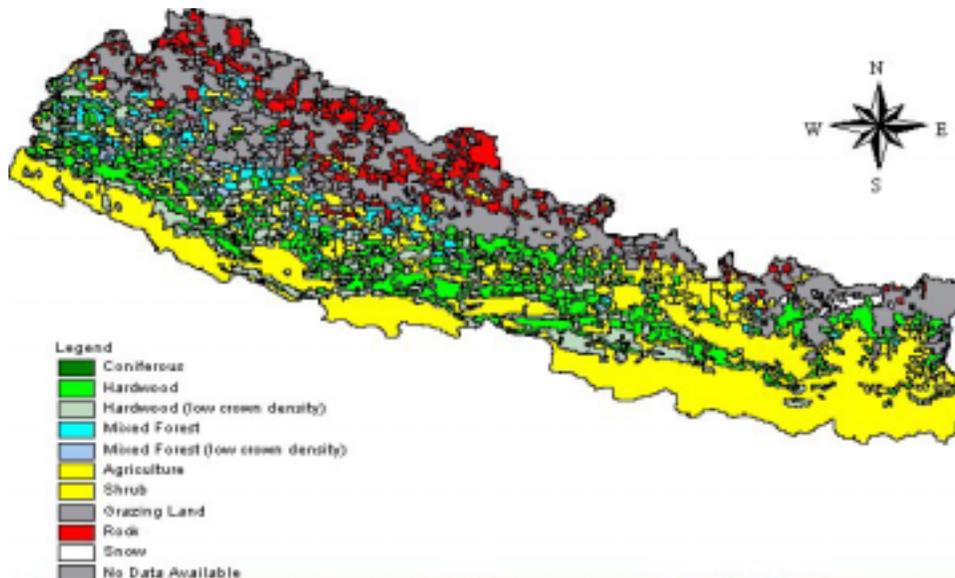


Fig 3. Map of Nepal showing distribution of forests (1991-92 data<sup>43</sup>)

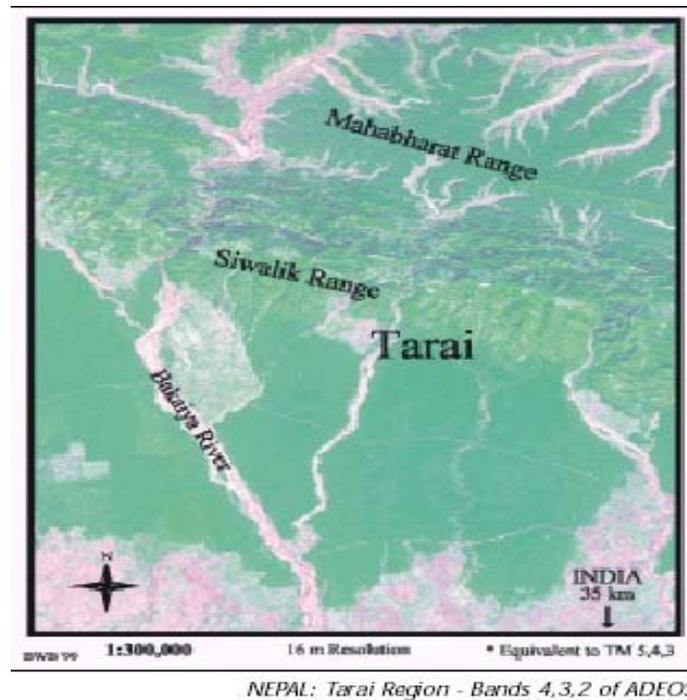


Fig 4. Nepal: Terai Region

Source: [http://www.cipec.org/publications/cipec\\_brochure\\_120001.pdf](http://www.cipec.org/publications/cipec_brochure_120001.pdf)

The history of forest management in the Terai differs sharply from the experience of the hill forests. The dense Sal forests of Terai with substantial populations of elephants, rhinoceros, tigers and other large mammals resisted settlement and logging for centuries due to the prevalence of endemic malaria throughout the region. Before the 1950s, only a small number of indigenous people, primarily the Tharu community who developed some resistance to the disease lived in the area practising hunting, gathering and shifting cultivation. With the eradication of malaria, migration from the hills to Terai and from across the border (India) resulted in a dramatic rise in the population of Terai. Over the past forty years, as roads have opened this once remote region to the outside world, the dense Sal and Teak stands of Terai forests have come under intense pressure from migrant farmers from the Nepal hills and India, while experiencing increasing commercial logging pressure<sup>44</sup>. Forests were cleared for cultivation and new settlements and, during that period, heavy deforestation occurred. It is estimated that about 24 percent of the total area of 593,000 ha has been cleared<sup>45</sup>. The government's resettlement programme (under Nepal Punarvas Company) was encouraging the clearance of forests in some parts of the Terai during 1960s and 1970s as the programme was aimed to 'help solve the immediate population problem' and to bring 'additional lands under cultivation' for that purpose (Elder *et al.* 1976, p. 27)<sup>46</sup>. While the area covers only 17 percent of the total land area of Nepal, nearly half of the total population lives in the Terai now.

The Terai forests have undergone rapid transformation and degradation due to a lack of a proper forest management policy. Despite considerable international and government interest currently being focussed on the forestry sector in general and on community forestry in the mid-hills in particular, little focus has been given to the Terai forests. Unlike the well-established forest development strategy for mid-hills forests under community forestry, no definite management

plans have been adopted in the Terai. Policy makers seem to be confused over forest management strategies for the Terai. The focus of government management within the Terai is for timber production from the natural Sal forests. From the early 1960s, emphasis was given to exploitation of the Sal forests, including significant exports to India and the nationalisation of the forests in Terai provided the Government with a major source of income. Planned and active forest management is poor and forests are under-utilized or not utilized within the legal framework. At the same time, illegal logging and cross-border smuggling of Sal timber is continuing in an unsustainable and destructive way.

In order to check the depletion of forest resources, and to improve conservation and management of forest resources in Terai in a sustainable way, the government introduced a concept paper in May 2000<sup>47</sup>. Its main provisions are:

- i. continuous large blocks of forests in the Terai and Churia hills will be delineated, gazetted and managed as national forests;
- ii. a collaborative forest management system following natural processes will be applied to improve forest and biodiversity;
- iii. green trees as such will not be felled for commercial purposes at least for the next year;
- iv. the barren and isolated forest lands of the Terai, inner Terai and Churia hills will be made available for handing over as community forestry;
- v. the Churia hills will be managed as a protected forest as they are geologically very fragile and moreover, they absorb rainwater and recharge groundwater for the Terai;
- vi. twenty five percent of the income of the government managed forest will be provided to local governments- the District Development Committee (DDC) and Village Development Committee (VDC)- to implement local development activities, the remaining 75 percent of the income will be collected as government revenue;
- vii. 40 percent of the earnings from timber sales by FUGs in the Terai, inner Terai and Churia hills will be collected by the government for programme implementation when surplus timber is sold by FUGs. In line with this policy, the government has recently made a controversial decision through a Finance Ordinance (2003-04) which states that 40 percent of the sale of forest products from all the national forests handed over as community forests should be deposited in the government fund as revenue. The remaining 60% of the amount from the sale of forest products from such forests should be spent on forest protection, forest management, environment protection and activities related to local development.

There was a hue and cry among the FUGs and civil society when this controversial decision was made in a hasty manner without proper homework and consultation with the stakeholders<sup>48</sup>.

Most area of forests in the Terai are under the state's control with a monopoly on the harvesting and marketing of timber by the government's agency, the Timber Corporation of Nepal (TCN). Recently, although the monopoly of TCN has been removed, the sale of timber is still far from a free market situation<sup>49</sup>. Though the timber is currently shared 50:50 between TCN and District Forest Office, endemic corruption and mishandling of the collected revenue by the top officials in TCN have been reported recently. There have been concerns about the politicization of the Terai forests from time to time and its misuse for financial and political benefits. Massive, illegal concessions have been handed out to the local contractors to win political favours and elections. Though there has not been any reported case of granting concession rights to multi-national

logging companies so far, there have been various attempts to do so in the past. For example, due to huge public and media uproar, the decision to grant a Finnish Company, Enso International, concession rights in some parts of Bara forests in Terai in the name of Bara Forest Management Plan was dropped in 1996<sup>50</sup>.

Most national forests in the Terai are still either within protected areas or under government management. Though the forests fall under protected areas and national parks, illegal logging and poaching of wildlife from them are common. While park boundaries are guarded by the Royal Nepali Army, park-people conflicts are frequent. In order to mitigate this, large sections of the forest in the vicinity of the park have been converted to Buffer Zone Community Forests. However, in recent years due to the increase in the Maoists' violence and mobilization of the army, the conservation of the protected areas has been hit hard and many districts of Terai -such as Parsa, Bara, Rautahat, Chitwan and Dang- have seen a sharp rise in the incidents of logging recently. The deployment of the Royal Nepali Army for counter-insurgency duty has reduced its presence guarding the national parks and nature reserves, leading to a rise in timber and wildlife poaching in Chitwan, Bardia (in Terai) and Dhorpatan (Myagdi, not in Terai). For example, 600 standing Sal trees in two community forests in Dang- Kalika and Sarekhola were logged illegally within a span of just four days<sup>51</sup>. Elsewhere, Maoists have deliberately targeted ranger posts and forestry officials, giving the illegal loggers a free hand in cutting trees for timber. In the absence of officials, large parts of remaining non-protected *Char Koshe Jhadi* (huge wild forests) along the Terai have been destroyed in recent years by timber smugglers<sup>52</sup>. Depopulation from the hills has increased pressure on forests in the Terai. In other parts of Nepal, the Maoists have shown a conservation streak by hunting down timber poachers or regulating forest use. There are frequent reports of Maoists apprehending timber smugglers heading towards the border, whereas in some areas they have been controlling the forests and regulating the forests products sale by slapping a fixed tax on the rare medicinal plants<sup>53</sup>.

Attempts have also been made to translate the success of community forestry in the mid-hills to the Terai region but without any positive results<sup>54</sup>. The challenge for the Terai forests has been to support the creation of new institutions of community forest management. Larger forest sizes, increased user group heterogeneity<sup>55</sup> and proximity to the timber market across the border in India, create additional obstacles in the way of community management in this region. Due to these problems and the Department of Forests' desire to maintain its control over high revenue forests, community forestry has been widespread only in Mid-hills with low-value degraded forests while in the Terai where the Sal forests are of much higher value, its take-off has been more problematic. The handover process has been slow and has been stalled for the last two years. Now new initiatives are afoot to experiment with 'co-management' models (as in the forests in India) in which district-level stakeholder consultations are conducted<sup>56</sup>. However, confusion over what collaborative forest management should be (Forestry Sector Policy 2000) and resistance of concerned groups has meant that there has been little practical movement on these issues<sup>57</sup>.

## Production and Trade

It is difficult to find data on the total production and trade involving exports and imports for Nepal due to the lack of organized data and also due to the existence of illegal internal markets and across the border with India and Tibet. However, in comparison to high-scale timber exporting countries like Malaysia and Indonesia, the commercial wood production and trade in Nepal is smaller. Though data on illegal logging and trade are difficult to get, it is very clear that these activities need to be controlled in time, otherwise this will adversely affect the forestry sector in Nepal.

Nepal is a net timber products importing country. Table 1 lists the changes of timber production, consumption, import, and export in 1996 and 2000<sup>58</sup>.

**Table 1: Production, Consumption, and Trade of Timber Products in Nepal  
(in 1996 and 2000, 1,000 m<sup>3</sup>)**

Product	Production		Consumption		Import		Export	
	1996	2000	1996	2000	1996	2000	1996	2000
Log (percent of tropical species)	1250 (0)	1318 (0)	1253 (0.2)	1321 (0.0)	3 (100)	3 (0)	0 (/)	0 (/)
Sawn (percent of tropical species)	620 (0.3)	630 (0.0)	623 (0.8)	633 (0)	3 (100)	3 (0)	0 (/)	0 (/)
Veneer (percent of tropical species)	0 (/)	0 (/)	0 (/)	0 (/)	0 (/)	0 (/)	0 (/)	0 (/)
Plywood (percent of tropical species)	4 (0)	5 (0)	4 (0)	7 (0)	0 (/)	2 (0)	0 (/)	0 (/)

Source: 2000 Review, ITTO.

According to the data from FAO, the total roundwood production in 1996-98 was 20,993 cubic metres, with 20,373 cubic metres of woodfuel and only 620 cubic metres of industrial roundwood<sup>59</sup>. The export value of forest products is 1 million US\$ whereas the import value is 1.4 million US\$ with an export import trade deficit of 0.4 million US\$. Wood trade export accounted for only 0.08 percent of the total exports in 1997. The majority of exports go to the Indian markets. Due to the protection of high-value forests in the Terai, as national forests and protected areas, and the lack of a sufficient strategy for utilizing these forests, the timber trade does not occur in a significant amount. It has been reported that during the fiscal year 1996/97, Timber Corporation of Nepal marketed 882,227 cubic feet of logs, 113,493 cu ft of sawn timber, and 1,888 *chattas* of fuelwood<sup>60</sup>. Being a subsistence economy, the majority of the rural population is dependent on forests for fuelwood resource, which is the main energy resource.

Therefore, most of the wood market is for fuelwood. The annual rate of use of fuelwood according to 1997/98 data was equivalent to 14.1 million metric tonnes of fuelwood. WECS (1995) mentions that about 16 percent of the total fuelwood used in Nepal passes through commercial channels i.e. about 2.2 millions tonnes of fuelwood is traded through the markets in Nepal.

Trading of non-timber forest products (NTFPs)- both unprocessed and semi-processed (such as, herbal products, resin etc.) is done from Nepal. NTFPs represent a significant source of revenue for individual households, community groups and national economy (Edwards 1996). It is estimated that about 65 percent of the total collection is exported to India<sup>61</sup>. The first NTFP trade survey conducted in 1996 by ANSAB found that approximately 42 thousand tonnes, consisting of more than 125 different NTFPs were handled by about 100 traders in 1995. This trade amounted to more than \$26 million in 1995<sup>62</sup>.

## Endnotes and References

<sup>1</sup> Springate-Baginski *et al.* (2003) 'Community forest management in the middle hills of Nepal: the changing context', *Journal of Forest and Livelihood* 3 (1) July 2003.

<sup>2</sup> [http://www.ittis.org/profiles/profile\\_ap\\_ne.htm](http://www.ittis.org/profiles/profile_ap_ne.htm)

<sup>3</sup> as defined by FAO's Global Forest Resources Assessment 2000 (FAO 2001).

<sup>4</sup> UN (United Nations). 2003. Millennium Indicators Database. Department of Economic and Social Affairs, Statistics Division, New York. [<http://millenniumindicators.un.org>]. March 2003; based on data from the Food and Agriculture Organization (FAO).

<sup>5</sup> <http://homepage.boku.ac.at/h0240699/ps.htm>

<sup>6</sup> <http://homepage.boku.ac.at/h0240699/ps.htm>

<sup>7</sup> The HDI value is computed as unweighted average of values achieved in level of living, knowledge and health.

<sup>8</sup> UNDP (2003) *Human Development Report 2003*. Oxford University Press, Oxford.

<sup>9</sup> Unless otherwise noted specifically, sources for figures in this section are taken mostly from: Population Census 2001, National Accounts of Nepal 2002, UNDP Human Development Report, 2003; World Bank Development Indicators Database, July 2003; and the National Planning Commission, Tenth Plan 2002-2007.

<sup>10</sup> CBS (2001) *Statistical Pocket Book Nepal*. Central Bureau of Statistics, Kathmandu. Also available at:

<http://npc.gov.np:8080/yearbook/contents/>

<sup>11</sup> Political situation in Nepal was compiled from various news reports from various dailies and weeklies of Nepal, mainly from the Rising Nepal, the Kathmandu Post, Kantipur, and Nepali Times. The summary of events was also extracted from [http://www.ndi.org/worldwide/asia/nepal/nepal\\_pf.asp](http://www.ndi.org/worldwide/asia/nepal/nepal_pf.asp), and *Nepali Times*, 26 Dec- 1 January 2003, Issue 176.

<sup>12</sup> From 1846-1951, Nepal remained under oligarchic, autocratic *Rana* family regime, which pursued a deliberate policy of stagnation and isolation, building grand palaces for themselves while investing next to nothing in public works. In order to keep their grasp on power, they suppressed education. Thus, Nepalese people have had "all the troubles of colonialism with none of the benefits" (DFID 1999, p.14). In 1951, democracy was established in Nepal after 104 years of the so-called *Rana* era. DFID (1999) 'Top Down, bottom-up', *Developments* 5:14-17.

<sup>13</sup> Dahal, D.R. (2001) *Civil Society in Nepal: opening the ground for question*. Centre for Development and Governance, Kathmandu.

<sup>14</sup> Dahal, D.R. (2001).

<sup>15</sup> Badu, KP (2004), *The Kathmandu Post*, 27 February 2004.

<sup>16</sup> After the United States listed Maoists as a terrorist organization in May 2003, the rebels have hardened their anti-American stance (*Nepali Times*, 26 Dec- 1 January 2003, Issue 176).

<sup>17</sup> Acharya, K.P. (1998) *A Review of Foreign Aid in Nepal*. Citizen's Poverty Watch Forum, Kathmandu.

<sup>18</sup> World Bank (2000) *Nepal Public Expenditure Review*, Vol. 1: PER Overview-The Main Report (No. 20211-NEP).

<sup>19</sup> UNDP (2003).

<sup>20</sup> Poffenberger, M. (ed) (2000). *Community and Forest Management in South Asia* (a regional profile of the working group on community involvement in forest management). Forests, People and Policies, IUCN.

<sup>21</sup> *ibid.*

<sup>22</sup> Poffenberger, M. (ed) (2000).

<sup>23</sup> Chhetri, R.B., Sigdel, H. and Malla, Y. (2001) *Country Profile Report for the Forum on the Role of Forestry in Poverty Alleviation: Nepal*, Forestry Department-FAO, September 2001.

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- <sup>24</sup> Gilmour, D.A. and R.J. Fisher (1991) *Villagers, Forest and Foresters: The Philosophy, Process and Practice of Community Forestry in Nepal*. Sahayogi Press, Kathmandu.
- <sup>25</sup> Winrock (2002) *Emerging Issues in Community Forestry in Nepal*. Winrock International, Kathmandu.
- <sup>26</sup> Source: Community and Private Forest Division, Department of Forests (2003).
- <sup>27</sup> FUG Database- Department of Forests (2003).
- <sup>28</sup> Springate-Baginski et al. (2003).
- <sup>29</sup> <http://www.wrm.org.uy/countries/Asia/Nepal.html>
- <sup>30</sup> IFAD (2003), *Leasehold Forestry and Livestock Programme Design Document- Inception*, International Fund for Agriculture Development, September 2003 (REPORT No.1420-NP).
- <sup>31</sup> Ohler, F.M.J. (2000) *The impacts of Leasehold Forestry on Livelihoods and Environment*, Field Document 3/2000, Hills Leasehold Forestry and Forage Development Project. FAO, Kathmandu.
- <sup>32</sup> IFAD (2003).
- <sup>33</sup> The Forest Act (1993) recognizes two types of forests on the basis of ownership: private forests and national forests. Private forests may include woodlots, private trees, private plantations, orchards etc. The national forests includes all state owned land area under forests/tree cover, shrublands, grasslands, unregistered lands surrounded or adjoining forests, as well as paths, ponds, lakes, rivers etc. within forest areas. For the purpose of management, national forest is further divided into five different categories: community forests, leasehold forests, religious forests, protected forest and government managed forests. The last category of forests consist of the forest area which has not yet been allocated for other four types of management (i.e. residual category). The first three types of forests come under the participatory management regime i.e. user groups are given the responsibilities and authority for protecting and managing such forests. Source: Chhetri, R.B., Sigdel, H. and Malla, Y. (2001).
- <sup>34</sup> Resources Nepal (1999) *Protected Areas of Nepal*. Resources Nepal, Kathmandu.
- <sup>35</sup> Sharma, U.R. (1999) *Country Paper-Nepal*. In Oli, K.P. (ed.) *Collaborative Management of Protected Areas in the Asian Region* (Proceedings of a Workshop held in May 1998), IUCN-Nepal Kathmandu, 49-57 pp.
- <sup>36</sup> Winrock (2002).
- <sup>37</sup> *ibid.*
- <sup>38</sup> *Nepali Times*, 23-29 January 2004, Issue 180.
- <sup>39</sup> Winrock (2002).
- <sup>40</sup> Poffenberger, M. (ed) (2000).
- <sup>41</sup> Ojha, H.R. (2000) 'Terai Forestry and Possible Strategies for Management' *Participation* (A Nepalese Journal of Participatory Development), NEPAN, Kathmandu.
- <sup>42</sup> Springate-Baginski et al. (no date) *Community Forestry in Nepal: A Policy Review*. Livelihood Policy Relationship in South Asia Working Paper-3. Available at: [www.geog.leeds.ac.uk/projects/prp/pdfdocs/nepalpolicy.pdf](http://www.geog.leeds.ac.uk/projects/prp/pdfdocs/nepalpolicy.pdf)
- <sup>43</sup> Forest Resources of Nepal (1991-1992 data), Forests Resource Information System Project Publication No. 74, Kathmandu, Nepal.
- <sup>44</sup> Poffenberger, M. (ed) (2000).
- <sup>45</sup> [www.recoftc.org/documents/Inter\\_Reps/Cultivating\\_forests/Shrestha.pdf](http://www.recoftc.org/documents/Inter_Reps/Cultivating_forests/Shrestha.pdf)
- <sup>46</sup> Elder, J. et al. (1976), *Planned Resettlement in Nepal's Terai: A Social Analysis of the Khajura/ Bardia Punarvas Project*. Tribhuvan University, Kathmandu. p. 27, also see p. 134-147 for cases of illegal resettlements.
- <sup>47</sup> The Concept for Forest Management of Terai, Churia and Inner Terai (2000), HMG/Nepal.
- <sup>48</sup> See <http://www.nepalnews.com.np/ntimes/issue158>
- <sup>49</sup> A study supported by the World Bank recommended, among other things, that TCN be liquidated, however, a Cabinet decision in 2001 endorsed a recommendation to downsize TCN as an interim step rather than liquidate at this stage. Source: Mitchell, A., Bajracharya, P. and Baral, N. (2001) *Nepal Fuelwood and Timber Marketing Study*. Final Report. MFSC, HMG/N, February.
- <sup>50</sup> Under the plan, Enso International in conjunction with three Nepali companies were going to be handed over 32430 hectares of Sal forests in Bara. The plan was offered as a 'pilot project' with the goal of extending similar initiatives across the Terai belt-incorporating eventually, about 300000 hectares of Nepal's remaining hardwood forests (NK Shrestha and Charla Britt 1997). It was also reported that FINNIDA was threatening to withdraw their aid programmes if these forests areas were not handed over to the Finnish Company. The poor people who depend on the forest resources for their livelihoods were not consulted before the management agreement. Rather these poor people are the ones often blamed for forests degradation. For details on the issue, see Shrestha, N.K., and Britt, C. (1997) 'Another 'balanced overview: an equation with more than money'. *FTTP Newsletter* No. 32-33. Forest Trees and People Programme. Swedish University of Agricultural Science, Sweden.
- <sup>51</sup> News report, *The Kathmandu Post*, May 8 2002.
- <sup>52</sup> *Nepali Times*, 23-29 January 2004, Issue 180.
- <sup>53</sup> *Nepali Times*, 23-29 January 2004, Issue 180.
- <sup>54</sup> Having said that, it is to be noted that work by GTZ-funded Churia Hills Community Forestry Project in the inner Terai has been effective in introducing community forestry into the Terai/Churia/Siwaliks. Currently, SNV, GTZ, DFID, CARE –Nepal and WWF-Nepal are working in the Terai, only three Terai districts have no project/donor support. DFID and SNV have been working on collaborative forest management by setting up committees in Terai districts who could help prioritise forestry issues. However, they have not got very far. Livelihood and Forestry Programme (LFP) funded by DFID is completing strategic district forest plans in three Terai districts working with a District Forest Coordination Committee. WWF-Nepal is working with Ministry

of Forests and Soil Conservation on Terai Arc Landscape Programme from central Nepal to West of Nepal, which is a long-term programme with far reaching effects (Source: Personal Communication with Peter E. Neil, 2004).

<sup>55</sup> The composition of Terai society is complex due to high migration and the heterogeneity of the villages. While settlers bought large tracts of valuable agricultural land, the indigenous people have become the minority and are marginalised in all spheres of life.

<sup>56</sup> Springate-Baginski *et al.* (2003).

<sup>57</sup> Personal Communication with Peter E. Neil, Livelihood Forestry Programme, Kathmandu, Nepal, 2004.

<sup>58</sup> [http://www.ittis.org/profiles/profile\\_ap\\_ne.htm](http://www.ittis.org/profiles/profile_ap_ne.htm)

<sup>59</sup> The same period data for Malaysia for example is: 37,081 cu m (total roundwood production), 7,410 cu m (woodfuel) and 29,670 cu m (industrial roundwood).

<sup>60</sup> [www.rwedp.org/acrobat/rm51.pdf](http://www.rwedp.org/acrobat/rm51.pdf)

<sup>61</sup> Edwards, D.M. (1996) 'The trade in non-timber forest products from Nepal', *Mountain Research and Development* 16(4): 383-394.

<sup>62</sup> Ojha, H.R. (2000) 'Current policy issues in NTFP development in Nepal', Kathmandu: Asia Network for Small-scale Bio-resources (ANSAB), accessed at: <http://www.mtnforum.org/resources/library/ojhah00a.htm>