

# POLICY BRIEF

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## CONSTRAINTS AND OPTIONS FOR ENHANCING MARKET-ORIENTED AGROFORESTRY SYSTEM IN NEPAL

### Introduction

Nepal is one of the poorest countries in the world, with more than 40 percent of its population under-nourished and more than 50 percent deriving livelihood from agroforestry products. Low productivity, poor marketing opportunities and low level of service delivery have, among others, hindered the economic development and livelihoods improvement. The potential of agroforestry products has been underutilised. Recognising this challenge, a five year action research project entitled 'Enhancing livelihoods and food security from agroforestry and community forestry in Nepal' has been implemented jointly by Government of Nepal and Government of Australia with their national and International development partners since 2013. The project aims to improve the capacity of the local communities to increase the incomes and livelihoods opportunities from improved management and development of agroforestry products.

Six sites in the two middle hill districts of Kavre and Lamjung were selected for the research. Various agroforestry activities, especially planting trees on terrace riser along with agriculture crops, were initiated through Local Resource Persons (LRPs) and Local Resource Groups (LRGs) covering more than 300 households. Farmers in the study area, including LRPs/ LRGs, were not enthusiastic in planting trees on their farmland at the initial phase. One of the biggest hurdles farmers felt was the cumbersome administrative process they are required to follow in harvesting trees and selling them in the market. Since there is no separate agroforestry policy in Nepal, tree products, especially timber, are being subjected to the provisions made in the private forestry Act and Regulations. Our research has analysed policy and regulatory constraints which farmers have to face then they

seek to market their agroforestry products. This report summarises findings focussing on key constraints and opportunities for marketing of agroforestry products within the context of prevailing Forest Acts, Rules and Regulations. After discussing the challenges faced by farmers, we offer a set of recommendations for taking Nepal's agroforestry marketing forward.

### Agroforestry policies and regularity systems in Nepal

It is nearly 40 years since the government of Nepal initiated community oriented forest policy reform (Ojha et. al. 2014). Yet, forest and agroforestry have always been seen as resources to be conserved, rather than economic products to be marketed for improved livelihoods of communities. It was

## KEY MESSAGES

In Nepal, based on the management regime, there are two types of forests: National Forests (NF) and Private Forests (PF). The Forest Act 1993 and Regulations 1995 are the legal instruments to translate the policy vision into practice. PF represents the forests or trees planted, nurtured or conserved in any private land that belongs to an individual. It is mandatory that every private tree grower has to register his/her woodlot or land parcel under plantation at District Forest Office (DFO) as "private forest". Harvesting trees from private forest is not easy. It demands a lot of paper works and time consuming. Private tree growers are, hence not directly involved in timber trade.

But recent data shows that the share of private forestry timber is increasing. Based on the studies conducted in the En-LiFT areas it is recommended that the current restriction on selling private forest timber need to be abolished, and private forestry should be regarded one of priority "industry" in the country. Individuals registering private forests should be exempted from the land revenue tax. Local governments should also develop local level private forestry and agroforestry policy, and provide technical knowledge and quality planting materials. Exotic tree species such as *Eucalyptus*, *Populus*, *Ceiba pentandra*, Ipil-Ipil should be traded freely in the market without any regulatory requirement.



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only in the Fifth Five-year Plan period (1975-1980) the Government of Nepal first acknowledged the contribution of forests to the economic, social and industrial development of the country. Since then the contribution of forestry sector has continuously received attention in the subsequent periodic plans. The recent 'Three Year Approach Paper' (2013/14-2015/16) published by the National Planning Commission, Government of Nepal (2013), has pointed out that communities and individuals would be encouraged to identify and promote high value medicinal and aromatic plants through sustainable harvesting, technology development, commercialization, and marketing. This provision in the national plan demonstrates some level of commitment of the government in the development of private and community forests in the country.

In Nepal, based on the management regime, there are two types of forests: National Forests (NF) and Private Forests (PF). The Forest Act 1993 and Regulations 1995 are the legal instruments to translate the policy vision into practice. Forest Act 1993 categorizes national and private forests on the basis of ownership. NF includes all non-private demarcated

or non-demarcated forest lands, paths, ponds, lakes or streams and river-beds inside such forests, and waste or uncultivated or unregistered lands surrounded by forest or situated near adjoining forests. PF represents the forests or trees planted, nurtured or conserved in any private land that belongs to an individual as defined by the prevailing law. Much of the agroforestry practice in Nepal is found in the privately owned land, and our research team worked with farmers owning private land to facilitate agroforestry development in the study districts.

The ownership of PF lies with the individual private tree owner. PF generates its income through selling agroforestry products, mainly timber. As per the provision made in the Forest Act 1993 and Forest regulations 1995, it is mandatory that every private tree grower has to register his/her woodlot or land parcel under plantation at District Forest Office (DFO) as "private forest". Each individual willing to register private forest is required to submit an application to the DFO along with the land ownership certificate, following a specified format (Annex 24 of Forest Regulation-1995). Similarly, if an individual wishes to plant additional trees on





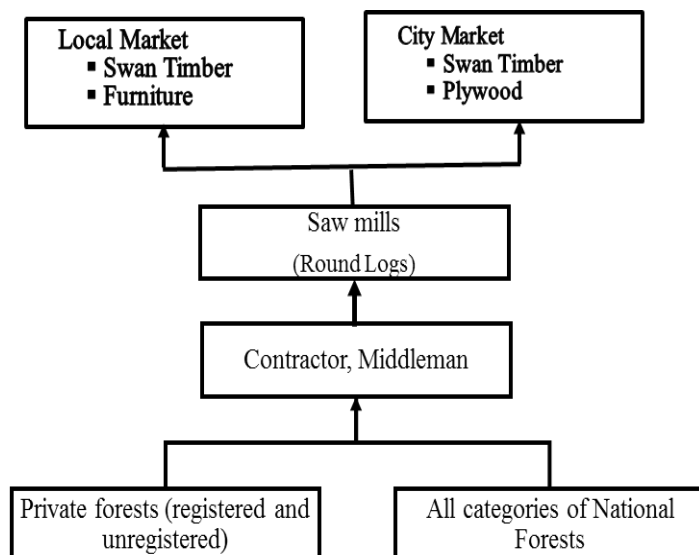


their private land, s/he has to apply in writing detailing the type of trees to be planted and their number to the DFO, pursuant to the prevailing rules and regulations. The Forest Regulations 1995 has described application procedures for private forest registration and preconditions DFO need to consider before issuing certificate for such private forest.

## Wood flow from private forests

The extent and coverage of registered private forests in the country is not very encouraging. The Department of Forests' latest report shows that of the total districts (75), only 62 districts have records of registered private forests. Only 3,753 private individuals have registered 2,902 hectares of their forests as Private Forests (CFD 2017). Terai districts have higher number of Private Forests registered.

Despite cumbersome regulatory arrangement for pri-



Timber supply mechanism adopted from Amatya et al (2015)

ivate forestry development in Nepal, recent data shows that the share of private forestry timber is increasing. The amount of wood (timber and fuel wood) supply from private forest shows that, despite a very small number of private forests registered in the country, a total 321,867 m<sup>3</sup> of timber was sold in the market in the fiscal year 2015/ 2016, which represents the share of 83.17% in the timber market (CFD, 2017), . The private forest share of market sales of both fuel wood and timber is significantly higher than the combined value of the products sold from both the community forests and government managed forests (CFD, 2017), even though the area of forest under community and government managed forests is higher than that of private forests. Private forest owners have to pay a 13% royalty to the government when selling their timber products.

## Key issues and challenges

Our study reinforces that government regulation is not conducive to private forestry development in Nepal. The process set out by the Government to register trees growing in private land is lengthy. One has to submit a number of officials details including land ownership certificate, evidence of land tax submissions, map showing land type and plot number, the receipt of fee paid for staff of District Land Survey Office , and the records showing number and type of trees planted to the concerned DFO (GoN, 2011). The investigation process conducted by DFO is very complicated and time consuming, both for the government staff themselves and the applicant private tree growers. It takes more than 51 days before one can obtain private tree registration certificate. Private tree growers, in most of the cases, are not directly involved in timber trade. It is because of the complex documents requirements before trees are harvested and brought in the market for sale. Only the powerful middlemen can tackle this challenge – which means that the tree growers receive limited margins while the middlemen reap greater benefit from the timber industry.

Harvesting trees are another hassle for private individuals. The process is more complicated than to reg-

ister the private forest.

## Policy recommendations

- The present authority of registering private forests should be transferred to the local government (municipalities and rural councils). As the newly elected and more empowered local governments would have the authority to administer the land registration certificate, tax payment and other regulatory matters, it would be a lot easier for interested private tree growers to register private forests within the local government.
- Regulatory arrangements should be simplified for registration of private forests so that anyone interested can accomplish the registration without much hassle. More specifically, the current restriction on selling private forest timber need to be abolished, and private forestry should be regarded one of priority "industry" in the country. The Value Added Tax (VAT) payment system should also be either removed or revised to encourage the trade of products from private forests.
- The government should offer budgetary incentives to tree growers based on some transparent criteria – such as area under trees and the successful establishment of plantation. Individuals registering private forests should be exempted from the land revenue tax.
- Government should initiate mobile campaigns (ghumti sibir) to register private forest, in the same way mobile citizenship certificate distributions camps are organised. Annual target should be fixed for each local government to register private forest. Local governments should also develop local level private forestry and agroforestry policy, and provide technical knowledge, quality planting materials, and guarantee the buyback of timber and other products through agreements.
- District level procedure for harvesting and transportation of products from private forest should be presented in citizen charters and also in the appropriate website.
- Department of Land Survey charges some fees to the private land tree growers for verification and counting of trees grown or cultivated in private lands. In order to encourage farmers to grow tree species in their private farmlands, local governments should reimburse such taxes and other fees paid by farmers to the Land Survey office as an incentive to promote private forestry.
- Exotic tree species (which do not grow naturally in forest) such as *Eucalyptus*, *Populus*, *Ceiba pentandra*, Ipil-Ipil and others should be treated as agriculture products so that these can be traded freely in the market without any regulatory requirement.

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