

A Report on

**EnLiFT Policy and Practice Lab (EPPL) on
Timber Harvest and Trade Issues
at District and Local Level**

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I. Background

EnLiFT has been organizing policy labs for the past five years and has been successful in bringing together policy makers, researchers, local communities, CSOs, and the private sector to discuss on critical policy issues. In contrast to the conventional methods of policy discussion, EPPL adopts a unique way of diagnosing the policy problems, feeding through research and offering practical solutions brought through several rounds of discussions (Please see Ojha et al 2020 for EPPL event 1 report). This time the EPPL discussions were conducted through zoom webinar model due to COVID-19 travel restrictions.

Community forests in the project districts have matured stands of different timber species and Community Forests User Groups (CFUGs) have profound interest to harvest those matured stands and sale them in the market as timber. Nationally, there is a huge market for timber as Nepal has imported about four million cubic feet of swan timber in the last five-year period for local consumption alone (see Appendix 1 for detail analysis). The revenue generated from the sale of timber can also be used to improve the livelihoods of local people and in the meantime government also get revenue and help reduce the amount of timber imports (eventually helping to save \$ currency on imported goods). More importantly, such harvest of mature stands can also generate employment to local people and create an investment base to manage community forests in a sustainable way.

Despite the need and demand and potential benefits of timber harvest and sale, the domestic timber trade business is facing multiple challenges at multiple level of governance which includes policy inconsistency, administrative hurdles, managerial and technical capacity amongst others. In fact all of these busing back and hindering the timber business to flourish and tap the great potential it has. In this context of current impasse, an EnLiFT Policy and Practice Lab (EPPL) meeting on “Timber Harvest and Trade Issues: scope for District/local level Initiation” was organized on 15th October, 2020 to discuss whole range of timber trade issues and find local solutions.

II. Objectives of EPPL

The overall objective of EPPL was to identify issues related to timber harvest and trade and offer reasonable solutions which are backed up by research and follow up dialogues with a diverse range of stakeholders. The following three are the three specific objectives of EPPL:

- i. To identify the issues related to timber harvest and trade at district and community level
- ii. To discuss and propose solutions that works for the stakeholders at district and community level
- iii. To prepare an action plan for the implementation of proposed solutions

III. Participants of the EPPL Meeting

EPPL meeting included the key stakeholders who are directly involved in timber harvest, trade and monitor and facilitate the administrative process. All together, 17 participants attended the meeting representing the various interest groups. The major categories of the participants were from the following groups (also see Appendix -2 for detail information about the participants):

Key Stakeholders/participants

- Representative - Community Forest User Groups from Sindhupalchok and Kavre districts
- Representative- Federation of Community Forest Users Nepal (FECOFUN)
- Division Forest Offices officials
- Local Governments officials
- Representative -Timber Traders (FenFIT)
- Ministry of Forest and Environment (MOFE) officials
- Forest Research and Training Centre officials
- EnLiFT Research Team

IV. Introduction and scene setting for EPPL dialogue

Naya Sharma Paudel, In-Country Coordinator of EnLiFT2 project initiated the EPPL Dialogue on “Timber harvest and trade issues: scope from district/local level initiation” and welcomed all the invitees to the program. He handed over the responsibility to Hemant Ojha, a Research Policy Expert to orient the invitee on EPPL, its objectives and working modality.

Hemant Ojha took over and clarified the idea and procedures of Policy and Practice Lab in EnLiFT project. The project has initiated continuous dialogues between the researchers and policy makers and local communities since phase 1 of the project. He added

“We learned that a one-time dissemination of research results to policy makers was not effective and enough in terms of transforming or crafting enabling public policies. Therefore, continuity and follow-up of policy dialogues was felt essential and the concept of EnLiFT Policy Lab was then emerged. We have conducted many EnLiFT Policy Lab dialogues at Central Level in Kathmandu but this time we wanted to organize at district level in the conviction that some of the issues can be solved from the local and district level. Issues are not all and always related to central level policies and regulations, but there are lots of opportunities and scope to offer solutions to the prevailing problems within the existing regulatory framework at local and district level. The leadership, capacity, responsibility, accountability and willingness of the authorities and stakeholders at district/local level also offer ample opportunities to resolve several issues and take community forestry forward.”

He provided the analogy of CF development as a bottomup strategy of developing enabling policies. He emphasised that any issues related to public policies involves multi-stakeholders and each stakeholder has their own views, perspectives and stakes on specific public policy problems. The contestation and debate on public problems has become a part of the social life. And the solution lies on public dialogues if dialogues are constructed appropriately. For example, Nepal has experienced the complicated political transformation through such dialogues. This innovative and constructive approach includes deliberative governance, transformative learning and collaborative engagement with the stakeholders.

EPPL might be an appropriate tool in many ways to solve the current timber trade issues at district/local level in Kavre and Sindhupalchok districts. Firstly, we have a dedicated team in EnLiFT that conducts research and collects evidences in both districts. Secondly, there are committed and capable leadership in DFO, FECOFUN, FenFIT and Local Governments in these two districts. Thirdly, both districts have a

commendable, exemplary and proud history of CF development and conservation success. Fourthly, the forest stand has attained maturity and there is high potential of timber supply as well as high need of sustainable forest management. Lastly, the timber market is very close and accessible to the timber producers. These aforementioned reasons validate the localization of the EPPL with series of follow up dialogues informed by research and evidences.

Why EPPL is important and what are some of the ground rules?

Mr Ojha also mentioned about the conceptual aspects that guide the EPPL meeting. He said, “we will discuss on prioritized one problem at a time with forward looking approach and offer local options/solutions to it. Multiple problems at a time cannot be focused and solved in a single effort and limited time. We will not make any allegations against any stakeholders or will not try to dig in the mistakes of others that do not yield positive results rather than we will try to collaborate to reform the current impasse. We will try to find practical and applicable solutions to the defined problems that can be exemplary and replicable to the whole nation. In conclusion, the continuity, dialogues, research based, specific/defined issue and solution-oriented approach are the key principle or theoretical aspects of the EPPL”.

Presentation Session

Presentaiton 1: Issues on Timber Business in Kavre-Sindhu, Mr. Devi Chandra Pokharel, DFO, Kavre

Mr. Pokharel, Divisional Forest Officer of Kavre presented the issues of timber business bothin Kavre and Sindhu as he served as DFO Sindhupalchok just before he was transferred to Kavre.

Issues, current situation or practices

Private Forests (non-registered) and Community Forests are the major producers of timber in the districts. The major focus of the timber traders is on private forests as there are few parties to consult or deal with that is comparatively easier in timber collection, pricing and transporting. Also, the timber supply volume and species diversity (wood type) is comparatively higher from the private forests. For example,private forests alone can supply around 200,000 cubic feet annually whereas the supply from community forests is irregular and there is no assurance of regular supply.. Both Kavre and Sindhupalchok have good access to the near-by big market centers for timber but the current market price of timber is decreasing. Local government has increased concern over the natural resource management and revenue collection. As a result, tax or royalty system for CF timber business has been introduced by the province and local governments along with the VAT imposed by the Federal Government.

The limited capacity of the CFUG and DFO staffs is also a major issue in timber harvest. Sometimes CFUG leaders are also found involved directly and indirectly in timber business which creates conflict of interest because of dual role. External influence in getting timber auction is another critical issue. Imbalance between rights and responsibilities, timber price exaggeration and underestimation practices, uncertainty and irregularity of timber production are few other issues in timber trade. Likewise, it takes longer time to get paid to CFUGs after auction.

Timber harvest and sale process has been facilitated by Sub-Division Forest Offices (SDFO) for both private and community forests. DFO encourages the appropriate auction rate for timber and there is understanding in tentative auction/sale price for the particular areas and species. The rate of timber is decreasing which is Rs 380/cft in average for past five years.

Improvement needed

- i. **Capacity building:** safe and efficient harvesting and logging (both CFUG and DFO staffs), timber grading system, log yard management and record keeping to CFUGs
- ii. **Governance:** Ensure fair competition in timber auction, market information system, timber price updates
- iii. **Product diversification:** diversification of timber products and end use
- iv. **Attitude:** Build common understanding that the forest management and timber business should benefit CFUGs the most
- v. **Quick collection system:** The AAC, annual harvest or thinning volume is already mentioned in the Operation Plan (OP) and CFUGs harvest accordingly. But in case of disaster felled trees, there is no provision to collect timber quickly and get decayed in the forest, therefore, it needs to be improved.
- vi. **Business modality:** clear financial models such as collaborative or cooperative timber business should be established

Presentation 2: EPPL on Timber Trade, Dr. Kiran Paudyal, Forest-based Enterprise Specialist

Kiran Paudyal said that he will be focusing more on solutions than problems because the issues are well known to all. The solutions related to capacity, financing, technology, and legal and regulatory provisions were discussed and presented by Mr Paudyal.

Issues and context

There is huge unjustified gap between consumer price and producer price of timber as CFUGs get price of Rs 300-400/cft of pine timber while consumer price in the market is around Rs 1500/cft or even more. CFUGs experience difficulty in selling timber while huge amount of timber is being imported each year and also people are using substitute of timber in construction and furniture products. Despite as high as 100 million cft per annum potential of timber production, current production is limited to 20-30 million cft per annum due to lack of appropriate forest management, policy hurdles and lack of market management. The timber import is increasing annually since few years. For example, import of wood and wood-related products in Fiscal Year 2075/76 (2018/19 AD) reached to NRs 6.6 billion. Sindhupalchok and Kavre are rich in forest resources yet their timber production is limited to around 300,000 cft out of which private forest consists of 70% while CFUG's production is limited to around 30% of total production.

Five areas of possible action

i. Legal and Administrative aspects:

- Easy approval process of OP and harvesting plan
- Power delegation to Sub-division Forest Office: *For example, approval of OP less than 30 ha, harvest plan, timber harvest approval and auction, forest products for internal consumption*
- Royalty/tax on final auction volume: *Currently, CFUGs have to pay royalty on estimated volume which differs from auction volume.*
- Auction process: *easy and quick auction procedures, early support to CFUGs in right documentation*
- Timely harvesting, approval and collection: *shall start early in Oct/Nov and auction finish by April/May, prepare a common time schedule for the districts and follow timely.*
- Reduce supervision and monitoring cost: *supervision cost should be minimized from both side (DFO and CFUG) by minimizing the visits and completing the activities efficiently.*
- Provision of enlisted or registered wood traders in timber auction will reduce the external influence.

ii. Institutions and Governance for Marketing

- Conflict of interest: separate the role of EC member and contractor
- Ensure in advance that all the required processes and steps are fulfilled
- Ensure all the user are informed and involved in the processes
- Conduct timely Public hearing/auditing
- Proper allocation of the CFUG income for the pro-poor
- Strong account keeping system in CFUG
- Ensure competitive and fair mechanism in timber auction: *no any personal relations, external influence, low price and syndicate*

iii. Technology, methods and equipment

- Provision for adequate timber sealing equipment
- Use of efficient transport vehicle for transporting timber to the market
- Easy, cheaper, quick fix portable ropeway for timber collection to depot
- Wide use of power chain saw in timber harvesting and logging
- Promote sawn timber with portable saw mill
- Online timber auction system
- Smart vehicle tracking
- Improve volume measurement methods- *develop a common method that is acceptable to DFO, CFUGs and Timber traders and increases the conversion accuracy from log to sawn timber.*
- Prepare volume table and local form factor for pine
- Employ foresters locally by CFUG in clusters
- Projection of timber production from a CFUG of clusters for at least few years

iv. Additional financing provisions

- Arrange sufficient fund for DFO staffs field visit- *request to Province and Federal Government*
- Create CFUG fund for technical support- *for DFO staffs when they don't have sufficient fund for TA/DA or hiring freelancer forestry professionals*
- Timber trade promotion fund or cooperative- *for investing in timber harvesting, collection and advertisement*

v. Capacity building of CFUG

- Awareness on CFOP preparation and harvesting plan
- Awareness on legal procedures, and market dynamics
- Training on SFM and power chain saw operation
- Simplify CFOP and harvesting plan considering producers' capacity to understand and implement
- Organise discussion with wood entrepreneurs/CFUGs regarding auctions & pricing – market research
- Awareness on timber use other than Sal (only Sal is not a timber) – *possible timber such should not go for firewood purpose such as chilaune, katus, etc.*
- Timber trade promotion fund – or cooperative

Mr Paudyal concluded the session by saying that many of the possible actions presented here can be implemented at district and local level jointly by timber traders, CFUGs and DFO.

Moderated discussion

Naya Sharma Paudel moderated the discussion after the presentation session ended. He requested participants to put their views on particular priority questions focused on few areas that can be implemented and incremental change can be seen in short time.

Priority Action (1st phase action) on Timber Issues:

- i. **Financial management:** What can be the possible financing or fund management strategy of CFUGs to invest in forest management, specifically in timber harvest and sale?

Few alternatives came up during the dialogue such as DFO fund, CFUG fund and Cooperative model. Government policy is favorable for green development bank or forest based cooperative. DFO opted for the District Fund that can be used for field visit costs and should be used as a non-freezing account which once practiced by Biodiversity Sector Program for Siwalik and Terai (BISEP-ST) in the past. FECOFUN opted for cooperative of CFUG/s or loan provision from financial institution (green bank/cooperative). Also, it was suggested to allocate the CFUG income that can be used to bear the costs in timber harvest and sale process.

- ii. **Capacity of CFUGs/Limited DFO staffs:** How can we fulfill the technical activities of the CFUGs smoothly amid limited human resource of DFOs and limited technical capacity of CFUGs?

A credible institution, company or consultancy firm can be used for providing forestry professionals certified by technical institution such as Nepal Forester's Association (NFA) or dedicated Forest Council. CFUG or cluster of CFUGs can hire forestry professional on their own. Such forestry professional can assist CFUGs from OP preparation, harvest plan preparation, training to CF users, tree/timber measurement, harvest and auction process etc. He/she will prepare the documentation of all procedures and help meeting legal requirements. DFO seems comfortable and happy with this proposal while FECOFUN remains silent about this option.

Three key action points to be carried forward

- i. Government (DFO), Community (FECOFUN and CFUG) and Traders (FenFIT) from Sindhupalchok and Kavre should take this forum ahead and EnLiFT will facilitate.
- ii. EnLiFT commits to organize a series of issue based dialogues. Another workshop in Kavre or somewhere feasible will be organized by EnLiFT in near future.
- iii. To ease the timber trade, EnLiFT will support to publish leaflet/brochure that depicts the clear legal procedures, steps, processes and documents requirements for timber harvest and trade. DFO, FenFIT and FECOFUN are expected to prepare the content and EnLiFT will support in publishing.

Table 1: Summary of the views of stakeholders

<p>CFUG</p> <ul style="list-style-type: none"> ➤ <u>Lack of technical knowledge and skills in CFUGs regarding forest management and assessment</u> ➤ <u>Lengthy and cumbersome OP and harvest approval process</u> ➤ <u>Lack of finance, therefore, loan provision to CFUG for forest management would be better</u> 	<p>FECOFUN</p> <ul style="list-style-type: none"> ➤ Need to shift from conservation to production oriented but there are many shortcomings for this (legal, managerial, capacity etc.). ➤ Different interpretation of same rule/legal provisions by authorities that creates confusion and obstruct the progress. Should develop a common understanding. ➤ Mindset of DFO/staffs should be changed from ruler to service provider/duty bearer. Why to halt the timber harvest or OP approval at last stage without giving any reasonable reasons? ➤ FECOFUN ready to work on governance improvement of CFUGs ➤ CFOP should be simple, comprehensive and easy to implement. ➤ Cooperative model for forest based enterprises within CFUG or in a cluster of CFUGs. ➤ Financial provision for DFO staffs should be legally established.
<p>DFO</p> <ul style="list-style-type: none"> ➤ <u>Appropriate sizing, shape, product diversification, quality/grading, seasoning and treatment needed for better marketing.</u> ➤ <u>Low volume of timber from individual's private land but administrative process takes long time.</u> ➤ <u>No enough staff to cater the need of the public. Capacity building needed for DFO staffs.</u> ➤ <u>DFO is monitoring institution and has to supervise the forest related works.</u> ➤ <u>No conversion guideline to calculate the standing tree to actual timber volume.</u> ➤ <u>Hiring forestry professionals by CF is a good option. It can be regulated through certified institution.</u> ➤ <u>Government has allocated fund Rs 5 million to provide loan to CFUGs but as it is annual program</u> 	<p>FenFIT</p> <ul style="list-style-type: none"> ➤ Denied the advance investment in timber harvesting in CFUGs that lowers the actual market price.

<p><u>of Government and repayment of loan is multi-year, thus difficult to implement.</u></p> <ul style="list-style-type: none"> ➤ <u>Government has allocated Rs 150 million for timber seasoning and treatment plan but no any modality has been decided due to lack of clear policy.</u> ➤ <u>CFUG income should be allocated for investment in timber harvest and sale rather than spend on road, schools etc.</u> ➤ <u>Additional DFO fund can be established as a non-freezing account to use for field visit costs.</u> 	<ul style="list-style-type: none"> ➤ There is no uniformity in timber/tree measurements and calculations. ➤ Legal interpretation of the same rules also differs from DFO staffs to staffs. ➤ A common understanding and single standard agreed by all is needed. Let's start from Kavre-Sindhu and show example for rest of the country too. ➤ FenFIT is ready to take part in dialogues and to facilitate to solve the issues.
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The overall and detailed responses of the participants can be found in Annex-2.

Internal self-reflection of EPPL

- Preparation seems a bit weak in terms of time and evidence based presentation
- Procedures, steps, time allocation, prioritization of issues and solutions, agenda etc. need to be provided prior to the meeting and request participants to come up with preparation.
- A small working group formation is needed to take tangible and timely action
- Small bilateral meetings are necessary FECOFUN/CFUG-DFO, EnLiFT-DFO etc.
- Content came up clearly but issue couldn't be prioritized and discussed enough, hence, further discussion is needed.
- Lack of acknowledgement of authorities on delaying timber harvest approval where FECOFUN and FenFIT expressed their views clearly.
- The solutions of the problem need to be led by DFO/staffs .
- Pamphlet preparation seems an appropriate entry point.
- We can organize a workshop on technical measurement issue.
- We need to emphasize EPPL process and dialogues
- Transmit our championship to the strong or valid stakeholders is a major step ahead

V. Appendix

Appendix - 1: Overview of timber economy and policy challenges in Nepal

Forest cover in Nepal occupies almost 45% of its total area. Participatory Community Forestry Program has been successful in restoration and conservation of the forest in Nepal. It is now well-known fact that the forest conservation has become a great success, however, the utilization of forest resources for the wellbeing of the forest-dependent people and revenue generation for the nation is very weak. One study has shown that a simple improvement in forest management system can produce 100 million cubic feet per year easily from national forest which is now stuck between 20 to 30 million cubic feet per year. Even among the low annual production volume, private forest represents a significant amount (>60%) of timber. In one hand, we have a huge forest area and sufficient resources to meet the internal demand of timber in the country. But unfortunately, there are lots of timber harvest and sale issues that restrict the production, harvest and sale of timber in the market. While at the other hand, the import of timber is increasing significantly in last few years. The statistics from Government of Nepal shows that the import of timber and timber-related materials is increasing immensely since past few years. Steel, iron and aluminum is gradually replacing wood products. There is sufficient demand and market of wood products which is obvious from import data but the question remains why there is short supply of wood from the domestic forests even having high resource potentiality. It has become a major dilemma or challenge of the forestry sector in Nepal.

Timber import in Nepal

Despite having a large volume of growing stock, Nepal imports timber and timber products from several countries including India, Indonesia, China, Myanmar, Malaysia, Singapore, Germany, Ukraine, the United Arab Emirates and the United States of America each year. Customs data shows that Nepal has imported about four million cubic feet of timber in the last five-year period alone (Table 1). More than two million cubic feet (50 %) timber has been imported only from the Birgunj custom. Although custom records do not support, the Federation of Forest-based Industry and Trade, Nepal (FeNFIT) claims that Nepal imports more than 2 million cubic feet of timber (in the form of logs and sawn timber) annually in the cost of NRs 4,500 million. In the fiscal year 2075-76 BS (2018-2019), Nepal spent Rs 6.61 billion against 5.56 billion in the previous year in the import of timber and timber products from several countries¹. Even in 2076/77 (2019/20), the import of wood and wood related materials reached up to Rs 5 billion (see Table 2). Many entrepreneurs and experts claim that tightened provisions and processes of timber collection and extraction in Nepal's regulations have been pushing for timber import in the country.

¹<http://therisingnepal.org.np/news/33277>

The import data shows that the project should address issues of additional timber harvesting from community forests, collaborative forest and government-managed forests under sustainable forest management component that minimises the import as well as encourage local forest-based entrepreneurs to invest and expand their enterprise. This action will save a huge amount of money and increase a significant number of green jobs in the country.

Table 1: Status of timber import from three entry point in last year (measured in cubic feet)

Fiscal year	Biratnagar	Birgunj	Bhairahawa	Total Import
2071-72	128,703	702,586	128,703	959,992
2072-73	65,443	284,216	65,443	415,102
2073-74	402,466	55,796	402,466	860,728
2074-75	514,865	473,300	48	988,213
2075-76	233,716	493,394	-	727,111
Total	1,345,194	2,009,292	596,660	3,951,146

Source: Records from Divisional Forest Office, Morang, Parsa and Rupandehi

Table 2: Wood import (in Rs)

Fiscal year	Amount (in Million Rs)
2066/67	471.59
2067/68	707.29
2068/69	814.59
2069/70	1117.40
2070/71	2232.20
2071/72	4923.40
2072/73	2604.20
2073/74	4398.90
2074/75	5788.00
2075/76	6606.10
2076/77 (2019/20)	5016.28

Source: Department of Customs

Status of processed wood products import in Nepal

According to the Nepal Furniture and Furnishing Association, Nepal imports Rs 18 billion worth of furniture and furnishing products annually. The market for furniture and furnishing products in Nepal is worth around Rs 30 billion annually, and 60 % of the demand is fulfilled through imports². Further, according to the association, there is a demand for Rs 18 billion worth of furniture and Rs 12 billion worth of furnishing products such as drapes and carpets in Nepal annually. These products are mainly imported from two neighboring countries – China and India. However, some portion of furniture and furnishing products are imported from other countries such as Turkey, Italy and Jordan among others.

According to Rajesh Agrawal of the Association, main reasons of growing imports of furniture are inadequate production that does not meet the country's demand of furniture and furnishing products in Nepal as well as unavailability of timber and skilled workforce in the country.

In addition, Nepal has been importing plastic furniture products with nominal wood attachment and wooden furnishing materials. Steel, Aluminum, Iron and PVC have significantly replaced wood in urban buildings. It is estimated that about 10 % doors and 50% windows of the urban home are from Steel, Aluminium, Iron and PVC. Also, new government buildings are seen without using wood.

Timber trade in Sindhupalchok and Kavre:

Sindhupalchok and Kavre districts are rich in forest resources and have a long history of forest conservation and management. Forest in Sindhupalchok and Kavre covers an area of 115,740 ha (77.87%) and 75,871 ha (53.51%) respectively. Despite of having high forest area and good growing stock in the region, the annual timber production and sale is lower than the potential production volume. For example, the annual potential timber production in Sindhupalchok is 558,050.5 cft while only 27.30% or 153,410 cft was harvested in FY 2076/77, among which 90% was from private forest. Amid the increasing import of timber, the price of pine timber is decreasing and the production volume is fluctuating each year. The following figures and table show that the timber production is low and rate is decreasing.

²<https://kathmandupost.com/money/2016/05/26/demand-for-imported-furniture-on-the-rise>

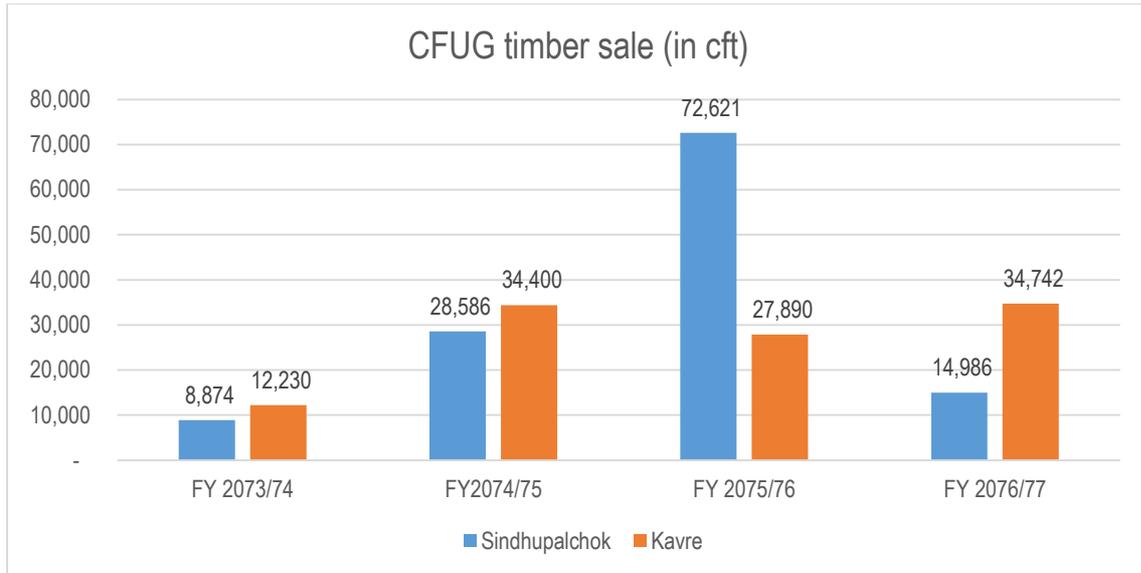


Fig: CFUG timber sale

Sindhupalchok	102-152	342-462	158-436	104-257	The rate is exclusive of CFUGs harvest cost which is paid additionally
Kavre	Rate decreased from Rs 400/cft on average to Rs 200/cft on average currently				

District	FY 2073/74	FY 2074/75	FY 2075/76	FY 2076/77	Remarks
Sindhupalchok	N/A	N/A	N/A	137,422	
Kavre	269,338	232,342	217,388	109,519	

Source: Annual Progress Report 2076/77, DFO Sindhupalchok and Kavre

Appendix -2: Participants of the EPPL

S.N.	Name	Position	Organisation
1	Binod Sapkota	Chairperson	FECOFUN, Bagmati Province
2	Daya Laxmi Shrestha	Secretary Chairperson	FECOFUN, Sindhupalchok Shreechhap CFUG
3	Devi Chandra Pokharel	DFO	Division Forest Office, Kavre
4	Krishna Bahadur Thapa	AFO	Division Forest Office, Sindhupalchok
5	Hari Pandey	Under-Secretary	MOFE
6	Sunita Ulak	Assistant Research Officer	FRTC
7	Madhav Mani Homagain	Chairperson	FenFIT, Kavre
8	Bishnu Hari Pandit	Agro-Forestry Specialist	EnLiFT2/NAF
9	Shambhu Dungal	CF Silviculture Specialist/ Country Representative	EnLiFT2/RECOFTC, Nepal
10	Hemanta Ojha	Forest Policy Specialist	EnLiFT2/University of Canberra
11	Kiran Paudyal	Forest Enterprise Specialist	EnLiFT2/ForestAction Nepal
12	Mani Ram Banjade	Governance Specialist	EnLiFT2/ForestAction Nepal
13	Naya Sharma Paudel	In-Country Coordinator	EnLiFT2/ForestAction Nepal
14	Prakash Jaishi	Research Officer	EnLiFT2/ForestAction Nepal
15	Rahul Karki	Researcher	EnLiFT2/ForestAction Nepal
16	Shyam Bhandari	Researcher	EnLiFT2/ForestAction Nepal
17	Swayambhu Man Amatya	Timber Value Chain Specialist	EnLiFT2/ForestAction Nepal

Appendix - 3: Responses of participants in moderated discussion

FECOFUN/CFUGs (Daya Laxmi Shrestha):

- Major problem of CFUG is the lack of technical know-how in forest management, tree and timber measurement. We had to do re-measurement as timber harvest was not successful in same fiscal year when approval was given, estimated/calculated volume has been decreased in second measurement.
- We have bitter experience in getting approval for timber harvest. The process took long time - more than 6 months, so timely harvest was an issue . Later, the timber was harvested in rainy season and couldn't store properly thus timber was decayed and got low price.
- In case of financial access, government should allocate a fund and provide loan until CFUG get income from timber sale and payback.

Timber Trader/FenFIT (Madhav Mani Homagain):

- Advance investment by timber traders in CFUGs and seek timber return in their own price is overall issue of country but in case of Sindhu-Kavre, CFUGs don't have to depend upon timber entrepreneurs for prior investment and provide timber in low price.
- There is no uniformity in timber/tree measurement. Legal definition also differs person-wise DFO staffs. We should develop a common understanding and single standard where we all can agree on it. Let's start from Kavre-Sindhu and show example for rest of the country too.
- FenFIT is ready to take part in dialogue and facilitate to solve the issues.

AFO, Sindhupalchok (Krishna Thapa):

- Timber price has been decreased as decorative piece of timber comes from abroad which is defect/disease/pest/deformity free. It comes in suitable size, form and shape. Alternatives to wood also available easily in market.
- Private forest has low volume of timber, thus not feasible to sale profitably. Also, for a small amount of timber, it requires multiple visits and lengthy process of approval.
- CFUG/private forest are unable to add value to raw timber. Value addition is needed from seed collection to timber production and product finishing and diversification.
- Appropriate sizing, seasoning and treatment are necessary. Use of all parts of tree, product diversification, could not prepare decorative and fancy items.
- DFO doesn't have sufficient staffs to cater the need of the public.
- There is no conversion guideline therefore timber calculated volume differs to actual one.
- Expense reduction and price increment needed in timber trade, provision can be made for financial management through green bank in the form of loan. Rs 5 million has allocated to Sindhupalchok but it shall be spent as annual program while CFUG repay in 2-3 years therefore difficulty in implementation.
- Almost 50% CFUGs are active, regular orientation needed as the EC change in few years.
- Employment of forestry professionals by CFUGs in cluster through their own fund seems logical as CF is shifting toward production from subsistence use.

FECOFUN, Binod Sapkota:

- Need to shift from conservation to production oriented but there are many shortcomings for this (legal, managerial, capacity etc.).
- Legal provisions are defined differently by each DFO/staff that creates confusion and obstruct the progress. It depends upon will-power and intention to use the same legal framework for the welfare of CFUGs and people.
- Should develop a common understanding among CFUGs, FECOFUN, DFO, Local level and Timber traders, otherwise difficult to change anything in this sector.
- Sometimes DFO halts CFUGs OP or timber harvest approval process or delay without valid reasons. Mindset of DFO/staffs should be changed from ruler to service provider/duty bearer.
- We are ready to work on governance improvement of CFUGs and timber trade issues.
- CFOP should be simple, comprehensive and easy to implement. We can adopt cooperative model for forest-based enterprises and timber trade within CFUG or in a cluster of CFUGs.
- Financial provision should be legally established. Government should make such provisions clearly. Where there is scarcity of fund in DFO, CFUGs provide their field visit costs but cannot legalize so governance seems weak. We are ready to sort out this problem jointly.

EnLiFT, Bishnu Hari Pandit:

- Private forest owners struggle in timber harvest and sale as their harvest volume is low but process is lengthy and tiresome. Forest Act 2076 has made the approval process more complicated as they have to go to both authorities (local government and DFO). This complicated provision needs to be amended.

DFO, Kavre (Devi Chandra Pokharel):

- DFO is a monitoring institution, therefore, the supervision and monitoring should be understood in same way. It is the responsibility of DFO to supervise forest activities.
- CFUG can allocate the timber income for further timber trade and forest management as provisioned by CFD guideline. The provision of at least 25% CF income could be invested in forest management/timber trade instead of spending money in school, road and other non-forestry activities.
- A forest product collection fund/forest development fund can be established for covering field visit and monitoring cost as a non-freezing account as practiced by some projects (BISEP-ST) in past.
- Managing the forestry technical staffs through company or consultancy certified by Nepal Foresters Association (NFA). It is a welcoming solution to assist the technical aspects and fulfill the scarcity of the DFO staffs.
- DFO staffs also need capacity building on issue based sensitization, timber trade, modern tree/timber measurement techniques etc.

EnLiFT (Hemanta Ojha):

- Today's dialogue needs to be synthesized and prioritized. SWOT analysis needed and shall be presented in the same group in the next meeting.
- Government authorities, community and traders shall be engaged actively and deeply in further series of dialogues.

- A new institutional vehicle should be created as existing mechanism is unable to provide amicable solution.
- Dialogue should be focused on real issues and practical solutions rather than see it as only political debate.
- Initiation of social enterprise by including efficient services, technical support and fund management in new mechanism to offer implementable solutions to the existing timber trade issues.

EnLiFT (Naya Sharma Paudel):

Three key action points to be carried forward

- Government (DFO), Community (FECOFUN and CFUG) and Traders (FenFIT) from Sindhupalchok and Kavre should take this forum ahead and EnLiFT will facilitate.
- EnLiFT commits to organize a series of issue-based dialogues. We will organize a workshop soon in Kavre or somewhere feasible.
- To ease the timber trade, we are ready to support to publish leaflet/brochure that depicts the clear legal procedures, steps, processes and documents requirements. DFO, FenFIT and FECOFUN are expected to prepare the content and EnLiFT will support in publishing.

Annex- 4: Agenda of the EPPL

EnLiFT Policy and Practice Lab (EPPL) Dialogue on

Timber harvest and Trade Issue: scope for district/local initiation

1. **Date:** 15th October, 2020
2. **Time:** 11:00-12:30
3. **Responsibility**
 - **Moderation:** Dr Naya Sharma Paudel
 - **Key note presenter:** Dr. Kiran paudyal
“Timber harvest and trade issues and possible solutions” -15 min
 - **Presenter:** Devi Chandra Pokharel
“District level experience in timber harvest and trade issues” -10 min
 - **EPPL Designer:** Dr. Hemanta Ojha, Dr. Mani Ram Banjade
 - **Field issues collection and EPPL report preparation:** Shyam Bhandari
 - **Query:** some queries and comments on presentation (10 min)
4. **Moderated Discussion:** Moderated by Dr Naya Sharma Paudel
5. **Participants of moderated discussion:**

Devi Chandra Pokharel

Daya Laxmi Shrestha

Hari Prasad Pandey

Krishna Bahadur Thapa

Madhav Mani Homagain

Sunita Ulak

Binod Sapkota

Lok Bahadur Kunwar

EnLiFT team

Annex- 5 Sample of slides and screenshots

ENLIFT POLICY AND PRACTICE LAB ON TIMBER TRADE

15 October 2020
EnLIFT/ForestAction, Nepal
Kiran Paudyal

Issues/Problems

- Unjustified gap between consumer price and producer price
- Low demand for CF/PF timber, yet huge import of timber and substitutes
- Despite high potential for wood production (approx. 100 million cft), current production is 20-30 million cft

Out of total production
 ~ 30 % CFUGs
 ~ 70% private sectors

Production potential much more high than current production

Five areas of possible actions

- Legal and administrative
- Institutions and governance
- Technology, methods and equipments
- Financing
- Capacity

Legal and administrative aspects

- Easy approval process of OP and harvesting plan
- Power delegation to sub-divisions – e.g. approval of CFOP less than 30 ha, harvesting plan preparation & approval, approval wood for internal consumption, auction, for timber
- Royalty/Tax on final volume at depot – paying royalty based on estimation while trees are standing
- Auction/Tender process – early confirmation of right documentations - early support CFUGs – if additional documents are needed, DFO
- Timely approval, harvesting and collection- early starting Nov – Apr – after auction the process of releasing timber should be fast
- Reduce supervision & monitoring during timber harvesting by CFUGs and DFO

Technology, methods, equipment

- Adequate number of sealing equipment
- Use of efficient transportation vehicles
- Portable Ropeway
- Power chain saw
- Portable sawmill
- Online auction
- Vehicle tracking system

Technology, methods

- Improve volume measurement methods – so that conversion factor from log to sawn timber can be near to the accuracy
- Prepare volume table and local form factor for Pine species
- CFUGs hire forest technicians
- Precise projection of timber production/supply from a cluster of CFUGs

Capacity building of CFUGs

- Awareness on CFOP preparation and harvesting plan
- Awareness on legal procedures, and market dynamics
- Training on SFM and power chain saw operation
- Simplify CFOP and harvesting plan considering producers' capacity to understand and implement
- Organise discourse with wood entrepreneurs/CFUGs regarding auctions & pricing – market research
- Awareness on timber use (only Sal is not a timber) – possible timber goes to the firewood purpose such as chilaune, katus, etc.
- Timber trade promotion fund – or cooperative

Issues on Timber Business In Kabhre-Sindhu



Major Issues on Timber Related Business

- Local Bodies Concern has Increased.
- Royalty Collection for Local Bodies and Province Gov.
- Capacity of CFUG and DFO Local Staffs
- UG Leader's involvement in Business: Dual Role
- External Influence
- Right VS Responsibilities
- Unexpectedly Longer Time taken after approval of Auction (CF to be fully Paid)
- Both Price Exaggeration and Under Estimation Practice Existed
- Uncertainty/Irregularity in Timber Production from CF (Sct. Mgt/Sust. Mgt, Thining)



The Truth

- Major focus of Timber Traders: Private Forest
(Few Stakeholders, Pricing, Species Diversity)
- Timber Production from CF not Regular.
- Current Year Market Price : Reported Decreasing ()
- Legal Transition ongoing
- Tax/Royalty Charge for Business
- Market Surrounds



Need to be Done/Improve

- Harvesting Logging Skill enhancement
- Timber Grading System
- UG capacity Building on Due Legal Procedure
- Log Record Keeping/Log Yard Management
- Build Common Understanding/Practice - UG Benefit 1st
- Enhance Fair Competition/Governance
- Information on Timber Market Price.
- Prompt Timber Collection in case of disaster.
- Diversification of Products / End Use
- Clear Funding Modality or Subsidie on establishing Collaborative Business OP & Forest Restoration

