

Private Forestry: Understanding and Facilitating Sale and Transportation of Timber

EnLiFT policy and Practice Lab (EPPL)



June 23, 2022 (Ashad 9, 2079)

Dhulikhel, Kavre

Introduction

Promotion of private forestry through introducing innovative management methods, capacity building of private forest owners, facilitating farmers associations and improving their access to better market and fair price has been one of the important action areas of EnLiFT2. During our engagement with forest farmers and traders, some important insights on harvesting and trade emerged. The team had realised that there is a need to develop a process of engagement among community leaders, DFOs and local governments through which they can fully appreciate the value of facilitating private forestry, understand the limitations and opportunities presented by the existing regulatory frameworks, and then actively support private forestry value chain development through moral, regulatory and administrative means. This process was also helpful to identify specific barriers and opportunities to address them through improved regulatory practice locally, and through providing policy recommendations to provincial and federal governments. This report provides the details of the presentation, discussion and some conclusions that were derived during the EnLiFT Policy and Practice Lab (EPPL) meeting.

Welcome and introduction

Naya Sharma Paudel, in-country leader of EnLiFT, welcomed the participants and introduced the event. He shared that the promotion of private forestry through improved forest/tree management methods, capacity building of private forest owners and facilitating access to market and fair price were key project interventions in this stream of activities. As an action research project, EnLiFT also seeks to better understand the factors that help promote private forestry and communicate these with the policy actors. In this context, EnLiFT Policy and Practice Lab (EPPL) was designed and tested a couple of times on various policy related and practical issues. This time the focus of EPPL was on private forestry.

He then described the EPPL methodology- a researcher's presentation on major findings on the subject and posed 3-4 key questions in which participants would discuss. DFO/AFOs, private forest owners, traders and experts were the participants. Unlike large workshops with 50+ people in the room, the EPL/EPPL is a small (10-15 participants) meeting in a cozy environment where everyone is encouraged to bring critical yet conversing prospective strategies and actions in response to those identified challenges/questions. He urged participants to engage in a constructive dialogue, rather than a heated debate.

Presentation by Bishnu Hari Pandit

Bishnu Pandit, through a PowerPoint presentation made the following points: We have already conducted local level discussions on this in Chaubas and Sreehhap. I will present some observations in the field along with issues that emerged during our local level meetings in two sites. Towards the end, I will float a few questions that we want to focus our discussion on.

Let me start with a few observations:

- High volume of timber harvested last year is still lying-down on farmer's land.
- Small farmers with a few trees in their farmlands have faced difficulty in selling their timber as bringing survey people (Amin) has proved to be costly
- Private forest owners are facing multiple challenges -mostly regulatory but also others.
- There is little new registration of private forests and this is an indication of regulatory challenge or lack of incentive to register.

With these observations, let me pose these actor specific questions:

Questions to the local government:

- How can municipalities encourage and support farmers in private forestry?
- How can municipalities help resolve boundary conflict between CF and PF?
- Does your municipality have a private forest strategy or investment plan?
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Questions to Private Forest Owners Association

- What could be the role of the farmers' association in promoting private forests?
- Who will speak on behalf of farmers at a higher level of policy making?
- What kinds of evidence/facts do you need for better advocacy?

Questions to the timber business or private sector

- What are the factors (e.g., land survey office fee, VAT, taxes) that contributed to high transaction costs and therefore low timber price for the producer/farmers?
- How can Nepal compete with the price of plywood imported from foreign countries?
- What can you do to support private forest owners?

Discussion

After the presentation, stakeholders were requested to respond based on their own experiences and insights. Below are the factual texts as shared by the participants.

Netra Bahadur Kunwar (Private Forest Owner/ Former DFO staff, Kavre)

It is difficult to bring survey officials (Amins) to measure and certify the land ownership. Also, the formal cost of measuring is quite high. It is Rs 3800 per ropani, irrespective of the number of trees in it. For those farmers with only a few trees in a ropani, this fee is not worth paying.

Mr Kunwar had to harvest trees from his 12 ropani. He invited the survey people a few months back, measured it and followed other necessary processes to sell the timber. He presented the following costs and benefits of timber sales from two sites below.

Transaction A

Items	Unit	Income & Expenditure (Rs)
A. Income		
Total CFT harvested	928	
CFT decrease during transportation	131	
Remaining volume (CFT) and income @ Rs 600/CFT	797	478200
B. Expenses		
Amin/ Sub-overseer		25000
Timber cutting		90000
Sub-division		18000
Tax (VAT 13+Province 2)		14000
Forest Office		14000
Loading		16000
Vehicle transport		72000
Registration (darpith)		3000
Total of B		252000
C. Net benefit to the farmer without local government tax		226200
Local government tax (Rs 5/CFT)		4640
D. Net income after local government tax		221560

Transaction B

Items	Unit	Income & Expenditure (Rs)
A. Income		
Total CFT harvested	1012	
Rate (@ Rs 600 /CFT)	600	607200
B. Expenses		
Amin/ Sub-overseer		25000
Timber cutting		101200
Sub-division		20000
Tax (VAT 13+Province 2)		15175
Division Forest Office		15000
Stamp/ Tancha		1000
Loading		22000
Vehicle transport		90000
Registration (darpith)		5000
Sub-total B		294375
C. Net benefit to the farmer without local government tax		312825
Local government tax (Rs 5/CFT)		10060
D. Net income after local government tax		302765

Sometimes, when a truck is loaded, we cannot find the Sub-division officials, if they are far away, or sick or busy, the loaded truck is on hold. The cost per day is usually high 20000-25000, which simply adds to the cost of timber.

Anju Maya Shrestha (Private forest owner, Sindhupalchowk)

“Since we don’t have large blocks of forests, it’s difficult to take survey officials to our land”, she shared. She has several smaller parcels of land which may incur the high cost of bringing survey people to the field. Lack of legal knowledge on the sale of forest products has led to its decay. One of her neighbours felled trees and looked for a contractor to sell it, but he could not find one. The timber was damaged and he couldn’t sell it. Many people want to clear the forest surrounding their farm because of the increased crop raid by monkeys.

Dipendra Chaulagain (PF owner, Sindhu)

1. Inadequate knowledge on timber harvesting and selling procedures. It is so difficult to get a good price for the timber.
2. Uniform taxes are imposed irrespective of the timber quality and market price.
3. Expenses are a lot while income is limited.
4. The long procedures of selling timber have caused a lot of hassle. Since the procedure is long, it takes time to get into the market. During winter we cut our trees but the paperwork is too lengthy so that it can be sold only during the rainy season. As a result, the timber quality decreases, thus lowering its price.
5. For those private forests adjoining CF, the CFUG usually asks us to leave a few feet of the land. Is this mandatory? Are there any official standards on how much we should leave?
6. Being a farmer we don’t know the actual market rate of the forest products.
7. While it is usually the contractors who pay the tax. However, that has direct impacts on the price they pay for us (farmers). They often justify the low price, because of emerging high and multiple taxes.
8. I had to sell Chilaune for Rs80/cft and Uttis Rs 100/cft, - this is too cheap as compared to their market price.
9. Though the trees are felled during winter/spring, because of the lengthy paper works it goes to rainy season before we are able to transport it to the city
10. Many farmers in our area have sal trees in their farm, but they cannot sell it.

Sunil Lama (Timber Contractor, Kavre)

- The problem is the lengthy process of registration and chaotic tax mechanism
- The process from harvesting to taking it to the market is very long. Before cutting the trees, we have to inform the respective department. If respective officials do not respond to the calls on time, we can’t take the process further. Then this delay causes an array of problems.
- Taxes, Vats, Royalties, these factors have increased the expenses. There is Rs 20/cft tax from Municipality, Rs 2/cft from Province, and 13% VAT.
- Yes, farmers always expect more price. However, we have to compete with imported cheap wood and therefore cannot provide our farmers as they expect.

Naya Sharma asked two questions.

1st some farmers have few trees and some might have more. You cannot process the documents for each individual farmer. How do you manage in this situation?

Answer: Yes, we cannot process documents for every farmer. We add a couple of trees from other farmers too. However, in the document, it is the single farmers' timber. The officials mostly cooperate in this situation. However, not all of them help.

2nd, since you take the survey officials to the forests, what is the possible problem that you face? Answer: Yes, it is difficult to get the time of the survey officials. Around the time of crop harvesting, the survey official's are rather occupied with urban, flatlands due to plotting. Sometimes it takes three to four months to get their time. By that time, the season changes and timber starts to decay. It completely depends on their priority.

He further claims that the problem that persists is the timely availability of survey officials. They often tend to prioritize requests for services from urban areas with high land value which reward them better. To make sure everything goes according to the plan, we have to special arrangement (i.e., Bhale, Jad, Raksi) as the unavailability of one official leads to a delay in the harvest of the woods. This is why our expenses are high.

Lok Bd Kunwar (Ward Chair- Bhumly-4, Chaubas)

- Problems are immense but identifying the problem is not enough, solutions need to be proposed and implemented. He focused on creating a close relationship between the local government and the Forest Department. There needs to be a forest department in municipalities so as to cater to all the problems relating to private forest.
- The main problem with the private forest is there is no proper manual on minimum forest area that is required to register as private forest and also regarding location i.e. where should private forest be located?
- Another problem is the Survey Officials (Amins). Previously, even if the lands were 50 Ropani areas or 100 Ropani, the rule was to collect royalty of 1 Kitta (parcel) but now its 2 Ropani equals 1 Kitta. Subsequently, another problem that exists is the slow working fashion of the survey officials. Basically they do not measure 1 or 2 kitta lands. If the proposal of at least 10 kitta lands comes, they go to the field. It's because they get to go to the field when remuneration is high. The problem does not end here. They prepare the document of 10 kitta lands in 2 days and take 8 days sick leave. And the paperwork is submitted to the department only after 10 days. This slow working process of the survey officials has created a lot of problems.
- It is important to take the survey official along, especially when the CF land is adjacent to PF. However, when survey officials come to measure and delineate the lands, many people may not accept it, which often leads to conflicts. In most of the cases, local government leaders have facilitated such conflicts.
- The market price of Chilaune is lower than that of Utis, or there is no demand for Chilaune at all. But when it comes to paying Royalty, farmers have to pay the

same amount of royalty. Despite low demand and market, farmers have huge amounts of chilaune in their forest. Now the problem is, if the farmers try to take chilaune to the market they have to pay Rs 26 instead of Rs 13, while they get half the price from the market. At this time, the government needs to update the manual and propose solutions.

- Regarding the Tax rate, I think it is important to make it easy among the farmers. Rather than paying taxes in every other department and making it hectic, the tax payment process needs to be shortened.
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Naya Sharma Paudel

Naya Sharma Paudel asked Gaurav Bhatta to focus his response in the following five areas.

1. First about the incentives. i.e. What benefits do Private Forest Owners get after registering the forests? Why should they register? Are there any incentives to the owners?
2. From the discussion we have come to know about the problems that private forest owners are facing relating to survey. So, regarding that I want you to address a few things. 1st are there enough Amins in the Survey Department and what are their priority. To this, Dipendra Chaulagain added, the Survey people do not have proper manuals. When they come, they often seem to be in hurry; hastily measure the land and there is no clarity in their report. Had there been proper manuals, they would work in an authentic way. On the whole the process of measuring and delineating land has remained costly, both in terms of their availability, the involved fees and informal costs and associated conflicts.
3. There are a lot of small scale farmers having very few trees and taking Amins is not possible. What should we do in this context?
4. For instance, an individual spends about 20,000 to 25,000 to transport timber in a truck. But there is a question on what if they fail to do all the official work on the same day, since they will have to pay additional charges.
5. We know that the overall process is lengthy and full of hassle. Involvement of various departments makes the process more time consuming, and the more time it takes, individuals will have to bear additional costs. There is a question on how can this issue be addressed?

Gaurav Bhatta (Kavre AFO)

- He started with the positive aspect of the Private Forest. That is its ability to address all the market needs. As the production from the community forest is almost null, this problem has been address by the private forest. Like how Terai's Sal is banned in Nepal, the importance of the PF has even increased. For instance, Utis needs to be used immediately after felling before they get dry. After felling, auction and transportation of UTIS from CF takes a long time and during which it gets dry and loses its quality. In case of private forest it is easier.

- The potential of private forests is very high. Private and community forests can have the same species, but it is evident that individuals with private forests have harvested timber almost 7 to 8 times while those in community forests have only been able to harvest it a single time. This has resulted in attraction among the people towards private forests.
Private forests have been able to address the market demands at the same time. Moreover, despite problems in regards to harvesting and sale of certain products, farmers have still managed to address the market demand. So in order to increase its efficiency, there is a need for proper forest management, and part of the aim of this EPPL event is to figure some way out.
- In regards to registration, when the DFO used to handle registration, there was comparatively more registration. Now, the role has moved to LG. Unfortunately, they do not have the needed human resources for this. This is an impractical rule. To solve this issue, there should be a proper manual from the provincial government side and we should also take the necessary efforts to make this process hassle free.
- There are some good benefits of registration. They get DFOs technical support and sometimes other inputs too (e.g., free seedling etc.). And another benefit is that the registered Private Forest owners can get involved in the bidding for implementing various forestry programmes .
- The Forest Department has issued a working procedure on our role during land survey. We are not allowed to part of the written bond (Muchulka). So we cannot handle the land related issue. Farmers have to resolve on their own or in collaboration with Survey people.
- Another issue is that we sell timber according to cubic feet while royalty is paid according to the land area i.e. Ropani. There is a slight difference. Just like we can't work beyond the rules and regulations, they are also bound by the government rules and regulations. This needs to be addressed from the policy level; there is nothing we can do. In addition, the government should settle the issue regarding tax and royalties.
- In case of small scale farmers, the sub division officers can give the authority. But again the problem is, if this is practiced in one district, then authorities in other districts are also compelled to do the same. This poses a question on whether others are willing to do in the same way.
- Regarding management of conflict between the private and community forest, he suggested resolving it, as prolonged conflict would lead to the decay of the woods.
- Adoption of advanced technology will ease the hassle of tax mechanisms. Departments need to upgrade the existing technology and initiate an online tax collection system.
- Close coordination between farmers, forest department and entrepreneurs will resolve the problem.

Krishna Bahadur Thapa (Sindhupalchowk, AFO)

- Procedure is too long and has created hassle among the Private Forest Owners. This is the reason why Private Forest owners are not registering their land. Simply blaming the system also does not solve it. We need to understand why people are reluctant to register their forests.
- As there are similar products in CF and PF, separating them is the major legal challenge. The whole range of regulatory instruments are just to make sure public resources are protected. That's why the process becomes long. First, the hassle is to segregate Private Forest and Community Forest, to segregate the lands, survey officials come and that induces the conflict.
- Survey officials who are trained for 10 months are segregating the lands. Had our academic degree modernized the teaching methodology and taught cadastral survey to the foresters, they could utilize that knowledge in the field. We can provide this service from a single window.
- Imported timber is killing our market and especially the local farmers because of our low quality. We have to start from seedlings. We don't have a seed testing facility in our country.

Solutions:

- One stop solution in terms of tax collection needs to be initiated. If one department is made responsible to collect VATs and Taxes, it can solve a lot of problems.
- If municipalities hire survey officials and forest officials, it could help to reduce the problem of measurement and delineation of private forests.

Bishnu Hari Pandit requested Devi Chandra Pokhrel, to include the following issues in closing remark

1. Issue relating to Tax and VAT
2. Boundary conflict of Private Forest and Community Forest;
3. Why is registration too low? Can we do anything in Local level to solve this issue?
4. What if forest officials are provided with training so that we don't have to rely on Amins?
5. What can we do from the local, provincial and federal level?

Devi Chandra Pokhrel (Kavre DFO)

DFO can help resolve the tax issue. He shared the example from Terhathum and Sindhupalchowk districts. DFO can coordinate with LGs in reviewing their timber-based revenue to make it more scientific.

The provincial governments have been taking 2% royalty from private forests. While this is a nominal rate, there are many instances in different districts, where PF owners have to pay more than the stipulated rate. He further stressed the need to manage this irregularity. FenFIT and the Forest Department too should play a pivotal role in this matter. Regarding the issue of VAT, there is a confusion in relation to the VAT return. He also posed the question to the plywood industry who have been paying VAT on the factory's name during the collection of the timber and then claiming for the VAT return.

Sometimes, contractors tend to show higher prices for timber without proper evidence. They appear to be ready to pay VAT and other taxes accordingly. This is probably to show their higher transactions for loan purposes.

Sunil Lama: by showing this heavy transaction it is their way to apply for the loan sanction from the bank.

We have a responsibility to collect the royalty on behalf of the Provincial government and VAT on behalf of the Federal Government. The LG can assume the role. That will ease the traders.

To receive support from various schemes, local farmers need to build their capacity. Bagmati Province is preparing a manual for registering private forests.

Suggestions:

- In order to encourage PF owners, he suggested a provision on easing VAT in case the forests are registered.
- There is a training center in the survey department where training is given to the survey officials. Utilizing the space, officials higher than forest rangers should be provided with the training on land survey, land division so that we don't have to rely on survey officials.
- The problem with the private forests can be resolved if all the management domains, production domains and other related domains actively work to solve them. Since the production from the community forest is minimal, the pressure within the private forest is increasing. Had the CF generated products on the same scale, the pressure over private forest owners could be reduced.

Bishnu Hari Pandit

Bishnu Pandit summarized the overall discussion and presented the following points.

- Incentives should be provided to the registered private forest owners.
- To encourage PF owners, the provision of Insurance facilities should be operationalized.
- Suggestion to make VAT free to the PF owner's in order to encourage the higher production.
- Government has introduced the provision on penalty to the owners who leave the land fallow. Instead of doing this, if the government comes up with "no penalty" provision to the registered lands, then the number of registrations might increase.
- Suggestion to the EPL team to make it possible to take the concern to the central level regarding the long and lengthy procedure of registration and tax mechanism.
- In regards to the problem relating to the Survey Officials, training can be provided for the officials higher than Ranger level so that they could have hands-on experience on land survey techniques. Similarly, the addition of the Cadastral

Survey as an academic degree would help reduce the reliance on survey officials. Likewise, including human resources in Municipal Corporation who are proficient in surveys would solve a lot of problems.

- One stop solution; provision to pay tax to either local level or provincial level, would bring some ease to the PF owners.
- Tax should be levied according to the variety of the forest products.
- In order to resolve the conflict between community and private forest, discussions between CIAA, survey department, forest officials, and respective stakeholders can be helpful.

Conclusion from DFO

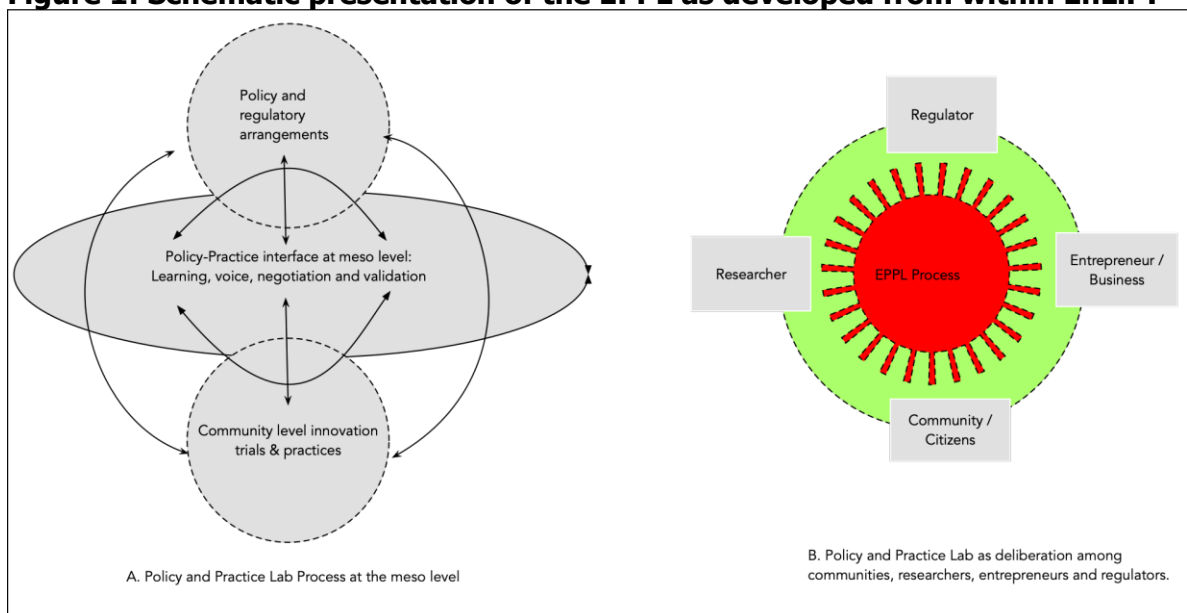
Devi Chandra Pokhrel (DFO) presented his concluding remarks by highlighting the following points.

1. DFO can increase the sealing machine. If needed we can request additional support from the provincial government.
2. The forest officials can be provided with training on survey (Napi), which could solve a lot of problems.
3. One door tax collection system needs to be institutionalized.
4. In relation to the supply of timber from the private forest, target program will be conducted by the DFO to support local farmers and entrepreneurs. Adding to his point, Mr. Krishna Bahadur Thapa (Sindhupalchowk, AFO) elaborated the idea of the “target program” and its benefits with an example. For instance, there are records in the Forest Office regarding the collection of timber in the past 10 years, what if the Division Forest Office sets a target of exporting 50000 cft from the private forest in addition to allocating budget for this purpose. This would compel the staff to work aggressively in order to reach the target. If the target could really be achieved, it would bring a lot of changes. Moreover, this would also have a win-win situation.
5. I think there needs to be a forest office in every LG and this will help resolve many problems. To this Krishna Bahadur Thapa (AFO, Sindhupalchowk) added Local government should play an important role in giving training on harvesting techniques.
6. Generally, I agree that there is no such provision relating to “not getting tree-harvesting permits for sale and transportation during the four months”. We do get a lot of requests from traders to open throughout the year. However, our existing human resources cannot support if we were to open throughout the year. Our staff have to do other administrative, and developmental work as well.

Annex 1: Theory and practice of EPPL

EnLiFT Policy and Practice Lab (EPPL) has been developed and experimented as an innovative approach to enhance communication between four key actors in forest sector: i) regulator, ii) producers -community or private; iii) entrepreneurs, traders; and iv) researchers (see Figure 1)

Figure 1: Schematic presentation of the EPPL as developed from within EnLiFT



Source: Ojha (2021)

EPPL process

The EPPL usually adopts 5 key steps: introduction, presentation, framing questions, discussion and conclusion (Figure 1). The meeting starts with brief introduction of the issue under discussion and its process. It is followed by a detailed presentation of key facts and concerns as observed as documented by researcher. Three to four central questions are floated by the research team on which a moderated discussion begins. Towards the end some workable areas and way forward are identified through a collective assessment. These action areas are a take home message with some commitments from the respective actors/agencies.

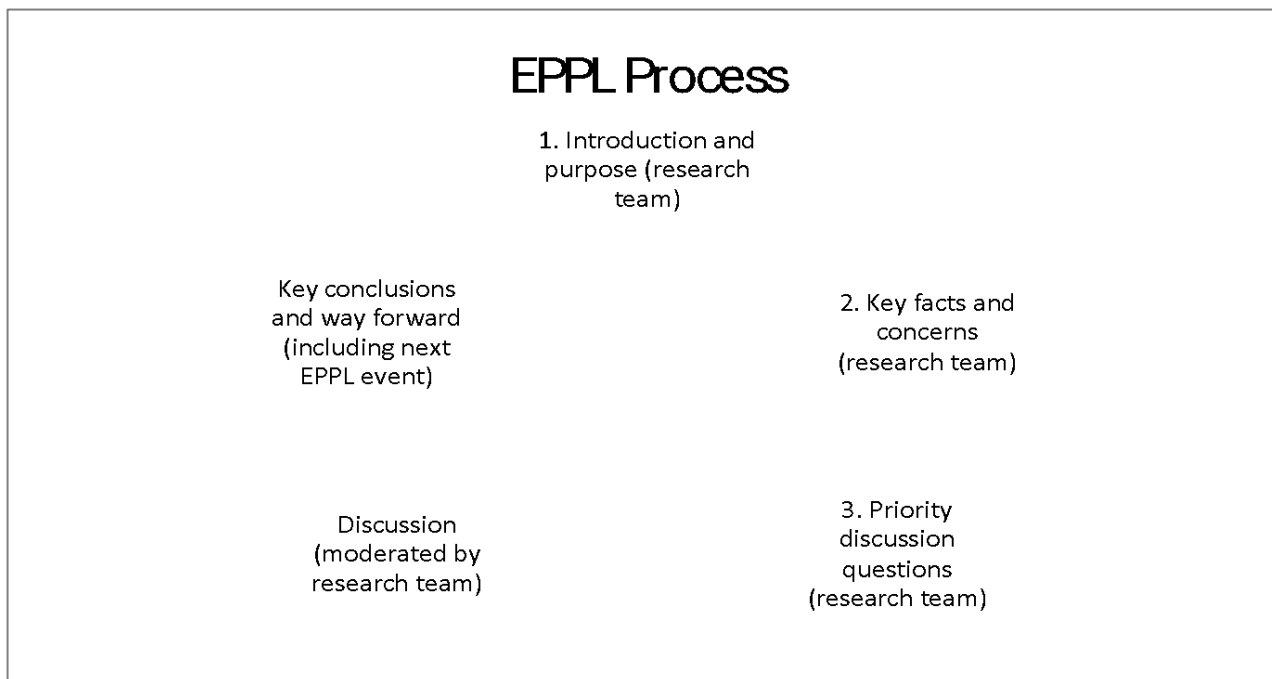


Figure 1: The schematic presentation of the EPPL process

Participants for each EPPL are selected based on their relevance. In case of this particular EPPL the following categories appear relevant.

- a) District based regulatory officials of Provincial government – Divisional Forest Officers
- b) Local government officials
- c) Representatives of private forest owners
- d) Civil society group advocating the rights of small scale private and community forestry users/owners – AFON/FECOFUN
- e) Representatives of private forest traders / value chain actors

We have invited Divisional Forest Officers from both districts, private forest owners, timber contractors, AFFON, and FECOFUN (Annex 1). Some of the stakeholders involved in the first meeting would be sharing their views in the upcoming meeting.

Differentiating EPPL from EPL

EPPL is different and complementary to EPL in the following ways:

1. EPPL happens at the lowest level of state and society interface – in our case, district and/or the local government level. On the contrary, EPL is organised at the central level and could also be organised at the provincial level when the government at this level begins to be functional in policy making. There is, however, a positive and synergistic interaction between EPL and EPPL as schematically shown in Fig 1.
2. EPPL aims to explore and identify ways to enable proposed innovative practice at the pilot level within the existing policy and regulatory framework. It does not seek to specifically focus on identifying options for policy change at national or provincial level. However, any issues or recommendations related to policy change are noted for analysis in the research process, and then potentially fed into the upcoming EPL cycle.

3. EPPL as an interactive forum helps develop trust and an atmosphere of mutual cooperation among the immediate implementing and regulatory agencies and community leaders involved in innovation development and implementation.
4. EPL clarifies the concept / proposal of innovation through effective interaction between research teams and local level regulatory actors and community leaders. In this sense, EPPL's is to focus more on clarity and less on negotiation of policy arrangements. Negotiation could still happen on how related policy arrangements could be implemented.
5. EPPL can trigger the formation and development of a local level community of practice around the proposed innovation being piloted.

Annex 2: EPPL event program schedule

SN	Activities	Facilitator
10:30-11:00	Registration, Tea/coffee, snacks	Srijana and Shreya
11:00-11:10	Welcome & Introduction	Naya Sharma Paudel
11:10-11:30	Presentation of key issues observed and key facts that explain the problematic situation and opportunities of private forestry in Kavre and Sindhu	Bishnu Hari Pandit
Moderated discussion		
11:30-13:30	Private Forest Owner/ former DFO staff, Kavre	Netra Bahadur Kunwar
	PF owner, Sindhu	Dipendra chaulagain
	PF owner, Sindhu	Anju Maya Shrestha
	Timber contractor, Kavre	Sunil Lama
	Bhumlu-4, Ward Chair	Lok Bahadur Kuwar
	AFO Sindhupakchowk	Krishna Bahadur Thapa
Synthesis and closing		
13:30- 13:45	Summary of discussion	Bishnu Pandit
	DFO- Kavre (Chairperson)	Devi Chandra Pokhrel
13:45 -	Lunch	

Annex 3: Participants' list for the Policy lab meeting (Private Forest issues)

S.N	Participants	Address	Contact no.
1	Devi Chandra Pokhrel	DFO, Kavre	9851233951
3	Gaurab Bhatta	AFO, Kavre	9857833977
5	Krishna Bahadur Thapa	AFO, Sindhu	9841406415
6	Lok Bahadur Kunwar	Chairperson, ward 4, Vumlu	9869418861
8	Sunil Lama	Contractor, Kavre	
9	Netra Bahadur Kunwar	Farmer, Kavre	9851273345
12	Dipendra chaulagain	Farmer, Sindhu	9860654533
13	Anju Maya Shrestha	Farmer, Sindhu	
14	Dr. Bishnu Hari Pandit	EnLiFT	9851090739
15	Naya Sharma Paudel	EnLiFT	9851015388
16	Srijana Karki	EnLiFT	9863861485
17	Shreya Kc	KU/FA	