

**Poverty reduction through forestry:  
Exploring strategies to realise economic benefits of timber  
management in Nepal**

***Ban Chautari: A Multi-stakeholder dialogue on forest policy issues***

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**A Synthesis Report**

**Dipak BK  
Ramesh Prashad Bhushal  
Dil Bahadur Khatri**

***Organised by:***



**ForestAction Nepal  
Satdobato, Lalitpur, Nepal**



**Federation of Community Forest Users,  
Nepal (FECOFUN)  
Baneshwor, Kathmandu**

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## Introduction

Timber management has received only a secondary importance in Nepal's national forest policy discourse in recent decades, despite its significant share in forest based economy and its centrality in everyday management decisions. There is a visible discrepancy between discourses and everyday practices in forest management. While most of the policy debates take place around non-timber forest products, environmental services and more recently on carbon, limited emphasis has been given on timber. Contrary to the national policy discourses several key decisions including government orders and circulars have been geared towards regulating timber extraction in last two decades. Such type of dominations of timber in practice has been attributed to importance of timber in income of government itself, officials; community forest user groups (CFUGs) and its leaders. Moreover, the issue of timber has been the central subject of state-community contestations over the past few decades.

Since timber issues have always been sidelined on the forest policy discourses, the state and the communities have failed to get the maximum financial benefits out of it. At the same time, illegal logging and forest encroachment is in increasing trend. So, with an aim of unfolding the issues surrounding timber governance and discourses in Nepal, ForestAction and Federation of Community Forest Users Nepal (FECOFUN) jointly organized the policy dialogue on 7<sup>th</sup> July, 2011 in Kathmandu with the support from Growing Forest Partnership (GFP). The forum has provided space for policy actors to engage in a constructive dialogue and to understand the prospects and challenges of effective timber management. The analysis of policy, practices and discourses around timber was focused on hurdles and current gaps in timber management harnessing economic benefit and reducing poverty. The key questions on which dialogue centred were the followings.

- Does timber play significant role on the national and local economy? How can we effectively manage the forests for increasing timber stock and use the economic benefits on more effective way?
- How could the timber management issues be mainstreamed on the policy level discussions and among wide range of stakeholders?
- How can we establish timber enterprise as the attractive and prestigious enterprise?

## Participants and program structure

There were a total of 48 participants, representing a wide range of forestry stakeholders including Ministry of Forest and Soil Conservation (MoFSC), FECOFUN), Nepal Foresters Association (NFA), Federation of Forest Based Industries and Trade Nepal (FenFit-Nepal), journalists, researchers, activists, civil society organizations (CSOs), and donor funded forestry

projects. Similarly, there were four panelists representing Department of Forests (DoF), FECOFUN, FenFit-Nepal and researcher from Institute of Forestry (IoF). (See Annex 1 and 2 for the lists of panellists and participants respectively). Following is the schedule of the program:

<b>Program</b>	<b>Presenter/Moderator</b>
Presentation capturing key issues for discussion	Mr. Hari Saran Luintel
Panel discussion	Dr. Naya Sharma Paudel
Wrap up with summarizing the key message of discussion	Dil Bahadur Khatri

The roundtable policy discussion started with a presentation capturing the current scenario of timber management and policy discourses in Nepal (See Annex 3 for presentation). Mr. Harisharan Luintel from RECOFTC/ForestAction focused his presentation on significance of timber in national economy and rhetoric about timber in media.

The presentation emphasized that the contribution of timber on the national revenue in Nepal was one third of the total revenue during the first five year plan (1956-1961). It was increased by more than 165 fold during the third five year plan (1965-1970) with 9 crore and 33 lakhs (US \$ 1.31 million). It is said that the revenue from the timber was 59 crore and 21 lakhs (US \$8.33 million) in the fiscal year 2008/09 –90 percent of the total revenue from the forestry sector.

Similarly, he added that timber is also the main source of income for CFUGs too. The research carried out in Dolakha and Tanahu districts shows that about 70 percent of the total income in CFUGs come from timber where as it reached up to 90 percent in 15 CFUGs of Nawalparasi. This also shows that the forestry sector is moving on the periphery of timber but much less emphasis has been given on forest management for the sustainable use. Hence, the presentation argued that the timber should be the major agenda of national forest governance.

Mostly, the cases of corruption and misuse of the power by the government officials is on and off related to the timber. More interestingly, there were five probe committees/ commissions formed by the government in different levels in 2010 only which were authorized to investigate the issues related to deforestation and timber harvesting. The government imposed ban on trade of timber for about a year and was later uplifted in June 2011, as a result the price of wood in the market increased by 3.5 folds on an average.

Speakers argued that the whole forestry sector has been wrangling on the timber but still the sector has failed to laud the voice that forest is the key element to reduce poverty and the

timber is the commodity with the good market, however the need of management of forests and timber trading. Similarly, the participants said that the donors' funds are more focused on livelihoods, capacity buildings and conservation issues whereas the timber management never got their priority.

The media has also talked a lot about the rampant deforestation and corruption. However, the issues related to the effective management of forests and the timber harvesting for the economic boom has rarely been made the public issue by media. Additionally, the general public has the opinion that every tree fell down is illegal and only the corruption prevails on forestry sector. The media and forestry sector both failed to convince the general public that the timber is renewable resource of income and the trees should be harvested with the effective plans and programmes that assures the sustainable harvesting. The presentation further accentuated that the issue of timber management and its potential contribution for poverty reduction needs to be raised strongly on the policy forums.

### **Perspective of the panellists**

Four panelists, Mrs. Apsara Chapagain, Mr. Kapil Prashad Adhikari, Mr. Resham Bahadur Dangi and Prof. Dr. Ridhish Kumar Pokhrel presented their views on current contribution of timber on the national economy and issues that need to be discussed for good governance on forestry sector. Though, there were different perspective regarding the importance of timber, all agreed that the issue of timber management has not been mainstreamed yet and has hardly been brought in policy discussions. They emphasized that timber stock should be increased and the trading be managed in order to generate income and thus reducing poverty.

Asked about the timber business in Nepal, Mr. Kapil Prashad Adhikari from FenFit-Nepal said the government is hostile to the traders and the policies have been formulated accordingly. He claimed that there is an investment of about 15 billion Nepalese rupees (about US \$ 200 million) on timber based enterprises in Nepal which has generated about 150-200 thousand employment and about one million people are directly dependant on this business. Moreover, the forest technicians have estimated that about 50-60 million cubic feet of timber could be produced/harvested from the forest at present but the issues of timber has been made controversial time and again. So, he blamed that the unnecessary interference of the government has discouraged the timber based enterprises and the government lacks transparency regarding timber trading which has hindered the growth of the timber sector. He further blamed that they have to pay huge amount of money as the bribe during the process of tendering, trading and transportation that has increased the market price far more than it should have been. Hence, he also claimed that due to timber ban imposed by the government, the traders have been importing wood which has resulted to the drain of capital.

On the basis of research conducted in 100 CFUGs of Kaski, Tanahu and Lamjung, Prof. Dr. Ridhis K Pokharel, the forestry researcher and academician, mentioned that about 75 percent of income in CFUGs comes from timber. He also added that there is a huge gap on income level between the timber harvesting CFUGs and those not harvesting. In addition, the timber is a major source of income of CFUGs. The communities have been shifting towards the income generation at large but their investment on forest management is very minimal. Only about 17 per cent of the total income is spent on forest management of which big portion goes for salary of forest guards.

Another panelist Mrs. Apsara Chapagain, Chair person of FECOFUN, stated that the CFUGs are independent to fix the price and trade the forest products in their CFUGs following their own operation plan. There is huge gap in income of groups which is largely determined by the timber. The CFUGs which have good income from timber trade has more disputes than those do not trade timber. She argued that the other stakeholders talk a lot about the good governance on the CFUGs but they have not taken this seriously when it comes to them. "Similarly, the CFUGs having high volume of timber are getting support from the government officials and other agencies but those with negligible income from the timber trade are in dire situation "she blamed. She urged to change the mindset of 'Wood for rich and leaf for poor'.

Mr. Resham Dangi, The Deputy Director General of DoF, argued that the timber is regarded as the elite commodity. Though, there is the possibility of transaction of timber that worth about \$300 million per year from Nepal's forest which may create about 450 million rural employments, it has not been cashed. Similarly, it has been estimated that about 1.5 million cubic feet of timber per year could be produced from Terai<sup>1</sup> and Inner Terai<sup>2</sup> which may generate more than 60 million rural employments. Furthermore, the government royalty would be more than NRs 3-4 billions. So, this projection proves that the timber has great significance in national economy. But he claimed that the timber management and income generation issues have not received enough space on policy discourses.

Similarly, Mr. Dangi added that the government's investment on forest management is about NRs 25 (\$0.3 per hector per year which is very low. "It wouldn't be fair to expect more benefit by investing less" he further added. In addition, the forest logging practice is labor intensive and the timber value chain shows that there is the possibility of employment on each chain. In contrast, the potentiality of timber has not been realized and suffered from the policy hijacking. He further mentioned that the bilateral, multi lateral and other institutions should support to the government not only to maintain the transparency but also on increasing timber stock through

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<sup>1</sup> Terai: refers to land south of the Siwalik Hills, the lowest outer foothills of the Himalaya that once was marshy grasslands, savannas, and forests in Nepal

<sup>2</sup> Inner Terai: refers to the area lying within the Siwalik Hills or between them and the 1,500-2,700 metre *Mahabharat* Range further north in Nepal

better management of forests. Moreover, he argued that the institutional restructuring is essential and the government should stay only on the production domain rather than involving itself on marketing and urged to provide significant role for the private sector.

Following panelists' remarks, the policy roundtable entered into moderated plenary discussion. The summary of the discussions has been presented below.

### **Outcome of discussion: Loop holes on both government and private sector**

The participants of the policy roundtable have agreed that timber management in Nepal has been kept on very low priority despite its huge potentiality of contribution in national and rural economy. Some forestry professionals working under DoF have claimed that the condition of forest management in the government managed forest is even worse since the government has always kept them busy on administrative works and they were used as an instructor tree felling, timber trading and increasing the revenue. Most participants including some government forest officials, FECOFUN representatives, journalists and timber entrepreneurs voiced their concern digging out the reasons behind such low priority on timber.

Firstly, the timber is the major commodity where the flow of money is high and thus the corruption with allegation of politicians, bureaucracy and some elite community leaders. The ministers make financial deal with the officials starting from secretary of MoFSC to District Forest Officers (DFO) especially at the time of transfer of the officials. This ultimately encourages the bureaucrats to engage in personal benefits rather than that of state and public at large.

Secondly, the state itself is investing very minimal cost on timber management despite the huge potentiality return. Thus the participants emphasized on the need of investment on sustainable forest management.

Thirdly, CFUGs are independent to fix the price of timber from CF. However; the CFUGs are not considering the market value of timber while fixing the price which ultimately has benefited the contractors. There has been informal relations among traders/contractors, community leaders and forest officials. Based on this analysis, the participants voiced for the transparent process of timber trade and effective monitoring from the authorities. More importantly, against the basic market principle, the timber traders are allowed to harvest the timber from CF. By nature, the traders always want to have good quality timber from the assessable areas irrespective of provision in forest management plan. So, the government should fix the ceiling price of timber and the allowable harvest should be controlled even in the CFUGs where as the traders should be only given the space while buying rather than allowing them to enter the forests for felling the trees.

Fourthly, though the timber attracts the attention of stakeholders, the sustainable forest management has never become priority. The participants argued that we can't maximize the benefit from timber unless we invest on sustainable forest management and promote transparency in timber trade. Timber certification can be a tool that can contribute for both sustainable forest management and transparent timber business.

Fifthly, the participants also assert that the timber entrepreneurs are discouraged to invest on timber industries because they need to pay about 200 percent tax during the time of timber depot to transportation. Similarly, the security is the main problem to sustain their enterprises. Hence, the government should restructure and maintain the system of taxation and also guarantee the security of timber entrepreneurs and their industries which finally would contribute to reduce the capital flight from the country.

Finally the participants also realized that the timber has great potentiality in terms of contribution on national and local economy and hence urged to continue further discussions and work together for forging better policy and policy dialogues.

## **Summary and conclusion**

The perspective of the panelist and the following discussion is summarized as:

- Timber has huge significance in economy through its contribution on revenue, employment and poverty reduction.
- Despite such potentialities, timber was kept in margin of policy discourse compared to non-timber forest products and ecosystem services.
- Timber has become elite commodity and kept in the grip of forest officials, contractors and local elites which has distorted the market.
- There has been very limited investment from both government and donor side for productive and sustainable forest management and regulating timber trade. The government policies and mindset of forest bureaucracy and local communities have conservation orientation instead of promoting productive management.
- Consequently, the potentiality of timber to contribute in national economy and poverty reduction has been foregone. Timber market in Nepal is distorted and we are exporting timber resulting capital flight. Moreover, not only entrepreneurs but also forestry professionals are not finding their profession prestigious.



## Acknowledgement

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## Annex 1: List of Panelists

S.N.	Name of Panelists	Affiliation	Representation of perspective
1.	Mrs. Apsara Chapagain	FECOFUN	Community rights
2.	Mr. Kapil Prashad Adhikari	FenFit-Nepal	Forest based enterprise
3.	Mr. Resham Bahadur Dangi	DoF	Sustainable forest management
4.	Prof. Dr. Ridhis K. Pokhrel	IOF	Forestry research

## Annex 2: List of participants

S.N.	Name	Organization	Email-address	Contact number
1.	Gocool Tamang	Aankhijhyal	gocool.tjokar@gmail.com	9841693327
2.	Devesh Mani Tripathi	NFA	deveshmanitripathi@yahoo.com	9808347620
3.	Buddi Sagar Poudel	DFRS	buddi.poudel@gmail.com	9841460874
4.	Dinesh Wagle	FenFit	wagle_dinesh@hotmail.com	9851063115
5.	Ashish Shrestha	World Bank	ashrestha1@worldbank.org	9849554392
6.	Krishman Murari Bhandari		bhandarykm@hotmail.com	9841277596
7.	Sushila K. Thapa Magar	Care Nepal	sushilam@np.care.org	01-5522800
8.	Amrit Bhatta	Yeti Media Serophero	amrit35@yahoo.com	9841661606
9.	Mahesh Paudyal	FA/SLU	mahesh.paudyal@celp.org.ulc	9813636824
10.	Benjamin Thabuis	FA	benjamin.thabuis@yahoo.com	
11.	Sunil K. Pariyar	DANAR	danarnepal@yahoo.com	9841608349
12.	Apsara Chapaigain	FECOFUN	chapagainap@yahoo.com	9851086515
13.	Ridish K. Pokhrel	IOF	ridishp@yahoo.com	9841077021
14.	Bhola K. Khatiwoda	COFSUN	bholacofsun@gmail.com	9841347450
15.	Biku Ram Bidle	Aankhijhyal	nepalibiku@yahoo.com	9841950159

16.	Resham Dangi	DoF	<a href="mailto:reshamdangi@hotmail.com">reshamdangi@hotmail.com</a>	
17.	Ram Nandan Sah	DoF	ravisarir@hotmail.com	8951071097
18.	Vijaya Raj Subedi	DoF	vijayasubedi@yahoo.com	9849627259
19.	Prem Bahadur Chaudhary	NFA	prem.chaudhary2005@gmail.com	9846131371
20.	GyanBahadur Shrestha			9841475538
21.	Jog Raj Giri	FECOFUN	jograj.giri@gmail.com	9841377589
22.	Shanti Bidari	Asmita Nepal	shanty_bidari@yahoo.com	9845028074
23.	Birkha Shahi	FECOFUN	birkha.shahi1@gmail.com	9851124316
24.	Bryan Bushley	FA	bushley@hawaii.edu	9841500958
25.	Bishnu Nepali	DANAR	nepalibishnu@gmail.com	9841381984
26.	Kamal Bhandari	FA	kamal@forestactio.org	9841395810
27.	DilBahadur Khatri	FA	<a href="mailto:dil@forestaction.org">dil@forestaction.org</a>	
28.	Maheshwar Dhakal	DNPWC	maheshwar.dhakal@gmail.com	9849154762
29.	Kul Prashad Nepal	Constitution Assembly		9841969252
30.	Kapil Adhikari	FenFit Nepal	npjkapil@yahoo.com	9858020333
31.	Shyam Dhakal	FenFit Nepal		9851001567
32.	Prakash Adhikari	FECOFUN	adhkari68@yahoo.com	9851111253
33.	Radha Wagle	NFA	rwagle@mfsc.gov.np	9849447922
34.	Thakur Bhandari	FECOFUN	thakurb@yahoo.com	9841516209
35.	Nabin Luintel	Radio Sagarmatha	reporternabin@gmail.com	9841418560
36.	Ghana Shyam Pandey	GACF	<a href="mailto:pandeygs2002@yahoo.com">pandeygs2002@yahoo.com</a>	
37.	Ramjit Tamang	Karobar Daily	ramjittamang1@gmail.com	9741032056
38.	Indra Sapkota	MoFSC	isapkota@gmail.com	9841258928
39.	Uttam Kunwar	FNCCI	uttam.kunwar@fncci.org	9841454330
40.	Bhim Prakash Khadka	FECOFUN		9843013062
42.	Shovakar Sapkota	FECOFUN	sapkotashovakar@yahoo.com	9857820064
42.	Ramesh Prashad Bhusal	The Himalayan Times	toramesh25@gmail.com	9841482978
43.	Harisaran Luintel	RECOFTC	harisaran.luintel@recoftc.org	9851132555
44.	Naya S. Paudel	FA	naya@forestaction.org	9851015388
45.	Gyan Bahadur KC	FECOFUN		9841475538
46.	Bidya Nath Jha	MoFSC	bidyanathjha@yahoo.com	9841409884
47.	Dipak BK	FA	dipak@forestaction.org	9841577884
48.	Lalit Thapa	FA		

### Annex 3: Presentation slides

PowerPoint presentation is attached as a separate document.

### Annex 4: Photo gallery

Some photo snaps are attached as a separate document.