

Knowledge Product Dissemination Event

Workshop on: Forest in Federalism



Report

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Introduction

ForestAction Nepal recently organized the knowledge dissemination activities alongside workshop titled “*Forest in Federalism: Stake of Local Government in Forest Management*” under the CLARE R4I assignment. The program aimed to bring together policymakers, experts and practitioners to discuss the roles of different tiers of government in forest management within Nepal’s federal system. A key highlight of the program was the dissemination of knowledge products, including two policy briefs with Nepali and English version and a video documentary, which focused on strengthening climate resilience through better forest governance and forest management. These materials provided evidence-based insights, highlighted existing policy gaps and supported informed decision-making in the forestry sector, effectively linking research, policy and practice.

The program also facilitated in-depth panel discussions and interactive sessions among experts on federalism, constitutional processes and forest governance. Critical issues such as policy ambiguities, overlapping mandates among the three tiers of government, procedural complexities, and the gap between policy provisions and their implementation on the ground were extensively discussed. Participants also emphasized the economic potential of the forest sector, particularly in relation to forest-based enterprises, the timber economy and livelihood enhancement, while identifying challenges such as market constraints, limited technological investment and weak institutional coordination.

The knowledge products presented during the program further enriched these discussions by offering practical insights into forest-based enterprises, role of private sector, federalism and enterprise development in Nepal. Drawing from real-world experiences in community forests, private forestry and enterprise-based utilization, they highlighted both opportunities and persistent challenges. Overall, these materials highlighted the importance of coordinated governance, policy clarity and strengthened institutional capacity to ensure the sustainable and equitable use of forest resources under federalism.

Presentation on Forest Economy: Role of different levels of government in forest management – Dr. Mani Ram Banjade

Dr. Mani Ram Banjade expert in the field of forest management, federalism and governance, shared a presentation on “*Forest Economy: Role of different levels of government in forest management*” emphasizing on the need for future discussions focused on ensuring clarity of constitutional rights, strengthening coordination among different tiers of government and achieving genuine decentralization. He started the presentation by providing an overview about the nationwide study based on five-year strategic plans and annual production reports from all 84 Division Forest. The study revealed a persistent gap between projected and actual forest product harvesting, with utilization remaining far below the allowable cut limits across different forest management regimes. It highlighted that private forests contribute about 82% of total timber production, while government-managed forests account for only around 4% and community forests dominate firewood production with about 72%. Overall, a significant harvesting gap was identified, leading to considerable losses in government revenue and missed employment opportunities. Dr. Banjade also noted that despite the availability of large volumes of timber stocks that remain unused and whose quality are gradually deteriorating due to long exposure in open log yards, Nepal continues to import finished wood-based products and timber substitutes such as uPVC, aluminium, granite, marble and laminated sheets for construction and flooring. This situation highlights a critical disconnect between the country’s natural resource availability and its economic utilization.

Dr. Banjade noted that continued under-management could result in biomass accumulation, increasing risks such as forest fires and declining long-term productivity. Despite progressive policies, implementation challenges such as policy ambiguity, procedural complexities, jurisdictional conflict, high transaction cost and enterprise development being less priority, continue to hinder effective forest management. He also stated that these are the key reasons that the private sectors are still hesitant towards investing in community-based forest enterprises.

According to the study conducted by Dr. Banjade and his team, lengthy bureaucratic procedures and limited technical capacity within the government are major constraints at present. Forest management processes are overly complicated and inefficient, involving as many as 96 steps for community forests, 83 steps for government-managed forests, 93 steps for collaborative forests and 62 steps for private forests only for harvesting and sales of timber.

The study further highlights that approximately NPR 4.582 billion worth of employment opportunities could be generated from activities such as harvesting, sectioning, and transportation to log yards (estimated at NPR 144.25 per cubic foot). However, due to existing inefficiencies, this potential remains largely unrealized, resulting in a loss equivalent to about 19,142 person-years of employment annually. Moreover, effective utilization and management of Nepal's forest resources would require around 50,000 technical personnel, while currently only about 1,000 are available. Although it may not be feasible for the Government of Nepal to immediately meet this full requirement, there is significant scope to improve technical capacity beyond the present level.

A system that is constitutionally designed to be decentralized has, in practice, become re-centralized. While local governments (Schedule 8) are granted direct authority over forest-related matters such as local resource management, facilitation of community forests and implementation at the local level, these powers are not fully exercised in reality. In line with the spirit of the Constitution of Nepal, forest management falls under concurrent powers (Schedule 7), requiring coordinated governance among federal, provincial and local levels. However, despite the provisions of the Local Government Operation Act, which assigns key roles like registration and regulation of community forests to local governments, the Forest Act 2076 and its regulations have effectively re-centralized these authorities at provincial and divisional forest offices, thereby constraining the functional autonomy of local governments. Although local governments are performing various roles, often tokenistic and contributing to poverty alleviation, planning, infrastructure development and ecotourism, these efforts remain insufficient to fully address existing challenges.

From the comprehensive analysis, Dr. Banjade proposed, to advance active forest management, the institutional and financial responsibilities currently held within the forest sector should be devolved to local governments. This would allow the forestry sector to focus primarily on technical functions, ultimately promoting more efficient management, better utilization of forest resources and improved sectoral outcomes. Furthermore, he emphasized the potential role of the private sector, cooperatives and financial institutions in directly supporting forest user groups in enterprise development and management, with the expectation of achieving positive outcomes through this collaborative approach. He concluded the presentation by recommending the simplification of harvest approval plans, reduction of institutional barriers, resolution of policy ambiguities and stronger focus on enterprise development.

Panel Discussion

Moderator: Dr. RC Lamichhane\

Panellists:

1. Hon. Mohan Raj Acharya- Member of Parliament
2. Dr. Khimlal Devkota- Former Member of Parliament and Federalism Expert
3. Krishna Prasad Sapkota- Vice-Chairperson: Municipal Association of Nepal/ Mayor: Chautara Sangachowkgadhi Municipality

The program then moved on to a panel discussion featuring experts on federalism, constitutional processes and a representative from local government, moderated by Dr. R.C. Lamichhane. Dr. Lamichhane briefly stated that Laxmi Devi Pandey from Nepal Rural Municipality Association, due to her urgent matter could not attend as a panellist. The discussion proved highly insightful, as the panellists highlighted the current situation and explained how Nepal's constitutional framework integrates federalism into natural resource management, along with the practical measures required to strengthen its effective implementation at the ground level.



Photo: Panel Discussion

Dr. Lamichhane initiated the panel discussion by introducing all the panellists and directing his first question to Hon. Mohan Raj Acharya. He asked that, given that forests cover about 46% of the country's area, if such a significant resource cannot generate substantial benefits, whether it can truly contribute to development in any meaningful way.

In response, Mr. Acharya emphasized that the key issue lies in the institutional mechanisms across all three tiers of government under federalism, particularly within the forestry sector. He highlighted the need to assess how effective these institutions are and what level of capacity they possess. Even if both structure and capacity are adequate, he noted, it is also important to examine whether service delivery is still lacking. He further added that these concerns are central considerations in the ongoing process of constitutional amendment.

Following Mr. Acharya's response, Dr. Lamichhane directed a question to Dr. Khimlal Devkota, highlighting ongoing discussions about the potential of forest products. He further noted that, despite the adoption of federalism, the situation appears to have deteriorated even compared to the Panchayat era and asked whether federalism is truly effective for the forestry sector. Dr. Devkota responded that the revenue generated from the forestry sector is extremely low compared to the vast forest area of the country. He pointed out that inefficient resource management and excessive procedural hurdles are major contributing factors to this situation.

Furthermore, aligning with Dr. Banjade's presentation, he noted that local governments still do not have exclusive constitutional rights over forest resources. He emphasized that such challenges largely stem from existing policy ambiguities.

Following this, a question was directed to Mr. Krishna Prasad Sapkota asking whether he feels a sense of ownership over the forests in his area or considers it solely the responsibility of the Divisional Forest Office (DFO). He responded that although a sense of ownership does exist, local authorities still do not have adequate rights or a meaningful role in forest-related policymaking. He was further asked why such policy ambiguities have not been sufficiently challenged. In response, he explained that although local governments are legally granted certain rights, multiple implementation hurdles continue to restrict their effective exercise. He also pointed out that many policies are not practical, as Nepal's regions vary significantly in terms of geography and associated challenges, which should be properly considered during policy formulation.

He was then asked whether local governments have developed their own policies by utilizing the authority they already possess. He replied that although such efforts have been initiated, procedural constraints continue to hinder proper implementation and effective utilization of those rights.

Following Mr. Sapkota's response, Dr. Devkota was asked whether this reflects the true functioning of federalism. In reply, he stated that although Nepal has formally shifted from a centralized system to a decentralized federal structure, a centralist mindset still persists in practice. He further explained that this underlying tendency is one of the key reasons behind issues such as procedural hurdles and inefficiencies in implementation.

Shifting the discussion from political to economic aspects, the moderator questioned Mr. Acharya on how policy ambiguities are affecting economic development, particularly in relation to rising imports of substitute products and the deterioration of timber that are in stock. He was also asked about his role in addressing these issues and the extent of priority he would give to resolving them.

In response, Mr. Acharya stated that although Nepal has been practicing federalism for over a decade, a centralized mindset persists within both the bureaucracy and political leadership. He emphasized that the issue of clearly defining and revising the list of competencies should have been given greater attention in the parliament and assured that he would work towards addressing it. He further added that concurrent powers would also be prioritized for discussion and reform. He also highlighted those illegal activities such as the smuggling of natural resources, including riverbed materials and timber, contribute to the continued reliance on centralized and control-oriented approaches. He concluded by stating that he would work towards addressing these challenges by targeting their root causes.

The floor was then opened for discussion with other participants. Hon. Dr. Sujata Tamang, member of parliament, was first asked about her role in the provincial amendment process in relation to women's leadership and empowerment. She responded that priority would be given to the sustainable use of resources, ensuring equitable benefits, and enhancing women's participation through leadership development, capacity building, and enterprise-based empowerment.

An open question was then raised regarding the degradation of forest resources and why efficient harvesting is still not possible despite the availability of technical manpower. In response, policy ambiguities were identified as a key constraint, along with outmigration from hill regions as an additional challenge.

Another question focused on the prospects of a knowledge-based economy in the forestry sector. Mr. Kiran Poudel, a forestry expert, responded that there has been minimal investment in technology, with the sector largely confined to conservation-oriented approaches. He noted that only about 20% of the forestry budget is allocated for development, emphasizing that meaningful outputs cannot be expected without adequate input. He further stressed the importance of focusing on value chains and considering indirect revenue streams, arguing that the issue is less about policy ambiguity and more about institutional attitude.

Participants from the private sector also highlighted that forestry has not been prioritized by the government and that federalism has introduced coordination challenges among the three tiers of government, particularly due to separate taxation systems, making operations difficult. Another participant emphasized the need for effective implementation of operational plans.

The moderator, Dr. Lamichhane, then posed a question to Dr. Sapkota on how federal restructuring could be improved to promote forest-based enterprises, ensure optimal utilization of resources, and enhance benefits, while also addressing the persistence of feudalistic mindsets. In response, Dr. Sapkota noted that advocacy from local governments remains insufficient. While agreeing that such mindsets still exist, he pointed out that although nearly one-third of the total budget is allocated to local governments, it is not being effectively utilized in practice.

Building on this, Dr. Lamichhane remarked that local governments should be able to efficiently utilize forest resources, as they serve as a key livelihood base, and that budget allocation alone is not sufficient. Dr. Sapkota responded that stronger dialogue and coordination among various coordination committees are essential to address this gap.

In concluding the panel discussion, Dr. Lamichhane asked Mr. Acharya how policy and constitutional amendments could contribute to poverty alleviation and what role he would play in this process. Mr. Acharya replied that constitutional amendments would be undertaken as required. He emphasized that each level of government should make efficient use of available

resources to become more self-reliant, and that provincial and local governments should develop their own policies rather than depending solely on central directives. He further highlighted that issues such as smuggling and other illegal activities may be driving the central government's control-oriented approach, underscoring the need for stronger monitoring and effective implementation of rules and regulations.

Knowledge Product Dissemination

After the panel discussion, knowledge product inauguration was another highlight of the workshop, two policy briefs and one video documentary which was developed under CLARE R4I were jointly launched by Hon. Dr. Sujata Tamang and Hon. Mohan Raj Acharya. Mr. Aayush Gautam, Project Lead at ForestAction Nepal for the CLAREKB Project provided brief information about the policy brief and video documentary while displaying them to all the participants.



Photo: Knowledge Product Launch by members of the parliament Hon. Dr. Sujata Tamang and Hon. Mohan Raj Acharya

These knowledge products are made on the basis of 25 years of research and advocacy done by ForestAction Nepal following the study conducted in past 1 year which was also the basis for information provided by Dr. Mani Ram Banjade in his presentation.

First policy brief entitled *“Building Resilient Communities through Community-Private Partnership in Forest-Based Enterprises”* highlights that, in the changing socio-economic context, forest-based industries play an important role in enhancing the entrepreneurship and economic upliftment of local communities. However, according to the World Bank Ease of Doing Business index, Nepal ranks 94th out of 195 countries, indicating that the overall business environment remains relatively weak. The findings also shows that the sector is still overly conservation-oriented, with several regulatory barriers in place. Alongside this, challenges such as limited access to finance and an unfavourable condition to carry out business activities have also negatively affected the development of enterprises.

Moreover, second policy brief is entitled *“Decentralized Governance for Forest Restoration with Equitable Livelihood: Lessons from Nepal”*. Based on the forest degradation that occurred during the 1960s and 1970s, various reforestation efforts were implemented using different management approaches. These included three main strategies: a strictly regulated management system, a community-based approach and another approach that focused on economic incentives and restoration which is being adopted very recently. Building on these experiences, another policy brief is developed that explores how, in the current federal context, livelihoods can be promoted in a more equitable manner.

The documentary presents the role of Nepal’s forest sector in supporting biodiversity conservation, climate adaptation and local livelihoods, while highlighting challenges arising from unclear roles and responsibilities under federalism. It showcases the efforts of ForestAction Nepal through the Ban Chautari platform in promoting dialogue among stakeholders.

It also highlights practical examples of forest management and forest-based enterprises, emphasizing their potential for employment and income generation, while pointing out key challenges such as policy ambiguities, procedural hurdles and limited market access. Overall, the documentary stresses the need to view forests not only as a conservation asset but also as a driver of sustainable economic prosperity.



Photo: Brief Description on Knowledge Products by Mr. Aayush Gautam

Concluding Remarks by Mr. Kiran Paudel

Concluding the programme officially, Mr. Kiran Paudel, Former Chairperson, President Chure-Terai Madhesh Conservation Development Committee provided closing remarks highlighting that the discussion clearly addressed about the policies ambiguities and about how forestry sector should be given more priority in federalism. He also noted that even small interventions can significantly improve the utilization of forest resources. Currently, management practices are largely limited to timber harvesting; however, by treating and upgrading lower-quality wood, it can be made comparable in strength and usability to higher-grade timber. Such improvements could enable a substantial portion of timber, potentially up to 50% to enter the market more efficiently, thereby accelerating economic returns.

He also stated that these insights are supported by the research conducted by Dr. Maniram Banjade and his team, which provides detailed and evidence-based analysis of management plans and the technical potential of the forestry sector. The findings suggest that, in a country like Nepal where large-scale industrial exports are limited, forests can play a critical role in the economy. Realizing this potential, however, requires targeted policy interventions along with adequate investment and input and emphasised that more focused should be towards nature-based solutions.



Photo: Concluding Remarks by Mr. Kiran Paudel

Conclusion

The program served as a comprehensive platform for dialogue, reflection and collaboration among policymakers, experts and other stakeholders on forest governance, federalism and forest-based economic development in Nepal. It highlighted and discussed key issues such as policy ambiguities, institutional inefficiencies and coordination challenges across different levels of government, while also showcasing the significant potential of forest resources for livelihood improvement and economic growth and how these problems can be solved with coordination between the three tiers of government.

The knowledge products launched during the program, including policy brief and video documentary will be highly useful in informing evidence-based policymaking and strengthening future reforms in the forestry sector. They will support a better understanding of existing gaps and opportunities, thereby contributing to more effective forest management, improved coordination among stakeholders and the promotion of sustainable and equitable utilization of forest resources.

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