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Forest Governance under Federalism in Nepal for Forest Restoration and Equitable Livelihoods

Aayush Gautam, Naya Sharma Paudel, Mani Ram Banjade, Rahul Karki, Hari Narayan Acharya, and Bharat Gotame

Key Messages

1. Nepal's response to forest degradation has evolved through three dominant management paradigms: strict protection, community management with subsistence use, and in recent years market led economic justifications, each shaping restoration in distinct ways.
2. Past efforts have generated significant achievements in forest restoration. However, there are serious gaps in the economic realization of resources and equity and livelihood aspects of people.
3. Policy confusions, exhaustive regulatory and administrative requirements, and limited technical and investment capacity of both government agencies and forest user groups have constrained materialization of economic potential of the forests.
4. Greater institutional clarity and functional reallocation may address the existing capacity gap by positioning local governments as selective administrative and supporting authorities. This will also allow DFOs to concentrate on technical forestry and environmental integrity.

Introduction

Forest restoration refers to the efforts made to recover degraded forest ecosystems and connected livelihood systems to a functional condition matching or comparable to their earlier state of ecological and socio-economic condition. Forest restoration is widely understood as a core component of sustainable forest management (Jong et al., 2021) and its success depends largely on the type of management regime through which restoration is pursued. In practice, large-scale restoration are neither uniform nor governed by a single management modality, instead, they vary significantly across contexts and depend on the governance structure, ecological conditions and the degree of local participation (Adams et al., 2016).

In theory, restoration is assessed against a trajectory that moves from the starting point of degraded state towards an intended endpoint approximating an idealized natural forest condition (Stanturf et al., 2014). However, in reality, restoration outcomes are shaped less by ecological ideals and more by management philosophy, institutional arrangements and social choices connected at the outset of restoration intervetions. The extent of community engagement, the balance between protection and use, and the economic objectives attached to forests play a decisive role in shaping both ecological and socio-economic results.

Consequently, the policy outcomes in forest restoration depends less on restoration rhetoric and more on how the restoration is operationalized through specific management regime, determining who manages forests, who benefits from them and how ecological recovery is balanced with livelihood and economic objectives.

Methodology

This policy brief draws on over 25 years of ForestAction Nepal's (FAN) research and policy engagement in forest management, restoration, forestry economics and forest governance. It synthesizes insights from a wide range of action research, policy dialogue platforms, and field-based initiatives implemented by FAN, including work on community forest governance reforms, adaptive and collaborative forest management approaches, forest landscape restoration, forest-based enterprises and local economic development, and gender-responsive forest sector interventions. Evidence generated through programs such as Adaptive Collaborative Management (ACM) and Women's Economic Empowerment in Forestry Systems (WEE-FS), along with several other long-term research and development projects, has been systematically considered in shaping the analysis and recommendations presented in this policy brief. The analysis is primarily based on the review and synthesis of secondary data, including both published and unpublished documents produced by FAN throughout the years. Major sources for the review include research

aarticles, discussion papers, policy briefs and booklets published in the Journal of Forest and Livelihood, Hamro Ban Sampada and other FAN knowledge outputs. In addition, peer-reviewed journal articles and relevant scholarly literature were assessed to situate FAN's findings with broader national and international contexts. To ensure the relevance and empirical validity, preliminary findings and draft messages of this policy brief were presented and deliberated through Ban Chautari dialogues, where diverse group of stakeholders contributed to the strengthening of the document.

Nepal's response to forest degradation crisis and its outcomes

Globally, the restored forests has expanded since 1960s (Jong et a., 2021), trend which is mirrored in Nepal following the widespread forest degradation crisis of the 1960s and 1970s. Nepal's response to the crisis, driven largely by state-managed forest and over-exploitation of forest resources for multiple reasons (see Guthman, 1997), adopted multiple forest management philosophies, namely, strict protection, moderated community mediation, and a utilitarian approach, which have operated in parallel.

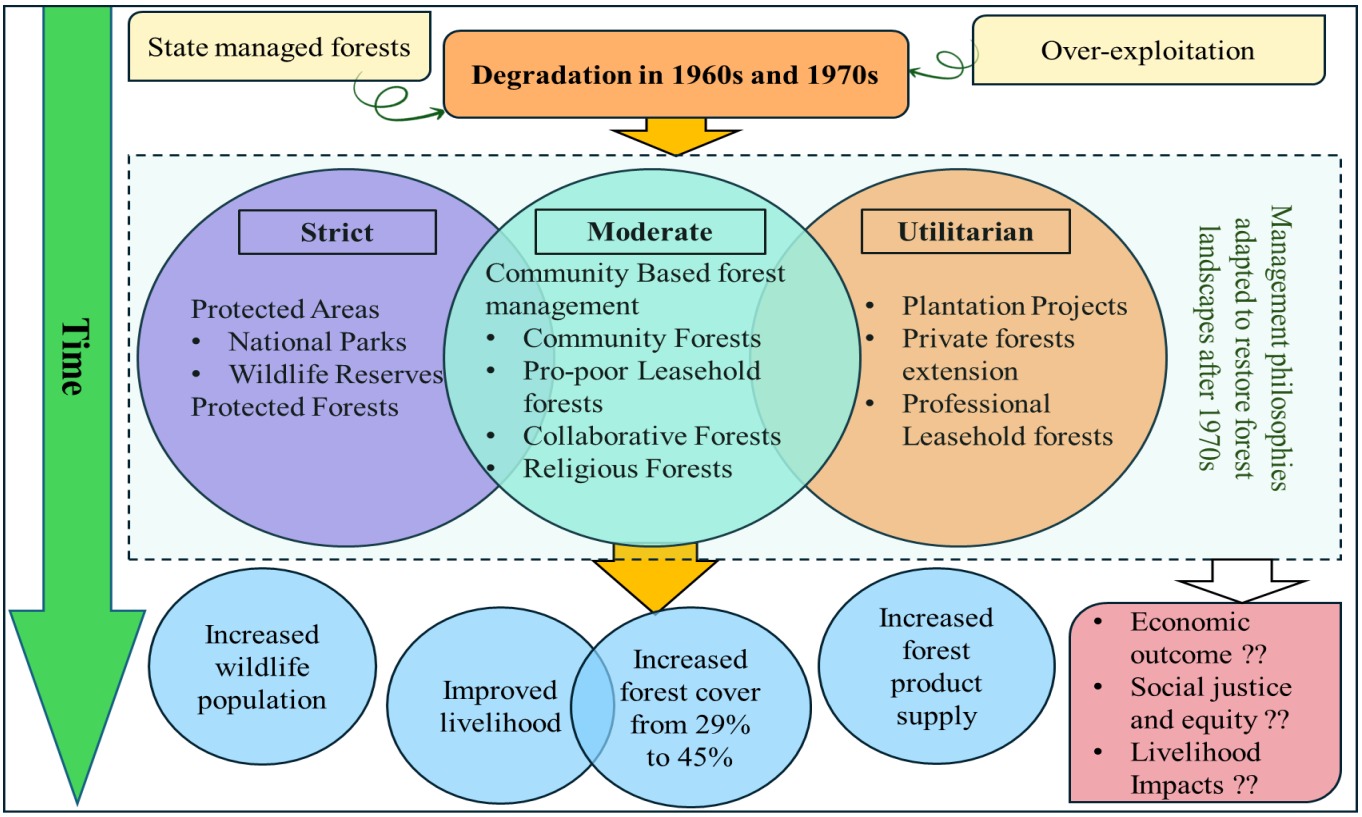

Figure 1: Management philosophies against the forest degradation crisis and its outcome

Strict conservation approaches were institutionalized primarily through protected areas viz. national parks, wilidlife reserves and protected forests, where restoration initiative were techno-bureaucratically conceived through human exclusion. Alongside this, moderate conservation strategies emerged, reflecting global shifts towards sustainable development, by promoting forest management through the involvement of local communities. This approach was operationalized through Community Forests (CF), Collaborative Forests Management Groups (CoFMUG), Leasehold Forests (LF) and Religious Forests (RF) which sought to integrate ecological restoration with regulated human use (GoN, 1993).

Simultaneously, utilitarian approaches for the production of timber were sought through the establishment of large-scale plantation initiatives like Sagarnath and Ratuwamai Plantation Projects complemented by expansion of private forestry. These efforts involved the introduction of fast-growing and commercially valuable species like Eucalyptus and Teak, and Pine species in the community forests of hills. These approaches to rehabilitating degraded land, illustrated in figure 1, reflect fundamentally different assumptions about the role of people and institutions in forest restoration.

The outcomes from this restoration initiatives have positioned Nepal as a global success story in ecological recovery. Forest cover increased from approximately 29% in the late 1970s to over 45% by 2025, wildlife conservation outcomes have been equally notable, with the tiger population nearly tripling from 125 in 2009 to 355 in 2024 (Karki et al., 2025), alongside significant increases in the "flagship" or "umbrella" species like rhinoceros and wild water buffalo.

Despite these ecological gains, the social and livelihood implications of restoration remain far more complex. Long-standing concerns over inequitable access to forest resources (Timsina, 2003) have evolved into more nuanced debates on contextual, procedural, distributive and recognition-based (in)equities within community-based forest management regimes (Pandey et al., 2025). While some economic benefit from the forest product extraction have been partially quantified, though, not par the potential production, the broader livelihood impacts of restoration throughout the landscape are difficult to measure and remain unevenly distributed.

Economic outcomes from different forest management regimes

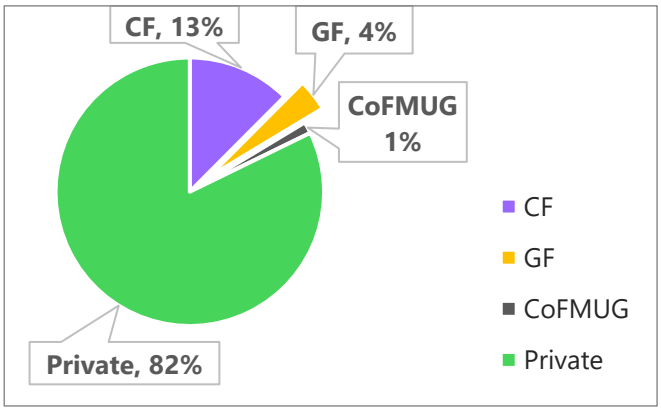

Figure 2: Projected and actual timber production from different forest management regimes'

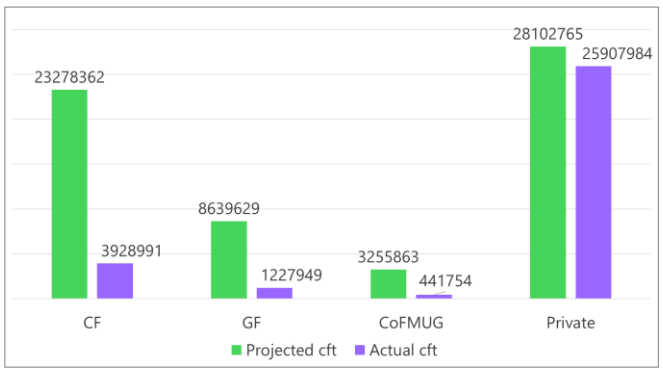

Figure 3: Production share of forest management regimes.(Adapted from Banjade et al., 2026)

Figure 2 describes the comparison between projected and actual timber production across forest management regimes. This reveals a systematic and substantial underpreformance in government and community-managed forests. CF, Government forests (GF) and CoFMUG consistently fall below the production levels envasiged in their approved Operational Plans (OP), despite these plans being formally endorsed by the DFOs. This gap indicates that the issue is not a lack of planning or ecological potential, but suggests a rather structural governance constraints. In contrast, private forests show a much smaller discrepancy between projected and actuall outputs. In public and community forestry regimes, timber production is found to be embedded within dense regulatory requirements, procedural approvals, and multi-layered oversight, which collectively tends to discourage execution even when sustainable harvesting is technically permitted. The contradiction between predicted plans and realized outputs points to a system where risk aversion, administrative overload and unclear accountability outweigh incentives for sustainable utilization (Ban Chautari Report, January 8th, 2026).

The distribution of actual timber production further vindicates the imbalance. Private forests account for approximately 82% of total timber supply, while CF contribute to only 13%, GF 4% and CoFMUGs a negligible 1% (Rai et al., 2026). This result develops a paradox where communities bear management responsibilities and conservation costs, yet capture limited economic value, while private actors, operating under clearer rights and fewer procedural constraints, dominate the market. This signals for a need to reconsile the institutional roles to contribute equitably to rural livelihoods and national economy.

Institutional Roles for Forest Management

Nepal's Constitution assigns forest management authority primarily to provincial governments (Schedule 6, GoN, 2015), with DFOs functioning as the principal implementing agencies at the district level. However, in practice, forest governance appears highly centralized, as policies (Schedule 5, GoN, 2015), laws, and regulatory thresholds are largely determined at the federal level. While provincial and local governments are constitutionally empowered to enact forest-related legislation, such laws must strictly conform to federal statutes, and any inconsistency renders sub-national provisions invalid.

Additionally, within this congested regulatory environment, DFOs carry an excessive administrative and oversight burden. Their responsibilities extend beyond technical forest management to include budget execution and reporting, monitoring across all forest regimes, wildlife crime control, dispute resolution, and coordination with multiple oversight agencies. An estimate shows that only about 20 % of technical human resource of DFOs is utilized in technical forestry activities. There are abour 2000 foresters available across 84 DFOs in Nepal. Our analysis shows that about 10 foresters could potentially contribute to produce 10,000 cft timber from national forests (Banjade et al., 2026). Considering that Nepal has the potential of about 1,300 million cft timber production alone, we may need over 100,000 technical foresters to make optimal timber

production (Banjade et al., 2026). Hiring of additional workforce by 50 times seems beyond national capacity. In addition, the existing governance, financial, livelihoods improvement and local infrastructure development related functions that are entrusted to DFOs often extend beyond their core expertise and existing institutional capacity. As a result, critical technical functions, particularly silviculture, harvesting operations, and productive forest management receive inadequate institutional attention and time. This structural overload constrains timber utilization as seen in figures 2 and 3 and also underscores the need to rethink the allocation of administrative responsibilities, creating a clear entry point for greater involvement of local governments in routine administrative functions.

Recommendations and Ways Forward

- Resolve policy contradictions across jurisdictions. Also revise regulatory provisions that constrain effective governance of landscape restoration in national forests. As the timber production is highly contributed through private sources, more technical support should be channeled to private forest owners and farmers to promote agroforestry in private lands.
- Simplify administrative procedures.
- Develop institutional capacity of CFUGs and DFOs in technical forest management. Also make appropriate regulatory arrangements in drawing the support from technical foresters beyond government officials.
- Assure technical and governance human resource to local governments to support CFUGs in managing forests and ensuring inclusive and equitable CF governance.
- All levels of government should make policies to promote the use of local forest produces (furniture, leaf plates, souveniers, etc) within government agencies and also by private sector: e.g., tax remedies if used local produce.

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