

# Current policy issues in NTFP development in Nepal

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## Abstract

Non-Timber Forest Products (NTFPs) are being increasingly recognized for their role in rural livelihoods, biodiversity conservation and export values. The market of NTFPs is expanding, and this is an opportunity as well as a challenge for a more sustainable, efficient and equitable management of NTFP resources. But unsustainable harvesting, inequitable benefits distribution and overall economic inefficiencies characterize the current NTFP practices. This paper seeks to review the current policy issues and their implications in sustainable management, utilization and trade of the NTFP resources. Policy issues have been clustered around 'inappropriate regulatory control' and 'inadequate enabling environment' for sustainable NTFP management and trade. These two categories of issues are dealt with in detail with specific cases and examples. By analysing observable economic, social and ecological consequences of such issues, implications for more directions of policy change are made for sustainable use and management of the NTFP resources in Nepal.

## INTRODUCTION

Non-Timber Forest Products (NTFPs) are an important part of the Nepalese economy. NTFPs, which include hundreds of species of traded and locally used forest products of biological origin, employ thousands of collectors, village traders and exporters in Nepal for at least some seasons in a year. These natural products that originate from forests and pasture ecosystems are being increasingly recognized for their role in rural livelihoods, biodiversity conservation and export values. In the recent years, the market of NTFPs has expanded, and this is an opportunity as well as a challenge for a more sustainable, efficient and equitable management of NTFP resources. Several issues characterize the NTFP subsector. These include unsustainable harvesting practices, lack of transparency and marketing information and inequitable sharing of benefits among the participating groups. This paper seeks to review and analyze policy factors responsible for these issues reflected in the practice of NTFP management and trade, and draw implications for the direction of policy change that may bring more favorable impact. Although no specific policy and legal framework relating to the NTFP sub-sector exists in Nepal,

several policy and legal provisions cover the NTFPs sector. The most prominent of them are master plan for the forestry sector (MPFS), forest act 1993, forest rules 1995, ninth five year plan, national conservation strategy (1983), Nepal Environmental Policy and Action Plan (19993), National Parks and Wildlife Conservation Act 1973 and international covenants such as Convention on Biological Diversity (CBD), Conventions on International Trade of Endangered Species of Flora and Fauna (CITES) etc. MPFS, which is the first comprehensive policy statement in Nepal's forestry sector, recognizes the participatory approach to forestry but fails to appreciate the scope of the NTFPs as an important area of intervention from economic as well as conservation viewpoints. The forest act has recognized the forest user groups (FUGs) as the self-governed organizations, but recent amendment in the Act and directives have cut some of the authorities of FUGs.

NTFP sector harbours a number of stakeholder groups, ranging from collectors, local middlemen, urban traders, manufacturers, exporters, government agencies, and they have different interests and visions. Collectors, who are generally the marginal farmers having a nominal share of income from traditional agricultural activities, want to get cash incomes from NTFPs to cover their expenses in food, health and children education. The DFOs as the field level units of state forestry authority are concerned more with resource conservation than local livelihood issues. Likewise, all others in the subsector have their own interests, and in the context of imperfect market structure in the subsector, the traders downstream often enjoy benefits at the expense of collectors and local traders that have limited marketing and entrepreneurial capacities. The current policy framework is not a reflection of a balance among such a diverse perspectives of the NTFP actors. Several policy issues that have been observed in the NTFP subsector are listed in Table 1.

**Table 1: Policy Issues In NTFP Development in Nepal**

- Arbitrary royalty rates for NTFPs and absence of well-developed system of determining royalty
- Lengthy and costly export formalities
- Ban on collection and trade of commercially valuable NTFPs that can be harvested on a non-destructive basis
- Contradictions between forest acts and local governance acts regarding control over NTFP use and management
- FUG rights for NTFPs withheld in forests where DOF has separate agreements with other companies
- Absence of NTFP management directives and guidelines for community forests
- Lack of provisions to ensure equitable sharing of benefits among the NTFP collectors and traders
- Inadequate fiscal incentives to NTFP enterprises
- Impractical enterprise registration and establishment formalities

- Restriction on revision of operational plans of FUG, and DOF harassment on green felling and commercial use of community forest resources
- Distorted implementation of regulatory provisions - e.g. royalty for NTFPs from private forests and cultivation, mis-identification of species etc.
- Absence of enabling environment for conservation and trade

The listed issues indicate that the government's attempts have focussed on controlling the extraction, use and trade of NTFPs, while the resourceful traders are drawing profits often exploiting the participants upstream in the value chain, irrespective of regulatory control. These issues have been discussed under two major groups: inappropriate control and inadequate enabling environment.

### INAPPROPRIATE CONTROL

NTFP regulations in Nepal emphasize control in extraction, use, trade and marketing. These provisions however have not been enforced adequately due to poor implementation capacity of government organizations. As a result, many banned and restricted species are actually in trade with increased distortions and unfavourable conservation, equity and economic impacts.

#### *Ban or restrictions*

Some species of NTFPs are banned for collection, while others are banned for export in crude form (HMG, 1995). Although the idea behind this was to conserve such bio-resources/species from extreme pressure and the threat of extinction, this has not been able to enhance conservation; rather the illegal trade and smuggling has taken place. This has therefore created more unfavourable conditions for the preservation of such valuable species, besides reducing the incomes of local communities. Yarshagumba (*Cordycep sinensis*) and Panchaule (*Dactylorhiza hatagirea*), which have tremendous commercial value as medicines, have been completely banned for collection and trade by the Government but in practice they are in trade. The illegal trading results in increased handling cost to traders, and this in fact has reduced the prices the collectors get from the traders. Likewise, out of the eight species currently banned for exports in crude form, the following four species viz. Jatamansi (*Nardostachys grandiflora*), Sugandhawal (*Valeriana jatamansi*), Jhyau (*Parmelia sp*), and Sugandhkokila (*Cinamomum glaucescens*) are actually in trade. In particular, Jatamansi and Sugandhawal are traded to India each year in significant quantities without processing (CEBED, 1999). The legal definition of processing is not very clear, and even the trivial changes in appearance are justified as having been processed for export purposes. The trade in reality of both the banned as well as restricted NTFPs is continuing with increased distortions in legal provisions, resulting in decreased benefits at the local level.

### *Ownership confusions*

Department of Forest (DOF) has licensed products like resins and Lokta (*Daphne* species) barks to various collector companies from several patches of national forests in the middle and upper middle hills of the country. Problems and confusions occur when a piece of national forest with NTFPs licensed to companies is handed over to a FUG. Contradictions in this regard have been experienced in the case of resin and paper in Baitadi and Baglung districts respectively. Private collector parties are given exclusive collection rights on top of FUG, which reduces the options for the FUG and their ability to effectively manage the resource base. In order to avoid such problems and raise community ownership over the local resources, contractual provisions between DOF and companies should automatically terminate once the forest is handed over to the communities.

### *Complex formalities for private forest products*

Producing and selling timber as well as NTFPs is considered a difficult and second class (illegal) business. The entrepreneurs and traders are not adequately encouraged in growing and marketing of forest products from privately controlled land. Complex formalities and procedures for transport and trade of timber from private forests, and conditions for district level supply before trading outside in case of forest products from community forests, are not conducive to sustainable forest resource management and utilization. Though the registered private forests are given enough freedom with regard to forest products use and transport by the existing Forest Act and Rules, in practice the small holder and/or private tree growers have to suffer from difficult and lengthy formalities in relation to felling, limbing, and sawing as well as transport and sale. Private tree and NTFPs should be allowed for free trade as per the owner's will. The export formalities are controlled by a number of government and non-government organizations (product certification by department of plant resources, certificate of origin by federation of Nepalese chambers and commerce, income tax certificate by department of VAT, and so on and so forth), and the entrepreneurs are severely discouraged to undertake export business in the NTFPs sector.

The DOF's argument regarding the regulation of private forestry in the wider interests of society is not valid. The more the tree growers and NTFP cultivators are discouraged to reap the benefits, the more they are discouraged to create trees and forests in their lands. The issue of environmental consequences of felling trees in private land (or external costs to others) has to be resolved through direct negotiation between the private forestry owners and the affected communities, rather than DOF regulating it. In this case, the DFOs, NGOs and other local organizations may mediate the conflict to reach win-win solutions. Another issue relating to the role of DFO is that they have to play dual role of enforcing rules as the administrator and interpreting them as

a semi-judicial body, has complicated the implementation of regulations in the promotion of forest resources for economic development (CEBED, 1999).

### *Community forest area for NTFP management*

MPFS has emphasized the fulfillment of fuelwood, fodder and timber from the management of community forests, while giving limited attention to enhance income and employment from high value NTFPs. The criteria of 'accessibility' and the size for manageability in case of NTFP focused management of community forests should be different from traditional forestry for timber and fuelwood. In other words, a group of users may be in a position to manage larger areas of forest for the promotion of NTFPs, especially in high altitude regions of Nepal. The 'distance between community and forest' as criteria for forest hand over may not be valid in case of NTFP focused community forest management. Although there is no legal limit in area of forest to be handed over, the DFOs hesitate for so doing because of the timber oriented practices. Besides, there is no time limit for the processing and approval time on the hand over of forests to forest user groups. Although this is logical in view of the complexities expected in the hand over process, at times the user group gets no response from the DFO even after a prolonged period of time after having lodged their request. How long a FUG should wait for the DFO to respond to their application? This may be more of an issue of attitude than regulation.

### *Enterprise location constraints*

The benefits from NTFPs to local communities depend on their capacity to add value and market them through carefully planned enterprises. Experiences in Nepal and elsewhere have shown that supporting communities in marketing of bio-resources reinforce incentives to conserve biological diversity (Subedi and Bhattarai, 1998, Salafsky et al, 1999). But establishment of forest-based industries has not been allowed within 3 km (in hills) and 5 km (in Terai) from the forests. In case, however, FUGs want to establish and operate such enterprises, this distance limit becomes a major constraint. Current regulatory provision states that a FUG can establish industry based on the raw materials from its own forests or a group of community forests. Clarity lacks regarding whether a FUG can legally get raw materials from other sources like private or government forest lands for operating its enterprise.

### *Arbitrary royalty rates*

DOF collects royalty from the NTFPs collected from the national forests as per the rates specified in the regulation. However, the current system of determining royalty rates is arbitrary. The rates remain fixed until the rules are changed. The rate has to be determined so as to ensure conservation, sustainable utilization and trade of the NTFP resources. The trade of NTFPs has been discouraged by several taxes imposed by VDCs, DDCs, clubs etc at local

level. In some cases, such taxes have been found to be as high as 200%. The obvious effect is that the share of benefits that collectors can get has sharply decreased. The rates has to be periodically revised to in such a way that it raises return to the local collectors as they are the ones who have least benefited.

### **LACK OF ENABLING MECHANISMS**

#### ***Lack of provisions in community forest operational plans***

The FUG operational plans lack provisions of NTFP management, and emphasize the management of forest for timber, fuelwood and fodder. Although there is provision for the management of medicinal plants in the outline of operational plan stated in the current forestry regulations, no specific guidelines are given in the section for the development of NTFPs. The scope and opportunities for NTFP management within community forests could be widened if some specific provisions are included in the forest rules.

#### ***Inadequate priority***

NTFPs are in fact a crucial part of bio-diversity, and their management and utilization should be the country's priority sector in terms of availing finance to enterprises development, particularly to the community based enterprises. Low cost investment for the relatively longer period of time would contribute to the NTFP based economic activities. Creating economic incentives in NTFP based activities would further enhance biodiversity conservation.

#### ***Inadequate support in marketing***

DFO's tend to discourage marketing of forest products through community as well as private forestry even when the existing legal framework allows for so doing. The DOF should encourage FUG trade on NTFPs as they are the important source of income at latter's doorstep. The main issue is not trade and commercialization, but whether or not the NTFPs are being extracted on a sustainable basis. FUGs need technical support to prepare sound operational plans that estimates the stock of resources and sustainable harvest levels and techniques. The current knowledge on sustainable management techniques of NTFPs is limited, and FUGs and supporting organizations should form networks for collaborative action and research in such areas.

#### ***Inadequate monitoring***

Although provisions in the policy have been implemented to some extent, in many situations monitoring and control by the competent authority is very ineffective. At the implementation level, many challenges are there, including lack of capacity in identification of products and resource assessment. DOF

issues permits specifying quantities, methods and seasons but they have limited capacity to monitor these parameters in the field at the time collectors are in the forests. Opportunities also do exist but the stakeholders may not be able to identify and capture.

### *NGO involvement*

Although the government organizations have failed to provide adequate extension and technical services to NTFP users and other stakeholders, the forestry policy has not recognized the potential of NGO involvement. The general feeling of government officials regarding this is not positive, and this may be partly due to the roles played by NGOs, that have taken the side of communities whenever there is a political tension between the FUGs and the DOF. Since the technical capacity of DFO is limited in supporting NTFP management and enterprise development, competent NGOs may be invited to complement the DOF in creating NTFP based economic opportunities.

### *Market regulations*

Knowledge is power. But it has also been money in the NTFP sector. Some are losing money simply because they do not have the right information, especially related to the prices of the NTFPs in an imperfect market structure that is prevalent in NTFP sector. What regulatory provisions could make information flow up to the local level collectors and traders so that they get stronger in dealing with downstream traders and get fairer return from NTFP business? Till the market becomes competitive with many buyers as well as many sellers, some provisions in the policy have to be made to avail right information in the benefit of those that are being cheated.

### *Infrastructure*

Transportation, communication and other infrastructure facilitate NTFP development by enabling the flow of information, people, and goods and services. Since many of the commercially potential NTFPs are found in the remote mountain locations, and these areas have limited alternatives to create economic opportunities to the people, policy provisions should encourage building of such facilities in the NTFP rich areas either.

## **IMPLICATIONS FOR POLICY CHANGE**

Two obvious implications of policy change are revealed in the previous discussion. First, the control-oriented provisions without adequate implementation capacity are leading to unsustainable management and distorted NTFP trade, and therefore they have to be reviewed towards encouraging sustainable use and management. For all issues that have their roots in governments control orientation, solutions include deregulation, and

empowerment of local institutions, particularly those of communities dependent on forest resources. Lifting ban on collection and giving management rights to the local communities of all the valuable NTFPs will contribute to the sustainable management of the NTFP resources, as against control-oriented situations. Secondly, adequate enabling provisions have to be made to facilitate the sustainable use and trade of the NTFP resources so that the ownership and incentives thus created would reinforce conservation.

Use of NTFPs has to be encouraged beyond subsistence level, and products that are extracted on the basis of a sound operational plan already in place may find their own way without any market restrictions by government. Provisions may however be made to make sure that the collectors and the local users get fair return from this. This requires increasing the local capacity through trainings, and technical supports, information on markets and prices and other forms of institutional support. In order that such services reach the communities in need, government should explicitly recognize the role of NGOs and the private sector.

In order to improve the policy framework in this line, MFSC has to increasingly recognize the importance of continuous and effective dialogue with the representatives of communities, NGOs and the traders in the NTFP sector. This will also help remove barriers and conflicting visions, and pave way for a more co-ordinated and consolidated NTFP activities in the country.

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## Notes to readers

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